MEASURING THE IMPACT OF BEING LISTED ON THE NAMIBIAN STOCK EXCHANGE ON STAKEHOLDER VALUE CREATION

A THESIS SUBMITTED IN PARTIAL FULFILMENT

OF THE REQUIREMENTS FOR THE DEGREE OF

MASTER OF BUSINESS ADMINISTRATION

OF

THE UNIVERSITY OF NAMIBIA

BY

Angus Claassen

201044846

April 2016

Supervisor: Dr. R.T. Chifamba

ABSTRACT

This study measured the impact of being listed on the Namibian Stock Exchange on stakeholder value creation. The study was prompted by the concerns raised by the Minister of Finance in the Namibia Financial Sector Strategy: 2011-2021, where she referred to the low levels of liquidity on the NSX. The study is aimed at establishing whether being listed on the NSX creates value for stakeholders. A study was conducted with eight Namibian listed companies. Financial ratios and the share price performance of eight Namibian listed companies from 2009-2014 were used to measure the impact of being listed on the NSX and stakeholder value. Structured questionnaires and unstructured in-depth interviews were used to measure the non-financial issues such as stakeholder relations and governance.

The main reasons why companies decided to list on the NSX was to be a Namibian company, owned and managed by Namibians. These companies believed that creating value for ordinary Namibians will ultimately create economic value for their companies and the economy. Listed companies experienced challenges due to lack of liquidity, lack of instruments, need for capital and the unwillingness to share ownership were the biggest reasons why companies remained unlisted. These companies simply did not see the benefit of being listed on the NSX. There was a significant relationship between the internal performance of the listed companies and to the external judgement of the marketplace in terms of value. This means that with each year of improved financial performance shareholders receive return on investments through dividends and growth

in share prices and the Government of Namibia receives increased taxes, employees earn higher salaries, bonuses and incentives.

A regression analysis showed that there is a statistically significant positive relationship between the share price and book value. However, further analysis showed that there was a general divergence between the share price and the book value per share with the latter increasing at a slower pace. This shows that the shareholder value improved due to listing on the stock exchange.

Recommendations to improve stakeholder value on the Namibian stock Exchange include establishing an Issuer and Investor department that can advertise in selected publications in order to profile the exchange. Demutualisation in order to enhance efficiency and competitiveness in order to make the NSX the preferred platform for capital raising, in Namibia and elsewhere. Privatising State Owned Enterprises since listing these enterprises will increase public awareness about the NSX and also create first time local Namibian buyers. If stakeholders are educated about the NSS it will create a culture of participation on the stock exchange in order it address the lack of capitalisation and illiquidity.

DECLARATION

I, Angus Claassen, declare hereby that this study is a true reflection of my own research, and that this work, or part thereof has not been submitted for a degree in any other institution of higher education.

I, Angus Claassen, grant The University of Namibia the right to reproduce this thesis in whole or in part, in any manner or format, which The University of Namibia may deem fit, for any person or institution requiring it for study and research; providing that The University of Namibia shall waive this right if the whole thesis has been or is being published in a manner satisfactory to the University.

………………………………. ……………………………..

Angus Claassen

ACKNOWLEDGEMENTS

I would like to express my sincere appreciation and gratitude to all the people and institutions which rendered help in the course of the study. I would especially like to acknowledge Tiaan Bazuin for his time and experienced shared which ultimately paved the way forward. Last but not least I want to thank Mr Mornay Louw for the time spent on editing this document.

DEDICATION

I dedicate this thesis to my wife Tania and twin boys, Adin and Arin. I appreciate all the sacrifices that you had to make during these past two years.

Table of Contents

CHAPTER ONE 1
INTRODUCTION 1
1. Background 1
1.2 Problem Statement 3
1.3 Objectives of the study 5
1.4 Academic Rationale for Study 6
CHAPTER TWO 7
LITERATURE REVIEW 7
2.1 Reasons for listing 7
2.2 Governance, economic value and stakeholder value 11
2.2 Measurement of firm performance 22
CHAPTER THREE 30
RESEARCH METHODOLOGY 30
3.1 Research Design and Methods 30
3.2 Population 31
3.3 Sample size and design 31
3.4 Data Collection 31
3.5 Construction of Instrument 32
3.6 Data Collection Methods 32
3.6.1 Measurement of study variables 33
3.7 Analytical Tools 34
CHAPTER FOUR 40
ANALYSIS AND DISCUSSIONS 40
4.1 Reasons for Listing 40
4.2 Challenges with listing 51
4.3 Respondents’ Suggestions to NSX 66
4.4 Responses to why companies remain unlisted 69
4.5 Enterprise and Equity Valuation 75
CHAPTER 5 103

5.1 RECOMMENDATIONS 103
5.2 CONCLUSIONS 106
5.3 Suggested Areas of Further Research 111
References 112
APPENDIX 1 121

LIST OF FIGURES

Figure 1: Share price performance over five years: Bidvest……………………………78

Figure 2: Share price performance over five years: Bank Windhoek……..……………81

Figure 3: Share price performance over five years: Namibia Breweries Ltd...…………84

Figure 4: Share price performance over five years: Oryx Properties...…………………87

Figure 5: Share price performance over five years: Trustco Group Holdings.…………90

Figure 6: Share price performance over five years: Nictus Holdings..…………………93

Figure 7: Share price performance over five years: Namibia Asset Management……...96

Figure 8: Share price performance over five years: FNB Namibia Holdings…...……...99

LIST OF TABLES

Table 1: Responses to Section 1 Question 1……………………………………………41

Table 2: Responses to Section 1 Question 2....…………………………………………52

Table 3: Financial Statement Analysis of Bidvest…...…………………………………76

Table 4: Financial Statement Analysis of Bank Windhoek...……..…….………………79

Table 5: Financial Statement Analysis of Namibia Breweries Ltd………..…………….82

Table 6: Financial Statement Analysis of Oryx Properties………..……………………85

Table 7: Financial Statement Analysis of Trustco Group Holdings...……..…...………88

Table 8: Financial Statement Analysis of Nictus Holdings Ltd…....…………..………91

Table 9: Financial Statement Analysis of Namibia Asset Management Ltd…....…...…94

Table 10: Financial Statement Analysis of FNB Namibia Holdings Ltd…....…………97

Table 11: Parameter Estimates …...……….101

Table 12: Price- To- Book Ratio (P/B) Ratio …..102

CHAPTER ONE

INTRODUCTION

1. Background

Namibia's Fourth National Development Plan (NDP4) highlights challenges relating to the business environment, which can be broadly categorised as those facing start-up firms and those facing existing businesses, especially micro, small- and medium- scale enterprises (MSMEs). Under each of these two broad categories, a number of issues such as ease of doing business in Namibia, access to finance and land, access to skills, research and development, innovation, public service delivery, unemployment, public and private sector cooperation and the government incentive regime need attention. These issues often cut across all existing businesses, and include the following: ease of doing business in Namibia; access to finance and land; access to skills; research and development; innovation; labour flexibility and productivity; public service delivery; unemployment; public and private sector cooperation; and government incentive schemes.

According to NDP 4, access to finance for enterprises is a key challenge, particularly for start-ups and for micro and small-scale enterprises. The plan further states that high bank user charges and fees, high transaction costs, low levels of financial literacy, and, partly, a lack of appropriate and innovative finance products (e.g. microfinance) and instruments (e.g. venture capital, bridging finance) are key factors limiting access to finance. In addition to these, small- and medium-scale enterprises often lack the necessary collateral to qualify for bank loans. From the NDP 4 it can be observed that some companies need initial start-up capital, while others need capital for expanding their operations.

The Global Competitiveness Index studies and benchmarks the many factors underpinning national competitiveness. The index states that economies require sophisticated financial markets that can make capital available for private-sector investment from such sources as loans from a sound banking sector, well-regulated securities exchanges, venture capital, and other financial products. In order to fulfil all those functions, the banking sector needs to be trustworthy and transparent, and (as has been made so clear recently) financial markets need appropriate regulation to protect investors and other actors in the economy at large. By having a well- regulated securities exchange, it is expected that investors will feel secure to invest in the Namibian economy.

The two main reasons why companies list on a Stock Exchange is to raise capital now, and for the future, and to raise the business profile and create brand awareness. Namibia officially launched its own stock exchange on 30 September 1992. The Namibian Stock Exchange (NSX) is part of the financial services industry. The NSX is the only licensed stock exchange in Namibia in terms of the Stock Exchanges Control Act (No.1 of 1985). It is a computerized marketplace for the secondary trading of financial securities such as equities and bonds. It oversees and regulates the activities and trading of its member stockbrokers, sponsors and listed companies and publishes information about trading and general information about stock exchanges. The NSX is licensed annually by the Namibia Financial Institutions Supervisory Authority (NAMFISA) in terms of the Stock Exchanges Control Act of 1985. NAMFISA has the responsibility for overseeing all non-banking financial institutions in Namibia.

The main function of the NSX is to establish and develop the capital market as one of the key contributors to Namibia's economic growth, development and prosperity. The NSX assists listed companies to raise capital, whilst providing a trading platform in these shares after listing with transparent price discovery, in a regulated environment where best practice corporate governance is prescribed and enforced, which encourages investors to buy equities / shares in the first place.

1.2 Problem Statement

Literature suggests that there is a positive relationship between price per share and the book value (Chebaane and Othman, 2014). However, sometimes the book value fail to reflect the replacement or market values due to goodwill write offs, asset write offs and depreciation in fixed assets. Even though a positive relationship exists between the share price and book value the ratio between the two will have a tendency to change due to perception by the market.

According to Birnder, Dijker and Otte (BDO) (2011), being listed on a stock exchange creates value for the shareholder as it allows such companies to attract well-known names to its boards and management positions, raises their business profiles, creates brand awareness and improves the companies' credibility with stakeholders. However, BDO Research Project into JSE listing (BDO, 2011) states some companies delist due to the high cost of listing, lack of liquidity, burden of compliance and opportunity cost of executive time being tied up in compliance. The BDO Research Project into JSE listing report also mentioned that the time spent by senior management executives on reporting is a cost and that their time could have been better spent on growing and developing the business.

The NSX currently has listed eight primary-listed Namibian companies. The Ministry of Finance in Namibia is concerned about the small number of locally listed companies and the lack of liquidity on the NSX. As a result the Ministry of Finance came up with strategies to achieve an active capital market characterised by high turnover, liquidity and immediacy. One of the outcomes of the Namibia Financial Sector Strategy: 2011-2021 stated that Namibia should have an active securities market characterised by higher turnover, liquidity and immediacy and the NSX local market capitalisation is expected to reach 75% of GDP by 2021. In order to achieve the outcomes and ensure the successful implementation of the Namibia Financial Sector Strategy, an implementing committee consisting of the Permanent Secretary of the Ministry of Finance, the Governor of the Bank of Namibia and Chief Executive Officer of NAMFISA was established to perform continuous monitoring and evaluation.

The enhanced status of being listed is expected to improve a company’s dealings with banks, suppliers, distributors and customers, which in turn could have a positive effect on the company’s overall performance and stakeholder value. Two of the main requirements for being listed on the NSX are an acceptable record of good corporate governance and auditors reports. These requirements relate to transparency, disclosure and corporate governance. However, the cost of compliance to transparency, disclosure and corporate governance for listed companies can become too costly and unsustainable. Being listed on a stock exchange could provide companies with a competitive advantage but it could also be too costly to sustain. There are only a limited number of locally listed companies on the NSX. Therefore there is a need to determine whether being listed on the NSX creates economic value for the stakeholders.

1.3 Objectives of the study

The main objective of this study is to measure the impact in terms of stakeholder value creation of Namibian listed companies.

To achieve this, the following specific objectives will be addressed:

- To determine the reasons for either listing or remaining unlisted;
- To examine the challenges that companies faced after being listed;
- To determine the economic and stakeholder value added by analysing the share price performance, profitability and operational ratios and book value of listed companies over time; and
- To establish the relationship between the share price and book value.

1.4 Academic Rationale for Study

The importance of this research comes from its attempt to ascertain whether being listed on the NSX creates stakeholder value by assessing whether benefits of being listed on the NSX outweigh the challenges, and vice versa.

This study is expected to provide the board of the NSX with the different views of current primary listed companies that will ultimately improve the listing environment for prospective companies interested to list, and other stakeholders. The study highlights the general perceptions and areas of concerns for the companies currently listed on the exchange.

The study will contribute to a better overall appreciation of the NSX and the associated benefits and challenges of listing, while promoting a deeper understanding of why it becomes important to list on the exchange.

CHAPTER TWO

LITERATURE REVIEW

There is a need to understand whether being listed on the Namibian Stock Exchange creates value for stakeholders. This chapter reviews literature in relation to the research objectives.

2.1 Reasons for listing

During 2011, a company called Birnder Dijker and Otte (BDO) conducted a research study into listings and delisting on the Johannesburg Stock Exchange (JSE) and the JSE's overall regulatory and compliance environment. To obtain this information, chief executive officers of thirty companies were interviewed by a joint JSE and BDO team, who had listed or delisted since 2006. The selection covered a wide spectrum of industries and included recently-delisted companies. The report concluded that being listed allowed companies to attract well-known names to its boards and management positions, raised their business profiles, created brand awareness and improved the companies' credibility with stakeholders. However, the reports also states that the reasons why most companies delist are because of ongoing cost of remaining listed, lack of liquidity, burden of compliance and opportunity cost of executive time being tied up in compliance.

Ashta and Patil (2007) mentioned a number of reasons why many companies list, such as marketability of stock, company prestige, sales of additional stock, loan value of stock for shareholders, ownership base, transactions, media publicity, advertising value for the company and the fact that some institutions buy only listed stocks.

Brown (2014) explained that a stock exchange represents a single place for buyers and sellers to meet in order to exchange shares. Brown (2014) further stated that a stock exchange also offered certainty in that they have rules and regulations, so investors know what they are getting and what is expected of them.

Howson and Khanna (2014) stated that listing by non-United States (U.S) and non-United Kingdom (U.K) firms on U.S. and U.K. exchanges may be motivated by a number of considerations, but a consideration that seemed to have captured a great deal of attention is the desire of foreign firms to be subject to the corporate and securities laws and enforcement environments of the U.S. and the U.K., which may be perceived as being stronger than those in their own countries. Howson and Khanna (2014) said that this allowed such firms to signal that they can meet these higher standards, which in turn may attract investors willing to pay a higher share price.

American Nurseryman (1996) cited the reason why The Scotts Company listed its common stock on the New York Stock Exchange as to provide greater visibility, liquidity and market efficiency to the institutions and individuals who invested in the company. American Nurseryman (1996) further explained that the listing was also aimed at enhancing the company's exposure to international investors as it expanded into the global market. The company attributed part of its success to the cultivation of market opportunities throughout the world.

Taylor (2003) wrote that the Chief Executive Officer of Porsche, Wendelin Wiedeking ruled out listing Porsche on the New York Stock Exchange because he thought a new law requiring senior executives to swear to the accuracy of their financial reports was senseless. Taylor (2003) also stated that Wiedeking pointed out that since hundreds of people prepared Porsche's numbers, he could not be sure they were completely right.

Hanney (2004) said that the primary reason why Begbies Traynor, an insolvency and recovery specialist company, considered listing was the competitive advantage afforded by becoming the United Kingdoms's first publicly quoted company in this specialist area. Hanney (2004) also stated that the listing provided Begbies Traynor with a much higher profile and other institutions saw the company as being bigger and more credible.

Institutional Investor International Edition (2005) wrote that the only reason why Tim Collins, Founder and Chief Executive Officer of New York-based Ripplewood Holdings, decided to list his group's Japanese holdings on the Brussels Stock Exchange was to have a vehicle that allowed them to do deals that would otherwise be unavailable to them in Japan. Institutional Investor International Edition (2005) stated that Collins believed that as a listed company, Ripplewood Holdings would be more trusted, and that it in turn would open up new opportunities.

Ashta and Patil (2007) mentioned two key reasons why most companies delisted as to disclose less information to the market (which is also available to competitors), and the lack of effective liquidity. Ashta and Patil (2007) said Geerling's & Wade, the largest mail and internet retailer of wines in the US decided to delist from the National Association of Securities Dealers Automated Quotation system (NASDAQ) because the company felt that from a financial and strategic viewpoint, the provision of information to maintain the NASDAQ listing status was just not worthwhile because there was little analytical coverage, whereas the stock was very thinly traded.

De La Mater, De Sombre and You (2002) stated that although the United States of America's capital markets are perceived to be the most liquid in the world, the common view is that the new requirements under the Sarbanes Oxley Act may place the NYSE and the NASDAQ at a competitive disadvantage compared with non-United States exchanges in attracting smaller companies. De La Mater et al. (2002) further explained that unlike larger companies with more extensive capital needs or global ambitions, smaller companies may feel that the increased requirements imposed by the Sarbanes Oxley Act meant the overall costs of listing on a U.S. Exchange outweighed the benefits of accessing the U.S. public markets.

From the literature reviewed above it can be observed that companies list on a stock exchange because they are viewed as being more credible, prestigious and trusted by investors. Stock exchanges have rules and regulations in place that is aimed at protecting investors. Companies have to comply with a higher standard in order to list on an exchange. Complying with rigorous due diligence process and listing requirements helps convince investors and other stakeholders of the company's financial integrity, which leads to higher returns and enterprise value. It is also a listing requirement for companies to comply with good corporate governance practices before listing can take place on the NSX.

2.2 Governance, economic value and stakeholder value

Senbet and Otchere (2008) explained that stock markets are mainly mechanisms for exchange and trading stock and that a stock market fails if the stock exchange is not conducive to exchange of stocks. They contend that the mere establishment of stock exchanges is of no value in itself and the value of stock exchanges to Africa can be appreciated by understanding the multiple functions that the stock markets perform. They further mentioned that well-functioning stock markets, along with well-designed institutions and regulatory systems, fostered economic growth and stated as an important function performed by a stock market, that it served as a vital governance function in disciplining management in an environment with imperfect information and incentive problems.

Patel and Dallas (2002) investigated transparency and disclosure of key global firms by using the Transparency and Disclosure scores (T&D score). The T&D score is an index that analyses the latest available annual reports for over 1600 large and liquid companies in more than 30 countries and assesses the level of transparency. The score is based on whether the company annual reports include answers to 98 questions grouped in three categories: “ownership structure and investor rights”, “financial transparency and information disclosure”, and “board and management structure and process”. They found that firms with a higher value of the index have a lower market risk and higher price-to-book value and concluded that firms should improve disclosure and transparency in order to lower their cost of equity.

La Porta, Lopez-de-Silanes, Shleifer and Vishny (2002) studied the effects of legal protection of minority shareholders and of cash-flow ownership by a controlling shareholder on the valuation of firms, using a sample of 539 large firms from 27 wealthy economies. They found evidence of higher valuation of firms in countries with better governance standards. La Porta, Lopez-de-Silanes, Shleifer and Vishny (2002) concluded that strong investor protection is associated with effective corporate governance, as reflected in valuable and broad financial markets, dispersed ownership of shares, and efficient allocation of capital across firms. They further state that the existing corporate governance arrangements benefitted both the politicians and the entrenched economic interests, including the families that manage the largest firms in most countries in the world. According to La Porta, Lopez-de-Silanes, Shleifer and Vishny (2002), reform of investor protection is politically feasible in some circumstances, and can bring significant benefits.

Gompers, Ishii and Metrick (2003), analysed the impact of 24 governance provisions on stock returns for about 1500 United States America (USA) firms from 1990 till 1999. They constructed portfolios consisting of firms with numerous anti-takeover amendments ("Dictatorship Portfolio") and portfolios including firms with very few amendments ("Democracy Portfolio"). An investment strategy that bought firms in the lowest decile of the index (strongest rights) and sold firms in the highest decile of the index (weakest rights) would have earned abnormal returns of 8.5 percent per year during the sample period. Therefore, they argued that firms with stronger shareholder rights had higher firm value, higher profits, higher sales growth, lower capital expenditures, and made fewer corporate acquisitions.

Core, Guay, and Rusticus (2006) criticised the results of Gompers, Ishii and Metrick (2003), arguing that it was not true that better governance determined higher extra-returns, since the time period of the study was unusual and in subsequent periods this relationship was inverted, showing that firms with poor governance had low operating performances, but higher extra-returns compared with firms with better governance. They also stated that weak governance firms were taken over at about the same rate as strong governance firms and that differences in takeover probability were unlikely to explain the difference in returns. Core, Guay, and Rusticus (2006) pointed away from the hypothesis that differences in shareholder rights cause higher returns, and suggested that time-period-specific returns and/or differences in expected returns are likely to play a role in explaining the documented abnormal stock returns of strong governance firms.

Bauer and Günster (2004) conducted an analysis on whether good corporate governance lead to higher common stock returns and enhanced firm value in Europe. Throughout this study they used the Deminor Corporate Governance Ratings for companies included in the FTSE Eurotop 300. Following the approach of Gompers, Ishii and Metrick (2003) they built portfolios consisting of well-governed and poorly governed companies and compared their performance, whilst also examining the impact of corporate governance on firm valuation. Their results showed a positive relationship between these variables and corporate governance. This relationship, however, weakened substantially after adjusting for country differences. They also analysed the relationship between corporate governance and firm performance, as approximated by the Net Profit Margin (NPM) and Return-on-Equity (ROE). Their results are in contrast to the findings of Gompers, Ishii and Metrick (2003), as they found a negative relationship between governance standards and earnings based performance ratios.

In a study by Bauer, Frijns, Otten and Tourani-Rad (2008), a unique data set provided by Governance Metrics International (which rated firms by using six different corporate governance dimensions) was used to analyse whether Japanese firms with many governance provisions exemplified better corporate performance than firms with fewer governance provisions. Bauer, Frijns, Otten and Tourani-Rad (2008) found that well-governed firms significantly outperformed poorly-governed firms by up to 15% a year, after correcting for market risk, size and book-to-market effect. The results were obtained over different sample periods, cut-off points, and sector corrections. The corporate governance index used was constructed from six sub-indices, which allowed them to further investigate the relationship of each sub-index with stock price performance. Bauer, Frijns, Otten and Tourani-Rad (2008) observed that that only provisions that dealt with financial disclosure and internal control, shareholder rights, and remuneration have a significant impact on stock performance. Provisions that dealt with board accountability, market for control, and corporate behaviour did not affect stock performance in Japan. These findings provided evidence that in Japan not all aspects of corporate governance mattered to shareholders.

Bebchuk, Cohen and Ferrell (2008) investigated the relative importance of the twenty-four provisions followed by the Investor Responsibility Research Center (IRRC) and included in the Gompers, Ishii, and Metrick governance index (Gompers, Ishii, and Metrick 2003). They used an index that was based on six provisions namely staggered boards, limits to shareholder bylaw amendments, poison pills, golden parachutes, and supermajority requirements for mergers and charter amendments. Bebchuk, Cohen and Ferrell (2008) identified which provisions, among the set of twenty-four IRRC provisions used in the GIM governance index were negatively correlated with firm performance. They identified six entrenching provisions that are negatively correlated with firm valuation, as measured by Tobin's Q, as well as with stock returns, during the 1990 to 2003 period. They also presented that the remaining eighteen variables were not correlated with firm value. Bebchuk, Cohen and Ferrell (2008) have found that these provisions fully drove the findings documented by prior research that the IRRC provisions in the aggregate were correlated with Tobin's Q, as well as returns during the 1990s. They explained that such complex indexes which included variables not correlated with value may be wrong measures of the quality of governance and that using them could induce firms to adopt counter-productive governance mechanisms.

Brown and Caylor (2006) designed the Gov-Score Index in order to measure the strength of a firm's governance. According to them their Gov- Score Index is more closely linked to firm performance than the G-Index created by Gompers, Ishii and Metrick (2003). They argued that their index focussed less on antitakeover measures, such as charter/bylaws, which are the governance categories that were more often linked to bad performance than any of the other seven categories examined by them. The Gov-Score is a composite measure of 51 factors encompassing eight corporate governance categories namely audit, board of directors, charter/bylaws, director education, executive and director compensation, ownership, progressive practices, and state of incorporation. Brown and Caylor (2006) related the Gov-Score to operating performance, valuation, and shareholder pay out for 2327 firms, and found that better governed firms are relatively more profitable, more valuable and pay out more cash to their shareholders.

One of the first studies on Corporate Governance on Canadian listed entities was done by Foester and Huen (2004). The companies involved in the study, totalling 270 Canadian publicly listed entities, were ranked based on four key factors that were considered to be critical to corporate governance effectiveness: board composition, board compensation, shareholder rights and public disclosure. Board composition examined the percentage of a firm's directors, audit committee, compensation committee and nominating committee that are fully independent, and other board factors such as whether the role of chairman and CEO are separate. Compensation measured whether directors and the CEO were required to own their own stock and other factors such as whether the firm gives loans to directors and officers. Shareholder rights examined whether directors stood for re-election annually, whether stock options were excessively dilutive, whether options were re-priced and whether a firm had non-voting or subordinate voting shares. Disclosure examined whether a firm had a full statement of corporate governance practices and other disclosure practices including whether a firm fully explains which directors are related and why. Foester and Huen (2004) found that in the short term, corporate governance were important for Canadian investors and that the market reacted to news about governance-ranking in a way which is statistically significant. They concluded that corporate governance was relevant in the long term, but only after adjustments for risk, and only if the period considered was sufficiently long.

Drobetz, Schillhofer and Zimmermann (2004) followed the same approach as Gompers *et al*. (2003) by adopting a one-country approach to hypothesise a relationship between corporate governance, expected returns, and other performance parameters for German-listed companies. They constructed a corporate governance rating (CGR) for German firms and gathered thirty governance proxies divided into five categories namely corporate governance commitment, shareholders' rights, transparency, management and supervisory board matters and auditing. The difference between these authors and Gompers, Ishii and Metrick (2003) was that the approach followed by the former does not build on differences in federal and state law regulation and corporate provisions at a firm level, but on a variety of voluntary corporate governance proxies. They found a positive relationship between the CGR and firm value. In addition, there was strong evidence that expected returns were negatively correlated with the CGR, if dividend yields and price-earnings ratios are used as proxies for the cost of capital. Gompers, Ishii and Metrick (2003) also proved that an investment strategy that bought high-CGR firms and shorted low-CGR firms would have earned abnormal returns of around 12 percent on an annual basis during the sample period.

Subsequent to the study done by Drobetz, Schillhofer and Zimmermann (2004), Cheung, Connelly, Limpaphayom, and Zhang (2007) did a similar study aimed at examining whether investors were concerned with the good corporate governance practice of firms in Hong Kong, which are the determining factors for good corporate governance practices and examining the corporate governance practice of China-related companies listed in Hong Kong. They constructed a corporate governance index (CGI) for 168 listed companies on the Hong Kong market. They found that the companies' market value is positive and significantly associated with their CGI. They also found that companies with better corporate governance were associated with higher market value in Hong Kong. Connelly, Limpaphayom, and Zhang (2007) also established that a significant and positive relationship was found between the transparency index and market value.

Beiner, Drobetz, Schmid and Zimmermann (2005) built a Corporate Governance index for Switzerland that was different from other indices. They constructed a broad corporate governance index instead of looking at one single corporate governance mechanism in isolation. The broad corporate governance index and applied five additional variables related to ownership structure, board characteristics, and leverage to provide a comprehensive description of firm-level corporate governance for a representative sample of Swiss firms. The results by Beiner, Drobetz, Schmid and Zimmermann (2005) supported the widespread hypothesis of a positive relationship between corporate governance and firm valuation. Their study found a positive and significant correlation between Corporate Governance and Tobin's Q.

The Report on Business (ROB) calculates governance scores using an aggregated index for listed firms. A number of empirical studies use the ROB as a measure of the quality of Corporate Governance, thus investigating the relationship between Corporate Governance and value. The 2002 ROB ratings were used also in Klein, Shapiro and Young (2005), who investigated the effect of ownership concentration on the correlation between the corporate governance score and firm value for a sample of 263 Canadian firms. They found that corporate governance did matter in Canada and that strong shareholder rights, compensation policies that align manager and shareholder interests, and open and transparent disclosure mechanisms that reduce information asymmetry were highly valued by investors. However, not all elements of measured governance were important since there was no evidence that board composition and independence were valued as governance mechanisms. They also argued that specific aspects of corporate governance that was most important to investors varied depending on firm ownership. Klein, Shapiro and Young (2005) concluded that firm value was not affected by Board composition and structure.

Gupta, Kennedy and Weaver (2009) performed a study on the four sub- categories of the ROB scores in order to examine the association between the sub-category corporate governance scores and various measures of firm value. The four sub-categories consisted of the composite scores: board composition, board and CEO compensation, shareholder rights and board governance disclosure. The research study did not find a consistent strong association between the corporate governance scores as published annually by the ROB and various measures of firm value. However, when Gupta, Kennedy and Weaver (2009) examined the same association at the sub-category level, they found that some sub-categories emerged as significant, but again on an inconsistent basis. Gupta, Kennedy and Weaver (2009) concluded that ROB scores may not be true indicators of the quality of corporate governance, and that the effect of governance on value may be expressed in a longer period of time, thus requiring longer time series to be properly investigated.

Bhagat and Bolton (2008) opposed these findings with the study they performed on the measurement of corporate governance and the relationship between corporate governance and performance. In the study Bhagat and Bolton (2008) addressed the endogeneity of the relationships among corporate governance, corporate performance, corporate capital structure, and corporate ownership structure. They found that better corporate governance as measured by the G-Index developed by Gompers, Ishii and Metrick (2003) and by the E-Index developed by Bebchuk, Cohen and Ferrell (2008) were positively correlated with better contemporaneous and subsequent operating performance. However, the authors did not agree that governance measures were correlated with future stock market performance.

Monda and Giorgino (2013) developed a Corporate Governance index to examine the relationship between corporate governance quality and firm value. The index was composed of 39 variables referable to four dimensions: board, remuneration, shareholder rights and disclosure. What made this study different was that the authors focused on five different countries, namely France, Italy, Japan, UK and USA, instead of just one. Monda and Giorgino (2013) analysed 100 large companies listed on the main stock markets in the five different countries over three years (2009 to 2011). Their findings confirmed those of Bebchuk, Cohen and Ferrell (2008), who argued that only some aspects of corporate governance impacted on value. What the authors found different from Bebchuk, Cohen and Ferrell (2008), was the positive and statistically significant relationship between corporate governance, as measured by a subset of twelve variables, and firm value. The variables the authors found belong to all the four areas originally considered in the CGI: board, compensation, shareholders' rights and disclosure. They concluded that their results confirmed the belief that corporate governance was complex and required a multi-dimensional measure.

Koller, Goedhart and Wessel (2010) stated that value was a particularly helpful measure of performance because it took into account the long-term interests of all the stakeholders in a company, not just the shareholders. They further explained that companies that maximised value for their shareholders in the long term also created more employment, treated their current and former employees better, gave their customers more satisfaction, and shouldered a greater burden of corporate responsibility than more short-sighted rivals

It is clear from the literature reviewed that the companies that maximised value were strong on shareholder and investor protection, paid better remuneration to employees and better treatment of customers. From the literature reviewed it was clear that companies that used corporate governance to benefit their stakeholders maximised their economic value.

2.2 Measurement of firm performance

Dybvig and Warachka (2012) stated that even though empirical studies in the literature on corporate governance often applied Tobin's Q as a proxy for firm performance, they found that the relationship between firm performance and Tobin's Q was confounded by endogeneity. The authors used two measurements to assess managerial decisions regarding scale and cost discipline, and discovered that better firm performance was associated with a lower, and not higher Tobin's Q. Inefficiency due to underinvestment in capital lowers firm performance but increases Tobin's Q. This finding was consistent with underinvestment's ability to inflate Tobin's Q, but contradicted the prior literature's assumption that a high Tobin's Q is evidence of good firm performance.

Suozzo, Sutherland and Deng (2001) defined a valuation multiple as simply an expression of market value relative to a key statistic that is assumed to relate to that value. They further explained that to be useful, that statistic, whether earnings, cash flow or some other measure, must bear a logical relationship to the market value observed. There are two basic types of multiples, namely enterprise value and equity. Enterprise multiples express the value of an entire enterprise, the value of all claims on a business, relative to a statistic that relates to the entire enterprise, such as sales or Earnings Before Interest and Taxes (EBIT). Equity multiples, by contrast, express the value of shareholders' claims on the assets and cash flow of the business. An equity multiple therefore expresses the value of this claim relative to a statistic that applies to shareholders only, such as earnings (the residual left after payments to creditors, minority shareholders and other non-equity claimants).

Boatsman and Baskin (1981) studied the valuation accuracy of P/E multiples based on two sets of comparable firms from the same industry. They observed valuation errors were minimized when comparable firms were chosen based on similar historical earnings growth, relative to when they were chosen randomly.

Alford (1992) examined the effect of choosing comparable based on industry, size and earnings growth on the meticulousness of valuation using P/E multiples. He found that pricing errors declined when the industry definition used to select comparable firms was narrowed from a broad single digit SIC code to classifications based on two and three digits. He also observed that controlling for size and earnings growth over and above industrial controls, did not reduce valuation errors.

Kaplan and Ruback (1995) analysed the valuation properties of Discounted Cash Flow (DCF) approach for highly leveraged transactions. They found that though DCF valuations approximate transacted values reasonably well, simple EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) multiples also resulted in similar valuation accuracy.

Penman (1996) interpreted the P/E ratio and market-to-book ratio and described how they articulated. The study also described the role of book rate of return on equity (the ratio of their denominators) in the determination of ratios and the relation between them. The study proved that the description of Price- Earnings (P/E) ratio reconciled the standard growth interpretation of the P/E with the transitory earnings interpretation. Both were correct only in special cases. Penmen (1997) investigated approximate benchmark valuations that combined earnings & book value together. The study showed that weights vary in a non-linear way over the amount of earnings relative to book value, and systematically so, over time. It also demonstrated that estimated weights are robust over time and can be used to predict prices when applied out of sample.

Tasker (1998) compared across-industry patterns in the selection of comparable firms by investment bankers and analysts in acquisition transactions. She cited the systematic use of industry-specific multiples, which was consistent with different multiples being more appropriate in different industries.

Beatty, Riffe, and Thompson (1999) analysed different linear combinations of value drivers derived from earnings, book value, dividends, and total assets. They documented the benefits of using the harmonic mean, and introduced the price-scaled regressions. They further found that best performance was achieved by using weights derived from harmonic mean book and earnings multiples and coefficients from price-scaled regressions on earnings and book value.

Baker and Ruback (1999) demonstrated empirically that industry multiples estimated using the harmonic mean was close to minimum-variance estimates based on Monte Carlo simulations. They used the harmonic mean estimator to calculate multiples based on EBITDA, EBIT, and sales, and found that industry-adjusted EBITDA performed better than EBIT and sales.

Instead of focusing only on historical accounting numbers, Kim and Ritter (1999), in their investigation of how initial public offering prices are set using multiples, added forecasted earnings to a conventional list of value drivers, which included book value, earnings, cash flows, and sales. They found that forward P/E multiples, based on forecasted earnings, dominated all other multiples in valuation accuracy, and that the Earning Per Share (EPS) forecast for next year dominated the current year EPS forecast.

Liu, Nissim, & Thomas (2002) examined the valuation performance of a comprehensive list of value drivers to find out which of them best explains the stock prices. They found in terms of relative performance forward earnings measures were followed by historical earnings measures, cash flow measures and book value of equity were tied for third, and sales performs the worst. The authors extended their previous work for ten different countries. However, all the companies belonged to matured markets. They discovered that multiples based on earnings performed the best, those based on sales performed the worst and dividends and cash flow multiple exhibited intermediate performance. Secondly, using forecasts improved performance over multiples based on reported numbers with greatest (smallest) improvement being earnings (sales). Liu, Nissim & Thomas (2007) tried to find out whether valuations based on cash flow multiples were better than earnings multiple. They observed that despite intuitive claims that operating cash flows were better than earnings as a summary measure of value, stock prices were better explained by reported earnings, than reported operating cash flows.

Huang, Tsai and Chen (2007) re-examined the P/E anomaly by decomposing P/E ratios into a fundamental component and a residual component, which enabled them to capture factors that potentially provided better measures of investor overreaction. They found that both firm-specific and macroeconomic factors determined P/E multiples.

Da and Schaumburg (2008) documented that within industry-relative valuations implicit in analyst target prices did provide investors with valuable information, although the implied absolute valuations themselves were much less informative.

Irina, Alexander and Ivan (2007) proved that using peers from developed markets would overstate the estimation of equity value in emerging markets, because companies from emerging markets were subject to various factors such as political and economic risks, low level of corporate governance and high negative skewness etc., and thus required an adequate discount rate by applying an adjustment factor in emerging markets.

Sehgal and Pandey (2009) examined the behaviour of price multiples in India from 1990-07. They observed that price multiple distributions tend to be normal over the study period, thus, making mean and standard deviation of these multiples as relevant parameters for equity analysis in the Indian context. They also found that there was a very weak relationship between price multiples and their fundamental determinants and hence the cross-sectional linear models did not seem to be good descriptors of price multiples. The study also proved that price multiples also seemed to be sensitive to market conditions and therefore was generally higher in upturns, with the exception of infrastructure-related sectors. Sehgal and Pandey (2009) evaluated alternative price multiples for equity valuation purposes in the Indian context and found that price to earnings provided the best price forecast compared to other three price multiples i.e. price to book value, price to cash flow and price to sales. Their study also revealed that historical price to earnings as a standalone multiple did a better job in equity valuation vis -a -vis all value driver combinations. There seemed to exist a major research gap on the subject for emerging markets. Most of the research work done in emerging markets relates to P/E ratios, while no concrete research had been done on other value drivers like book value, sales & cash flows.

Sehgal (2010) evaluated the price forecasts provided by standalone price multiples and found that while book value is the best value driver in the case of Asian economies (India, China and South Korea), EPS performs best for Brazil and South Africa.

Loughtan and Wellman (2009) pointed to the potential superiority of Enterprise Multiple (EM) over book-to-market and stated that EM can be compared more easily across firms with differing leverage. They further explained that the numerator of EM, Enterprise Value (EV), can be compared to the market value of equity. EV can be viewed as a theoretical takeover price of a firm. After a takeover, the acquirer assumes the debt of the firm, but gains use of the firm’s cash and cash equivalents.

Chebaane and Othman (2014) examined, for different industries, the effects of stock price, earnings per share, book value and other firm control variables (total long term debt/total assets, total assets of the firm and sales growth). They used regression analysis on data relating to some listed companies from Africa and Asian emerging economies and found that earnings per share and book value of equity per share and share price were statistically significant and positively correlated.

From the literature reviewed, the authors express different opinions on how to measure the value of an enterprise and its shareholders. This study will make use of enterprise and equity multiples and their underlying formulas in order to measure stakeholder value. In addition it will also adopt the method used by Chebaane and Othman (2014) to measure the relationship between book value of equity per share and share price.

CHAPTER THREE

RESEARCH METHODOLOGY

The purpose of this chapter is to explain the research methodology relevant to this study. It presents the research methodology used, discusses the population, sampling methods and provides a detailed description of the data collection instrument.

3.1 Research Design and Methods

The survey design was administered through the use of structured interviews with standardised questionnaires over one month at the different business premises of eight listed companies. Unstructured in-depth interviews were also employed to formulate penetrative questions that reveal the feelings and beliefs of respondents that could not be collected through structured interviews.

Ratio measurement was used to determine the five year historical data on the stock price performance, profitability, operational performance and the proportional distribution of stakeholder value from the financial statements. Regression analyses were used to analyse the strength of the relationship the variables.

3.2 Population

The population consisted of the eight (8) primary listed Namibian companies on the NSX. These companies trade in six (6) different sectors in Namibia. For this study the views of the different Chief Financial Officers (CFOs) responsible for investment decisions were sourced.

3.3 Sample size and design

The sampling method used for this study was stratified random sampling since the companies interviewed were divided into groups based on the different six different sectors. Eight companies were interviewed, each representing a different sector in Namibia. This sample consisted of 75% of the primary listed Namibian companies on the NSX. The sample was taken from the following sectors: Banks;, Beverages;, Food Processors,; General Retailer; General Financial; and Real Estate.

3.4 Data Collection

The two sources of data were primary and secondary data. Primary data was obtained from questionnaires while Secondary sources of data were obtained from companies annual reports. Primary data was collected by conducting quantitative and qualitative studies to collectively determine individual views, perceptions and observations of the same situations from different respondents through structured and unstructured in-depth interviews. For secondary data, ratio measurements were used in analysing the share price performance, interpreting the profitability, operational performance and proportional distribution of stakeholder value from the financial statements of the selected companies.

3.5 Construction of Instrument

The measuring instrument used in this research was divided into six sections and data was collected by means of both a structured questionnaire and unstructured in-depth interviews.

The questionnaire consisted of six sections, namely Section 1, which focused on the reasons why the companies listed on the NSX; Section 2, which focused on the concerns relating to the listing environment experienced by these companies; Section 3 and 4, which focused on unstructured questions and suggestions by the listed companies to the NSX that will ultimately lead to value creation for all stakeholders. The research instrument was a questionnaire which comprised of 31 questions and is attached on the appendix. This questionnaire comprised closed ended questions except for Section 3 and 4.

3.6 Data Collection Methods

The Senior Executives responsible for investment decisions were selected from the sample of primary listed companies. The onsite data collection sessions consisted of six, one-hour long sessions with the different Senior Executives from the selected companies. Unstructured in-depth interviews were also conducted with two Chief Financial Officers from successful companies, operating in the automobile and food processing sectors in Namibia, which is currently not listed on the NSX. The aim was to obtain the different views and perceptions on why these companies never listed on the NSX.

The director of a company that acts both as a broker and sponsor to listed companies was also interviewed. Brokers and sponsors have first-hand experience of the benefits and challenges faced by listed companies and are the source of valuable information to improve the current listing environment. Valuable information was sourced from the Issuer and Investor Relations Department at the JSE that provided possible solutions to challenges experienced by the NSX.

3.6.1 Measurement of study variables

The study made use of the Likert Scale in order to measure the different degrees of attitudes towards the benefits and challenges of being listed on the NSX.

Section 1 consisted of fifteen statements each containing a five point Likert Scale (1 - strongly agree; 2- agree; 3- neutral; 4- disagree and 5- strongly disagree) reflecting the different views and assumptions about the benefits of being listed on the NSX. Section 2 consisted of fourteen statements each containing a five point Likert Scale reflecting the different views and assumptions about the challenges of being listed on the NSX. Section 3 and Section 4 were more unstructured and informal questions and covered other general concerns not listed in the structured interviews, as qualitative views on suggestions to improve the current listing environment.

Ratio measurement was used to determine the five year historical data on the stock price performance, profitability, operational performance and the proportional distribution of stakeholder value from the financial statements. Regression analyses were used to analyse the strength of the relationship the variables.

3.7 Analytical Tools

In order to understand the experiences that the respondents are going through and make accurate interpretations, a five point Likert Scale was used to reflect the different views and assumptions about the benefits of being listed on the NSX. Six year historical data on the stock price performance from the NSX and profitability and operational performance ratios from the annual reports of the selected companies were used to measure the impact of being listed on the NSX on stakeholder value creation.

This study made use of enterprise and equity multiples and their underlying formulas in order to measure the impact of being listed on the NSX on stakeholder value creation.

The website Investopedia (2014) was used to define the different multiples and formulas. These are discussed below.

Enterprise Value (EV) is a measure of a company's value, often used as an alternative to straightforward market capitalisation. Enterprise value is calculated as market capitalisation plus debt, minority interest and preferred shares, minus total cash and cash equivalents. Investopedia further explains that enterprise value as the theoretical takeover price because in the event of a buyout, an acquirer would have to take on the company's debt, but would its cash. EV differs significantly from simple market capitalisation in several ways, and many consider it to be a more accurate representation of a firm's value. The value of a firm's debt, for example, would need to be paid by the buyer when taking over a company, thus EV provides a much more accurate takeover valuation because it includes debt in its value calculation.

Market Capitalisation is the total dollar market value of all of a company's outstanding shares. It is calculated by multiplying a company's shares outstanding by the current market price of one share. The investment community uses this figure to determine a company's size, as opposed to sales or total asset figures.

The book value or a company’s net worth is the amount by which assets exceeds liabilities. Net worth is a key measure of how much an entity is worth.

$$\text{Total Assets} - \text{Total Liabilities}$$

Enterprise Multiple is a ratio used to determine the value of a company. It explains that the enterprise multiple looks at a firm as a potential acquirer would, because it takes debt into account, an item which other multiples like the P/E ratio do not include. Enterprise multiple is calculated as:

$$\text{Enterprise multiple} = \frac{\text{enterprise value}}{\text{EBITDA}}$$

EBITDA: Earnings before Interest, Taxes, Depreciation and Amortisation.

The price to book ratio is a ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share. It further explains that a lower P/B ratio could mean that the stock is undervalued. However, it could also mean that something is fundamentally wrong with the company. This ratio provides investors with an idea of whether the stock price is over or undervalued.

Calculated as:

$$\text{P/B Ratio} = \frac{\text{Stock Price}}{\text{Total Assets} - \text{Intangible Assets and Liabilities}}$$

Gitman (2000) explains that the price/earnings (P/E) ratio is commonly used to assess the owners' appraisal of share value. He further states that the P/E ratio measures the amount investors are willing to pay for each dollar of the firms earnings. The ratio indicates the degree of confidence that investors have in the firm's future performance.

The P/E ratio is calculated as follows:

$$\text{Price/earnings ratio} = \frac{\text{market price per share of commonstock}}{\text{earnings per share}}$$

Gitman (2000) explains that Earnings Per Share is generally of interest to present or prospective stockholders and to management. He further explains that EPS represents the number of dollars earned on behalf of each outstanding share of common stock.

Earnings per share are calculated as follows:

$$\text{Earnings per share} = \frac{\text{Earnings available to commonstockholders}}{\text{Number of shares of commonstock outstanding}}$$

Shotter, Dennis, Brummer and Boshoff (1998) explained that headline earnings incorporate all the trading profits and losses for the year and separates profits and losses arising on capital items. Earnings per share are calculated as follows:

$$\text{Headline earnings per share} = \frac{\text{Headline earnings}}{\text{Number of commonstock outstanding}}$$

Hirt and Block (2010) explains that any investment has two components namely capital gains or losses and current income. Capital gains or losses are the difference between the sales and cost price of a stock. The current income or dividends are the portion of a firm's earnings paid to common and preferred shareholders.

Rate of Return of an investment can be calculated as:

$$\text{Rate of return} = \frac{(\text{Ending value - Beginning value}) + \text{Income}}{\text{Beginning value}}$$

Shotter, Dennis, Brummer and Boshoff (1998) explained that cash flow information gives an indication of the ability of the enterprise to generate funds from operating and financing activities. According to these authors there is a closer correlation between the movement in share prices and cash flow than between movements in share prices and earnings. Cash flow per share can be calculated as follows:

$$\text{Cash flow per share} = \frac{\text{Cash flow from operating activities – preference dividends}}{\text{Weighted average number of ordinary shares}}$$

According to Shotter, Dennis, Brummer and Boshoff (1998) Headline Earnings per Share and Cash flow Per Share are some of the indicators that were frequently suggested to be associated with shareholder value. This study will use investigate the strength of association between Headline Earnings per Share and Cash flow Per Share with shareholder value.

This study made use of the Statistical Package for Social Sciences (SPSS), to perform a regression analysis in order to establish the relationship between economic value and shareholder value.

CHAPTER FOUR

ANALYSIS AND DISCUSSIONS

4.1 Reasons for Listing

According to the BDO Research Project into JSE listing (BDO, 2011) the principle reason why companies listed was to raise capital initially and on an ongoing basis for growth through acquisition.

From the interviews conducted it was observed that the primary listed Namibian companies selected in the sample listed for different reasons. The results are presented in table 1.

When asked if the main reason was to raise capital for now and in the future, sixty eight percent indicated that they either strongly agreed or agreed, sixteen percent was neutral and the other sixteen percent disagreed. Thirty two percent of the respondents stated that they had sufficient reserves to expand their operations but only listed to comply with national policy and strategy that in turn provided them a competitive advantage. However, these respondents also mentioned that even though the main reason for listing was not to raise capital, the capital raised allowed them to acquire another company in order to achieve its growth strategy.

Table 1: Responses to reasons for listing

Questions		Response as a %					
		1	**2**	**3**	**4**	**5**	**Total**
1	Raise Capital for now and in the future	52	16	16	16	0	100
2	Raise the business profile and create brand awareness	33	17	17	33	0	100
3	Create value for stakeholders	33	50	17	0	0	100
4	Forced to list by holding company	0	0	16	16	68	100
5	To achieve compliance, proper governance and reorganisation	33	0	67	0	0	100
6	Retire debt	16	0	16	16	52	100
7	Facilitate employee share scheme as a performance incentive	17	33	33	0	17	100
8	Improve credibility with stakeholders	16	68	16	0	0	100
9	Attract & retain better people	17	0	33	33	17	100
10	Create an automatic valuation mechanism	0	50	17	33	0	100
11	Enable rights issue	16	16	36	16	16	100
12	Compete better	0	17	33	50	0	100
13	To be able to raise bond & commercial paper	17	33	33	17	0	100
14	To facilitate an exit plan at a later stage	0	17	17	33	33	100
15	Namibianisation and Localisation	50	50	0	0	0	100

Source: Data from structured questionnaire; Author's calculation

Key: 1. Strongly Agree, 2. Agree, 3. Neutral, 4. Disagree, 5. Strongly Disagree

The respondents that strongly agreed, listed to raise capital initially, and on an ongoing basis, for growing their operations. The capital raised was used to expand their operations by building manufacturing plants, investment properties and loan books. The respondent from the real estate sector explained that real estate development was very capital intensive and the amounts required could not be provided by Namibian banks.

Most companies agreed that they would not have been able to grow and compete to the same extent, had they not listed.

Fifty percent of the respondents indicated that they either agreed or strongly agreed that listing raised their corporate profile and improved brand and product awareness. These respondents felt that it was important for their companies and products to be well-known in the marketplace and that being listed provided their companies with that status. The remaining fifty percent of the respondents that remained either neutral or disagreed cited that to raise their company and product brand awareness was not the main reason they listed, since their brands were already established and known by the market. These respondents indicated that they spend significant amounts of their annual budgets to market their business profile and product brands, and therefore they did not have to list in order to benefit from improved brand and product awareness.

Eighty three percent of the responses indicated that they agreed or strongly agreed that listing on the NSX created value for stakeholders. Listing on the NSX allowed ordinary Namibians to also share in the ownership of the companies. Existing shareholders could unlock their value and realise all or part of their shareholdings, thus making equity a more attractive investment. Employees can take part in employee share schemes and the general public could buy shares at the Initial Public Offering (IPO). Shareholders received returns through capital gains and dividends. Employees and shareholders could sell their shares at a higher price than what they initially acquired them for and immediately realise a profit. Employees and ordinary Namibians could also earn dividends on their shares which mean they could be paid a portion of the firm's earnings annually. When a company lists, the market value of the company is also determined through price discovery. Basic supply and demand factors related to the market will determine the price for the company's shares. If the demand for shares is higher than the supply, the share price will typically increase and shareholders will benefit. The listing gives the company a wider shareholder base and broadens its exposure to other markets.

The remaining seventeen percent of the respondents remained neutral, because stakeholder value creation was not the main reason for listing. However, current stakeholders and prospective stakeholders did benefit from the listing.

According to the BDO Research Project into JSE listing (BDO, 2011), several participants agreed that they were forced by the holding company to list, either because the holding company wanted to divest some of its ownership or private equity deals were on offer. In the case of Namibia, eighty four percent of the respondents indicated that they disagreed or strongly disagreed that they were forced to list by their holding companies. The remaining sixteen percent remained neutral since the reason why the company decided to list was not due to force by the holding company, but rather a mutually beneficial decision to unlock value.

Some of the basic requirements to list on the NSX were acceptable record of business, adequate management to maintain business, satisfactory evidence of management expertise, business continuity and sustainability, as well as qualified auditors reports of the preceding three years. These requirements related directly to International Financial Reporting Standards (IFRS) and corporate governance compliance and procedures.

Thirty three percent of the respondents strongly agreed that a major reason for listing was to achieve compliance, proper governance and reorganisation. These respondents agreed that IFRS and good corporate governance offered more transparency and insight that enabled stakeholders and potential investors to form a comprehensive picture of the organisation's performance, and of its ability to create and sustain value.

The remaining sixty seven percent of the respondents remained neutral, because their companies were already complying with IFRS and the King Code of Good Corporate Governance, and therefore this was not a reason for listing.

Sixteen percent of the respondents agreed that one of the reasons why they listed was to replace expensive debt with less expensive equity. The sixteen percent that remained neutral did not list in order to retire expensive debt, however, part of the capital raised were used to pay off expensive debt. The remaining sixty eight percent either disagreed or strongly disagreed with the statement. The capital raised through listing was not used to retire existing debt, but rather for capital expansion and new business acquisitions.

Fifty percent of the respondents either agreed or strongly agreed that one of the reasons for listing was to facilitate employee share schemes as a performance incentive. The respondents mentioned that allowing employees to be shareholders in the company motivated them to perform at a higher level, since they now owned a share in the company.

Thirty three percent of the respondents remained neutral, since the facilitation of an employee share scheme was and added benefit to their employees and not one of the main reasons for listing. Seventeen percent of the respondents strongly disagreed that to facilitate an employee share scheme was not one of their reasons for listing. Due to the volatility of the stock market, some respondents agreed to rather compensate employees with performance bonuses and incentives than to expose them to the market risks.

Eighty four percent of all respondents either agreed, or strongly agreed, that being listed improved their credibility with stakeholders. The enhanced status of being listed on the NSX improved the companies' dealings with banks, suppliers, distributors and customers, which in turn had a positive effect on their companies' overall performance.

Being listed enabled the company to obtain other forms of finance, such as bank loans. Listing also enhanced the status of the company and comforted providers of finance that financial information and actions would be subject to the NSX and public scrutiny. This translated into low risk, which meant better credit ratings and lower costs of debt.

The remaining sixteen percent of the respondents were neutral since they believed that their companies invested a significant amount of time and money to establish its credibility with stakeholders and that listing would not necessarily improve their current status.

The respondents were also asked if one of the reasons to list was to attract and retain better people. In the BDO Research Project into JSE listing (BDO, 2011), one company demonstrated how it had attracted well-known names in the business community to its board and other positions, despite the fact that they were a small company and they felt that this would not have been possible, had they not been listed.

Indeed, one of the key challenges mentioned in the Namibian Financial Services Charter (2009), was the shortage of expertise in the financial sector and that business had to be conducted over vast distances. Based on this background the question was posed to the respondents and only seventeen percent strongly agreed that listing helped attract and retain qualified staff. The success that the respondents achieved through listing made them to be recognised by the business community, who in turn wanted to be associated with the success of the company. Thirty three percent remained neutral because even though this was a benefit that came with their listing, it was not one of the reasons why they initially listed.

Fifty percent of the respondents either disagreed, or strongly disagreed, that to attract and retain qualified staff was not one of the reasons why for listing. The respondents believed that they already possess the right calibre of people working and serving on their boards. The respondents from unlisted entities explained that due to their well established brands in the Namibian market, the business community wanted to be associated with their companies.

Hirt and Block (2010), stated that secondary markets created prices and allowed for liquidity. They further explained that liquidity was a measure of the speed with which an asset could be converted into cash at its fair market value.

Fifty percent of the respondents agreed that one of the reasons why they listed was to create a value mechanism that would measure the relative worth of their companies. The value would enable them to measure the amount of capital they could raise for future expansion.

Seventeen percent remained neutral, because this was not one of their reasons for listing, but they acknowledged the advantages automatic valuation brought to their firm. Thirty three percent of the respondents disagreed that valuation was one of the reasons why they listed, since the share price was not of immediate strategic importance. These respondents aimed their strategic direction at national development plans and policies.

Thirty six percent of all respondents either agreed, or strongly agreed, that one of the reasons why they listed was to enable rights issue and share issue. Listing on the NSX provided these companies with flexibility to raise capital by different means to either pay off debt or to fund acquisitions and growth strategies.

Thirty six percent remained neutral since rights and shares issue was not one of the reasons why they decided to list. However they do agree that the listing provided them with the benefit to raise capital by different means that will be pursued in the future. The remaining thirty two percent of all respondents either disagreed or strongly disagreed that rights and shares issue was not one of the reasons why they listed. This had to do with the fact that rights and shares issue further reduced the ownership percentage of the existing shareholders.

In the BDO Research Project into JSE listing (BDO, 2011), several participants shared the sentiment that being listed raised the business profile and helped them to compete better. Seventeen percent of the respondents agreed that listing on the NSX allowed them to compete better. The thirty three percent that remained neutral did not list to compete better, but shared the sentiments that being listed on the NSX provided the opportunity to leverage from the additional competitive advantage.

Fifty percent disagreed that they did not list to compete better, because they already had an established brand in the market before listing and saw very little added competitive advantage from being listed on the NSX.

According to the BDO Research Project into JSE listing (BDO, 2011) any substantial company can raise finance through paper instruments, whether listed or not, but the consensus was that being listed conferred much greater credibility in the market place and hence, the ability to raise more finance on better terms.

Fifty percent of all respondents either agreed or strongly agreed that one of the reasons why they listed was to raise finance through bond and commercial paper. The status of being listed on the NSX would allow them to raise more finance through paper instruments on better terms, because they were seen as a low risk investment due to the level of disclosure, perceived transparency and compliance to good corporate governance.

Thirty three percent of the respondents remained neutral since this was not one of the reasons why their companies listed, but that they could still consider the possibility to do so. Seventeen percent of the respondents disagreed that the primary reason for listing was to raise bond and commercial paper and that this method of financing was not part of their long term financing strategy.

To facilitate an exit plan at a later stage may be for a businessperson who set up a business many years ago and wanted to unlock value before retiring. An exit strategy could also be for a listed holding company to exit some of its remaining equity over time after unbundling. The statement was interpreted differently by each respondent. Seventeen percent agreed that an exit plan was one of the primary reasons why they listed. They agreed that an exit plan would unlock the value of some or all of the shareholders, should they decide to exit the company at a later stage. Fifty percent of the respondents either disagreed or strongly disagreed that their primary reason was to exit at a later stage. They argued that the main goal of their companies was to continue operating in the foreseeable future and that an exit strategy was perceived as being negative and a short term vision.

Armstrong, Sumaila, Erastus and Msiska (2003) explains that the Namibianisation Policy gave the stakeholders in the fishing sector economic incentives to encourage them to increase Namibian participation in the fisheries in the form of both ownership and employment, with particular regard to the previously disadvantaged groups of the population. Armstrong et al. (2003) further explained that the incentive was in the form of tax reduction connected to the quota price the firms had to pay for fishing quota rights, given the level of Namibian employment, ownership and other societal issues applied by the quota holder.

According to the Namibian Financial Sector Charter (2009), Namibianisation is the process of increasing local ownership and decision making capacity of institutions based in Namibia, including the representation or participation of Namibian citizens in the control and management and management structures of the institution, i.e. board of directors, executive management and other decision making structures within the institution.

The Namibia Financial Sector Strategy: 2011-2021, indicates that financial intermediation played an important role in economic development, therefore, it was essential that financial institutions were owned and controlled by locals, as locals were better suited to respond to the needs of the country. The strategy is based on the Namibian Financial Services Charter (NFSC) (2009), whose main objective is to facilitate the transformation of the Namibian financial sector and bring about tangible benefits to Namibians. All respondents either agreed or strongly agreed that the reason why they listed was to comply with national development plans and policy guidelines of Namibianisation. Being a Namibian company, owned and managed by Namibians, brought a lot of advantages such as preferential procurement and financing.

4.2 Challenges with listing

From the interviews conducted, it was observed that the primary-listed Namibian companies selected in the sample raised different challenges with the current listing environment. The results are presented in Table 2.

Table 2: Responses to challenges with listing

Questions		Response as a %					
		1	2	3	4	5	Total
1	Onerous compliance time inputs	17	33	0	33	17	100
2	Onerous reporting	0	16	52	16	16	100
3	Level of disclosure	0	17	33	33	17	100
4	Electronic documentation	0	17	50	33	0	100
5	IFRS Concerns	0	0	0	67	33	100
6	King II or III concerns	0	0	17	66	17	100
7	SENS format problems (Security Exchange News Service)	0	16	16	52	16	100
8	Inadequate sponsor or designated advisor support	0	0	33	50	17	100
9	Regulation and Compliance	0	33	17	33	17	100
10	Too much paperwork	0	0	0	83	17	100
11	Printing of annual reports	33	17	0	50	0	100
12	Payment to sponsor and NSX for same service	0	17	17	66	0	100
13	Need for more and better qualified staff to meet compliance	0	0	17	66	17	100
14	Liquidity and activity of the NSX	33	50	0	0	17	100

Source: Data from structured questionnaire; Author's calculation

Key: 1. Strongly Agree, 2. Agree, 3. Neutral, 4. Disagree, 5. Strongly Disagree

In the BDO Research Project into JSE listing (BDO, 2011) several respondents mentioned that the time allocated by senior management on compliance could have been better spent on a different focus - that of growing and developing the business.

Fifty percent of the respondents either agreed, or strongly agreed, that compliance was onerous and time consuming. They also agreed that the time senior management was tied up with compliance could have been better spent on business strategy and development. The remaining fifty percent of the respondents either disagreed, or strongly disagreed, that compliance was onerous and time-consuming. These respondents believed that compliance was part of their day-to-day management. Companies that are listed on the NSX must submit bi-annual interim reports, trading statement updates, annual financial statements, annual reports, integrated reports, cautionary announcements, advertisements in two newspapers and some information to be inserted in the Security Exchange News Services (SENS). The respondents explained that due to the size of the NSX, issuing announcements and adhering to compliance was easier compared that of the JSE.

Sixteen percent of the respondents agreed that the reporting was onerous. They felt that the time and money spent on the size of the annual and integrated reports were excessive, and that only a small number of shareholders, investors and other users made use of the information contained in these reports. Fifty two percent of the respondents remained neutral, because even though reporting requirements remained onerous and time consuming, they did not see it as a concern with the current listing environment of the NSX. Thirty two percent of the remaining respondents either disagreed, or strongly disagreed, that reporting requirements were onerous. They indicated that it was important to comply with the standards set by the NSX and highlighted the value added by the reporting requirements.

In the BDO Research Project into JSE listing (BDO, 2011) several respondents felt that rival firms that were not listed gained an unfair advantage by having access to valuable information that could be used against them. A number of the respondents also mentioned that transactions have been jeopardised due to release of information leading to speculation in the market and prejudicial action being taken by third parties and non-listed competitors. Firms that were listed had to comply with the disclosure requirements of the NSX and this might be detrimental to their business. From the respondents only seventeen percent agreed that they had a concern with the level of disclosure required by the NSX. The respondent felt that competitors could use the information when developing pricing strategies. Thirty three percent of the respondents remained neutral, and agreed that the level of disclosure could be both an advantage and a disadvantage to their businesses. The remaining fifty percent either disagreed, or strongly disagreed, that the level of disclosure was a concern. These respondents felt that the release of information could be managed in such a way that competitors did not gain an unfair advantage and investors got maximum disclosure in order to make investment decisions.

The BDO Research Project into JSE listing (BDO, 2011) highlighted several concerns from respondents about the cost of providing hard copies, instead of electronic documentation. Many participants also said that they could see no value in publication and advertising in this electronic age. They further argued that the major stakeholders of listed companies conducted their enquiries on-line. Seventeen percent of the respondents agreed with the fact that publications and hard copy documentation were costly and did not add value to the business. Fifty percent of the respondents remained neutral and agreed that even though publications and advertising were costly, they did not see the current practice as a concern. The remaining thirty three of the respondents disagreed that the NSX publication requirement were a concern to them. Their opinion was that there was a definite advantage to disclosing their annual financial statements in the press, arguing that most stakeholders in Namibia read the daily newspapers.

In the UNCTD case study on the review of practical implementation issues of International Financial Reporting Standards (United Nations Conference on Trade and Development, 2007), it is stated that the South African Institute of Chartered Accountants (SAICA), the JSE and the Accounting Practices Board (APB) of South Africa recognised the need to be part of a global economy with respect to financial reporting. Local accounting standards in South Africa have been harmonized with international accounting standards since 1993. In February 2004, a decision was taken by APB to issue the text of International Financial Reporting Standards (IFRS) as South African Statements of Generally Accepted Accounting Practice (GAAP) without any amendments. The reasons for the ongoing harmonising and the issuing of the text of IFRS as South African Statements of GAAP were for South African companies to attract foreign investment; to provide credibility to the financial statements of South African companies in the global market, and to do away with the need for dual listed entities to prepare financial statements in accordance with more than one set of accounting standards.

The case study also stated that the adoption of IFRS increased South Africa's role as a global player in the accounting field and has strengthened uniformity in the application of IFRS in South Africa. The UNCTD also indicated that the transition to IFRS placed a burden on company staff, since the ongoing training of staff was deemed necessary. These companies had to employ staff on a permanent basis to take responsibility for compliance with accounting standards and disclosure requirements.

In the BDO Research Project into JSE listing (BDO, 2011) many companies also stated that they had to employ additional high-level skills to deal with regulation at significant costs. The companies also had to hire specialists to deal with the aspects of compliance where in-house resources did not have the necessary skills. One hundred percent of the respondents either disagreed, or strongly disagreed, that the IFRS were of concern to their business operations. They revealed that compliance to IFRS started prior to the 1st of January 2005, when listed companies in South Africa were required to comply with IFRS. They also confirmed that they had qualified staff capable of dealing with regulatory and compliance requirements and that the benefits of employing these individuals outweighed the costs.

Jackson and Stent (2007) stated that even though many companies did embrace good corporate governance for many years, it was only in 1994 that the King Report on Corporate Governance was issued. They explained that the report formalised an approach to corporate governance by recommending a Code of Corporate Practices and Conduct to be adopted by big businesses. The Johannesburg Securities Exchange made it a requirement for all companies it listed to include, in their financial statements, a statement by directors on their compliance with the code. The 1994 King Report was subsequently followed by reports in 2002 (King II) and 2009 (King III).

In the BDO Research Project into JSE listing (BDO, 2011) some companies were in support of King III, while others raised concerns. Those in support believed that the code would enhance the image and credibility of their companies and those in opposition felt that the code is full of principles and actions that were of low importance, or possibly not applicable to their companies. The BDO report also highlighted that most of the participants might have been biased due to lack of in-depth knowledge of the code.

The KPMG report on Corporate Governance & King III (KPMG, 2009) stated that entities and stakeholders would require a deeper understanding of governance in order to decide how governance principles and practices should be adopted and implemented in their particular entity – 'the one size does not fit all' consequence. They also mentioned that this will necessitate education, dialogue, decisions and disclosure.

An article in the Namibia Economist (Namibia's home grown code finally lands, 2014) explained that the reason why King III could not simply be applied in Namibia was due to certain new concepts not being provided for under Namibian's existing legislation.

The provisions relating to business rescue and the statutory nature of the Audit Committee were two reasons provided. It was against this background that the NSX decided to draft the Corporate Governance Code for Namibia, to be called the NamCode. The NSX regulated compliance with King II as part of its listing requirements, and respondents were asked if they had concerns with complying with the requirements set out in report. Seventeen percent of the respondents remained neutral because they agreed that complying with the requirements of King II brought both benefits and additional costs with it. The remaining Eighty three percent either agreed, or strongly agreed, that compliance with the report was a concern to them. They agreed that applying the code enhanced their image and credibility in the market which in turn resulted in increased investment.

“The Security Exchange News Service (SENS) facilitates early, equal and wide dissemination of relevant company information, in improving communication between companies and the market. It is a real time news service for the dissemination of company announcements and price sensitive information. The companies must submit all relevant company and price sensitive information to SENS as soon as possible after authorization. Announcements must be sent to SENS before they are published in the newspapers (NSX, 2014)”.

Hirt and Block (2010) explain that Market Efficiency occurs when prices respond quickly to new information, when each successive trade is made at a price close to the preceding price. The more efficient the market, the faster prices react to new information, the prices in each successive trade. Therefore the importance of SENS is that each market participant gets the information at exactly the same time so that some investors do not benefit at the expense of others.

In the BDO Research Project into JSE listing (BDO, 2011) there was a consensus that SENS was not user friendly and un-tabulated, which made it difficult to read or interpret financial information. The participants also mentioned that because the SENS template was so unstructured and poorly presented, it made it difficult to read the text.

The suggestion from participants was that SENS should be properly developed so that it can be a comprehensive and user friendly source of information and do away with hard copies sent to the JSE, shareholders and published press announcements. Seventeen percent of the respondents agreed that they had a concern with the NSX's SENS. The recommendation made by the respondents was that the NSX should implement an electronic news service and that the JSE should be used as a best practice. Seventeen percent of the respondents remained neutral since they agreed that SENS could be improved, but did not see the current situation as a concern. Sixty six percent of the respondents either disagreed, or strongly disagreed, that SENS was a concern to them. They believed that the format was user friendly and provided them with the relevant information necessary to make informed investment decisions.

According to MacLeod (2008), the Sponsor or Designated Advisor played an important role in advising companies on a range of matters, such as how the listing could best be used to enhance shareholder value; advising on the best strategies to grow the business, whether to undertake acquisitions or make disposals; determining prudent debt/equity levels; pricing the issues of securities; and ensuring adequate disclosure to shareholders and upholding corporate governance.

The Namibia Financial Sector Strategy: 2011-2021, indicates that the NSX is characterised by low levels of liquidity, which can be ascribed to the buy-and-hold strategy adopted by most investors in Namibia, due to a lack of sufficient instruments and compliance with local investment requirements. Due to the lack of liquidity in the Namibian market, sponsors and designated advisors were not exposed to the volume and complexity of transactions that the JSE sponsored and designated advisors were used to. This meant that the Namibian sponsors and designated advisors did not get the required practical expertise to best advise listed companies on strategies to enhance shareholder value.

When asked if the sponsors and designated advisors provided inadequate support and advice, thirty three percent of the respondents remained neutral. The respondents felt that the sponsors and designated advisors could do more in terms of research and providing advice, but also acknowledged that the market activity did give them the opportunity to enhance their skills and expertise. Sixty seven percent (67%) of the respondents either disagreed, or strongly disagreed, that the sponsors and designated advisors provided inadequate support and advice. They were satisfied with the level of service and turnaround time the sponsors and designated advisors provided. One of the respondents mentioned that was easy to get an appointment with the sponsors and designated advisors and actions were also taken swiftly.

In the BDO Research Project into JSE listing (BDO, 2011) almost all participants agreed that controlled and practical compliance was necessary. However a significant number said that the JSE was over-regulated. Suggestions were made for the JSE to rationalize and simplify their processes in order to make it less onerous and costly. Others felt the JSE should make compliance more appropriate and commercially practical.

Thirty three percent of the respondents agreed that the NSX's regulations and compliance were onerous. They agreed that it was costly and took a lot of senior executive time that could have been better spent on strategy. Seventeen percent remained neutral because even though it was costly and took up a lot of executive time, they agreed that compliance was necessary. Fifty percent of the respondents either disagreed, or strongly disagreed, that the NSX's regulations and compliance were onerous. They believed that the benefits that come with compliance and regulation outweighed the costs. Compliance give investors confidence and enhances the image and credibility of the company.

In the BDO Research Project into JSE listing (BDO, 2011) many companies felt that the number of publications and paper work required from the JSE was excessive. They argued that the JSE had SENS, which provided comprehensive information and also that the listed companies had websites where they displayed relevant investor related information. The majority felt that disclosure should be electronic and costly paper work should be reduced.

All the respondents either disagreed, or strongly disagreed, that paperwork required by the NSX was excessive. They felt that complying with the requirements of the NSX was not burdensome or costly to the companies, and saw this as part of their executive responsibilities.

In the BDO Research Project into JSE listing (BDO, 2011) participants expressed that annual reports were too voluminous and that large parts were not read by stakeholders, therefore the length and content of annual reports should be reduced. Many participants also dealt with the size of annual reports, the question arising as to whether this is justified against a fairly general view that investors and others who read this material did not make use of most of what is contained in it, and was aiming to reduce the volume of annual reports. Sustainability reports often arose as being an area which absorbed significant amounts of time and cost, the value of which was questioned. The suggestion was made more than once that a survey should be undertaken to establish what investors and other users of the annual reports make use of, and what material they have no interest in.

Fifty percent of the respondents either agreed or strongly agreed that the printing of annual reports and integrated reports were costly. They felt the NSX should discard the requirement to print integrated reports and that printed reports should only be sent to shareholders based on request. The remaining fifty percent disagreed that printing annual reports are a costly and time consuming exercise. They saw this as a marketing tool to attract prospective investors and create confidence in existing shareholders.

There were a number of participants that took part in the BDO Research Project into JSE listing that were dissatisfied about the duplicative role of the sponsors. They felt that the use of sponsors duplicated the cost of listing as the sponsor and the JSE were paid for the same service. When asked whether the sponsor charged for the same service as the NSX, only seventeen percent of the respondents agreed. The respondents felt that the company was already paying the NSX for compliance and regulation and the sponsor also needs to be paid for duplicating these roles. Seventeen percent remained neutral since they agreed, but at the same time felt that the company could only benefit from this duplicative role. Sixty six percent disagreed with the statement and stated each party performs a different role and were being paid according to these roles. The respondents explained the NSX enforced compliance whereas the sponsor ensured that the company adhered to the compliance requirements.

In the BDO Research Project into JSE listing (BDO, 2011) a number of participants said that the compliance aspects of IFRS and King III costs were excessive. Many companies had to employ additional staff and contract specialists to deal with aspects of compliance. Respondents were asked if they needed more and better qualified staff to meet compliance. Seventeen percent of the respondents remained neutral whereas three either disagreed, or strongly disagreed. The seventeen percent that remained neutral said that even though they had qualified staff in their employ, there was always a need for better expertise that could add value to their operations. The eighty three percent that either disagreed, or strongly disagreed, believed that they always had the qualified staff and did not need to appoint additional employees and contracted specialists.

Hirt and Block (2010) explained that liquidity was a measure of the speed with which an asset could be converted into cash at its fair market value. They further explained that liquid markets existed when continuous trading occured, and as the number of participants became larger, price continuity increased along with liquidity. Senbet and Otchere (2008) explained that the principle channel for the linkage between stock market development and economic performance was the liquidity provision of the market. They further explained that a liquid market, which is characterised by active trading among a large number of investors and firms, provided an exit strategy for both investor and issuing firms. The Namibia Financial Sector Strategy: 2011-2021, indicated that the NSX was characterised by low levels of liquidity which could be ascribed to the buy-and-hold strategy adopted by most investors in Namibia, due to a lack of sufficient instruments and compliance with local investment requirements. Regulation 28 required long-term insurance and pension funds operating in Namibia to invest thirty five of subscriptions in domestic assets within Namibia. Due to the long term investment horizon of long term insurance and pension funds and the lack of sufficient instruments, a buy-and-hold strategy was adopted.

When asked if the liquidity of the NSX was a concern, eighty three percent of the respondents either agreed or strongly agreed that it was. The reasons given included Regulation 28; buy and hold strategy; number of companies; and number of asset classes on the NSX. Due to the fact that long term insurance and pension funds had to invest thirty five of subscriptions in domestic assets, they bought up all the available assets and hold these for a long term. The lack of liquidity made it difficult for companies to determine a fair market value for its share price. This meant that the company could not raise meaningful amounts of capital, the share price of the company was undervalued and shareholders could not unlock maximum value from their investment. Seventeen percent of the participants strongly disagreed with the concern of illiquidity. They argued that the NSX had a huge buy side, even though there were only a few companies listed and assets were limited. The participants mentioned that when they participated in the initial public offering, they were oversubscribed. This meant the demand for their shares exceeded what they had available to supply.

4.3 Respondents' Suggestions to NSX

Respondents were asked whether there were any suggestions to the NSX that could improve liquidity and ultimately lead to value for all stakeholders:

Marketing and Public Relations

Kotler and Armstrong (2010) defines marketing as the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return. Kotler and Armstrong (2010) explained that brands were more than just names and symbols, butkey elements in the company's relationships with consumers. Kerin, Haerley, Berkowitz and Rudelius (2006) defined public relations as a form of communication management that seeks to influence the feelings, opinions, or believes held by customers, prospective customers, stock holders, suppliers, employees and public about the company and its products and services.

Some of the respondents suggested that the NSX do more to market their brand and services. The respondents also commented on the NSX's website that is relatively low on information.

The Namibian Stock Exchange Stock is expected to create a regulated market for equity and debt instruments. When appropriate regulation and rules are applied by the NSX then investors can be confident in the market. The NSX needed to provide a safe environment for investment and was expected to put measures in place to ensure investors are protected. It is against this background that the NSX was of the view that as a regulator it could not actively market itself and attract companies to list and enable them to raise funds from the exchange. It needed to be seen as an independent regulator and not a company with an objective to increase revenue. Respondents felt that the NSX should do more to develop the exchange and attract large numbers of promising companies to enable them to raise funds from the stock exchange. This would provide liquidity in listed shares and other securities.

Develop new instruments

Some respondents felt that more instruments such as derivatives needed to be developed in order to enhance the liquidity on the NSX. Respondents felt that if there were more instruments to trade in liquidity, the exchange would improve because investors would not just trade in listed equities, but in other instruments as well.

Hirt and Block (2010) explained derivatives as a security whose price is dependent upon or derived from one or more underlying assets. The derivative is merely a contract between two or more parties. It value is determined by the fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes. Most derivatives are characterised by high leverage.

Brokers and Sponsors to play more active role

Some respondents felt that the brokers should approach the investment community with a view to generate a demand to list on the NSX. They mentioned the brokers should also do marketing on behalf of the exchange in order to encourage more companies to list. The brokers should also play an active role in promoting local investment and educating potential issuers on the possible advantages of raising funds from the stock exchange. One respondent mentioned that if the investment community could be made aware of the usefulness of the NSX, they could be attracted to the exchange. If stockbrokers could extend their services to unlisted companies in order to provide advice and support them until they are ready for listing. Another respondent mentioned that sponsors needed to be proactive in providing advice on the requirements and implications related to an applicant prior to its listing or prior to it undertaking a transaction. The respondent also stated that due to the low volume of transaction on the NSX, the sponsors did not get sufficient practice compared to Sponsors of the Johannesburg Stock Exchange.

Succession planning

Nel, Werner, Haasbroek, Poisat, Sono and Schults (2008) states that succession planning is required to balance employees' needs in the organisation by ensuring a suitable supply of successors for current and senior positions arising from business strategy.

One of the respondents mentioned that only one person in the NSX was authorised to make announcements, and in the absence of the authorised individual, announcements were deferred. The respondent explained that even though this is a rare occurrence, it is still a risk to the NSX and the listed companies. The respondent did however mention that the size of the NSX was beneficial to the listed companies since it made announcements easy to release to the general public.

4.4 Responses to why companies remain unlisted

The respondents were asked to provide their views on why their companies never listed, challenges with listing, suggestions and whether in their opinion the NSX creates stakeholder value for listed companies:

No need for financing

NSX (2014) states the main reason for listing as usually to increase the equity base of the company, thus allowing for future expansions and growth without the interest burden associated with borrowed funds. It further explained that the availability of funds was enhanced, as the rights issued might be used to secure further equity, should the need arose.

According to MacLeod (2008), listing provided the opportunity to raise capital (by raising equity or debenture capital) other than from the current shareholders to fund acquisitions and/or organic growth. The respondents explained that one of the reasons their company never listed was because there was never a need to raise capital through equity. The companies operated on a very conservative strategy of retaining capital and reinvesting it in the company for future investments. The company believed in expansion based on affordability, which meant they only took on new developments, once they had sufficient reserves built up. The respondents mentioned that the company had sufficient cash reserves at its disposal for expansion, hence there was no need to list. The respondents also mentioned that banks were willing to lend large amounts to well established firms like theirs.

Limited number of instruments and lack of liquidity

Senbet and Otchere (2008) explained that the principle channel for the linkage between stock market development and economic performance was liquidity provision of the market. They further clarified that a liquid market which was characterised by active trading among a large number of investors and firms, provided an exit strategy for both investor and issuing firms, alike.

Yartey and Adjasi (2000) stated that in most stock markets, trading occured in only a few stocks which accounted for a considerable part of the total market capitalisation. They further added that the market suffered from the problem of low liquidity and that low liquidity meant that it would be harder to support a local market with its own trading system, market analysis, brokers, and the like, because the business volumes would simply be too low.

The Namibian Stock Exchange Annual Report (2012) stated that the performance of the NSX was dampened by the buy and hold mentality and the demand for local assets. One of the respondents pointed out that one of the reasons why their company never listed was due to the low liquidity of the NSX. They mentioned that listing was too risky because there was no trading taking place on the NSX. Shareholders would find it difficult to reinvest their profits in an asset that provided the same return.

Dividend Policy

According to MacLeod (2008), the pressure for a consistent dividend policy could affect short-term profitability and liquidity.

Hirt and Block (2010), stated that although in the short run stockholders may be influenced by a change in earnings or other variables, the ultimate value of any holding rests with the distribution of earnings in the form of dividend payments. They also mentioned that although the stockholder might benefit from the retention and reinvestment of earnings by the corporation at some point, the earnings must generally be translated into cash flow for the stockholder.

Burden on management

According to the BDO Research Project into JSE listing (BDO, 2011) a significant percentage of participants expressed dissatisfaction with the burden of reporting, the amount of time this involves the top management of the company, and what translates to invisible and visible costs.

According to MacLeod (2008), management can sometimes feel unduly inhibited by the new responsibilities to shareholders and the continued scrutiny from investors, stockbrokers and the media, and by the amount of time dedicated to attending to compliance issues.

One of the respondents agreed with the literature that listing on the NSX would require management to spend extra time complying with IFRS and the King Code of Good Corporate Governance. Listing put management under intense scrutiny from investors, customers, media and government.

Impact on Pricing Strategy

In the BDO Research Project into JSE listing (BDO, 2011), some of the respondents mentioned that disclosures made in competitive industries where proprietary information wa highly priced, gave an unfair advantage to unregulated competitors.

One of the respondents were concerned that disclosure of sales margins and other financial information to the general public may impact adversely on the company's competitive position in the market place.

Companies producing basic food commodities such as mahangu meal, maize, sunflower oil, bread and cake and bread flower will come under intense scrutiny from consumers, government and consumer protection agencies when disclosing their financial results.

Impact on operational efficiency

According to MacLeod (2008), certain decisions would no longer be the prerogative of the management team and former owners, many of which would need to be referred to shareholders. Some of the respondents mentioned that the shareholders would jeopardise the flow of business operations because decisions would take longer to be executed.

Without shareholders and a board of directors, the owners could take swift decisions without questions being asked, whereas the listing environment changed the dynamics of the decision making process.

Easy access to cheap credit

Some of the respondents mentioned that it was easy to obtain cheap credit from banks without the burden of convincing shareholders.

Banks were willing to extend large amounts of credit to businesses, therefore there was no need to list in order to raise capital for business expansion.

Twenty percent (20%) to be held by public

One of the listing requirements of the NSX is that 20% of the total shareholding should be made available to the public. Some of the respondents explained that giving away 20% of your business was a problem. With family-owned businesses, sentiment played a big role and members of the family did not want to give away a stake of their family inheritance.

Self-Regulatory Organisation

One of the interviewees from the JSE mentioned that the JSE is a Self-Regulatory Organisation (SRO) with high Chinese walls between division and Issuer Regulation.

Chinese wall is an ethical barrier between different divisions of a financial or other institution to avoid conflict of interest. A Chinese wall is said to exist, for example, between the corporate advisory area and the brokerage department of a financial services firm to separate those giving corporate advice on takeovers, from those advising clients about buying shares. The wall is thrown up to prevent leaks of corporate inside information, which could influence the advice given to clients making investments, and allow staff to take advantage of facts that are not yet known to the general public. Maintaining client confidentiality is crucial to any firm, but particularly large multi-service businesses. Where firms are providing a wide range of services, clients must be able to trust that information about themselves will not be exploited for the benefit of other clients with different interests.

The interviewees from the JSE mentioned that the institution had an Issuer and Investor Relations Department (IIRD) which consisted of two business development managers and two customer relationship managers. The department also has a marketing division that focused on all marketing related activities of business development. The business development managers were constantly in touch with sponsors and they also independently sourced companies to meet with in order to discuss the benefits of listing.

Regular meetings were set up, not only with sponsors but also with advisors such as lawyers and auditors in order network and share any new developments on the exchange. The purpose was to make the JSE the preferred platform for capital raising, in South Africa and elsewhere. The business development managers also travelled to mining conferences and other African countries to market and network. The JSE advertised in selected publications in order to leverage the profile of the exchange. The NSX can follow the example of the JSE and its Investor Relations Department (IIRD).

4.5 Enterprise and Equity Valuation

This section provides a graphical presentation of the five year historical data on the stock price performance, the enterprise and equity multiples and their underlying formulas in order to measure whether being listed on the Namibian Stock Exchange have an impact on enterprise and stakeholder value.

Table 3: Financial Statement Analysis of Bidvest Namibia

Bidvest Namibia Limited	**N$ 000's**					
	2009	**2010**	**2011**	**2012**	**2013**	**2014**
Total Number of Outstanding Shares	163303	206953	206953	211953	211953	211953
Weighted Average Number of Outstanding Shares	163303	192363	206953	209863	211953	211953
Shareholders equity (Book Value)	655,795	1,156,007	1,401,728	1,711,976	1,959,047	2,065,162
Total Assets	1,073,018	1,724,735	1,940,353	2,468,625	2,778,557	2,764,518
Total Liabilities	417,223	568,729	538,625	756,649	819,510	699,356
Depreciation and Amortisation	40,730.00	59,515.00	60,640.00	69,660.00	81,050.00	67,266.00
Book value per share	4.02	5.59	6.77	8.08	9.24	9.74
Market price per share	7.1	7.86	9.51	12.51	12.6	13.16
Price- To- Book Ratio(P/B) Ratio	1.77	1.41	1.40	1.55	1.36	1.35
Total Market Value (Market Capitalisation)	1,159,451	1,626,651	1,968,123	2,651,532	2,670,608	2,789,301
Enterprise Value (EV)	1,348,569	1,604,361	1,726,469	2,622,871	2,637,294	2,706,646
Revenue	1,387,590.00	1,608,101.00	1,918,804.00	2,730,667.00	3,294,235.00	3,703,495.00
Cost of Goods Sold	951,220.00	1,101,686.00	1,207,227.00	1,889,631.00	2,444,316.00	2,831,501.00
Gross Profit	436,370.00	506,415.00	711,577.00	841,036.00	849,919.00	871,994.00
Gross Profit Margin (%)	31%	31%	37%	31%	26%	24%
Earnings Before Interest, Taxes depreciation and Amortisation (EBITDA)	325,872.00	411,396.00	623,029.00	724,202.00	680,147.00	568,240.00
Operating Income	285,142.00	351,881.00	562,389.00	654,542.00	599,097.00	500,974.00
Operating Margin (%)	21%	22%	29%	24%	18%	14%
Earnings available for common stockholders	130275	164676	258418	299323	274596	245745
Headline Earnings	128982	168039	248385	294497	274387	245841
Earnings per share (EPS)	0.80	0.86	1.25	1.43	1.30	1.16
Cash flow per share (CFPS)	1.05	1.17	1.54	1.76	1.68	1.48
Headline Earnings Per Share (HEPS)	0.79	0.87	1.20	1.40	1.29	1.16
Dividend declared per share	15	36	54	63	69	63
Dividend paid per share	0.15	0.36	0.54	0.63	0.69	0.63
Price- Earning Ratio (P/E Ratio)	8.90	9.18	7.62	8.77	9.73	11.35
Enterprise Multiple	4.1	3.9	2.8	3.6	3.9	4.8
Tobin's Q Ratio	1.1	0.9	1.0	1.1	1.0	1.0
Rate of Return		81%	172%	307%	15%	61%
Return on Equity	20%	14%	18%	17%	14%	12%
Return on Total Assets	12%	10%	13%	12%	10%	9%
Average Rate of Return		127%				
Value Added to Employees	315,896	263,301	365,669	435,779	483,638	550,960
Value Added to Government	105,199	115,982	329,020	545,968	672,767	710,829
Value Added to Employees as % increase on prior year		-17%	39%	19%	11%	14%
Average Employee Added	13%					
Value Added to Government as % increase on prior year		10%	184%	66%	23%	6%
Average Government Value Added	58%					

Source: Data from Bidvest Namibia's Annual Reports; Author's calculation

MacLeod (2008) stated that being listed generated an independent valuation of the company by the market, and enhanced the carrying value of the company's shares in the balance sheets of existing shareholders.

From an independent market valuation, the current and prospective investors could measure the company's market value. From 2009 to 2014 the Enterprise Value of Bidvest Namibia increased from N$1.3 billion to N$2.7 billion. The P/B ratio compared a company's stock market value to its book value. Based on the information presented in the Table 3 the P/B ratio was 1.77 in 2009 but reduced to 1.35 in 2014.This could mean that either the company's stock is undervalued or there are operational inefficiencies in the company.

Bidvest Namibia listed on the NSX on 26 of October 2009 for N$7.20 per share. Between 2009 and 2014 the share price increased from N$7.10 to N$13.16 and dividends paid out to shareholders increased from N$0.15 to N$.63 per share. This means that between 2009 and 2014 the shareholders received an average return of 127% on their investment. Between 2009 and 2014 the average stakeholder value added to government and employees were fifty eight and fifteen percent respectively.

The graphical illustration below represents Bidvest Namibia's stock returns over a five year period.

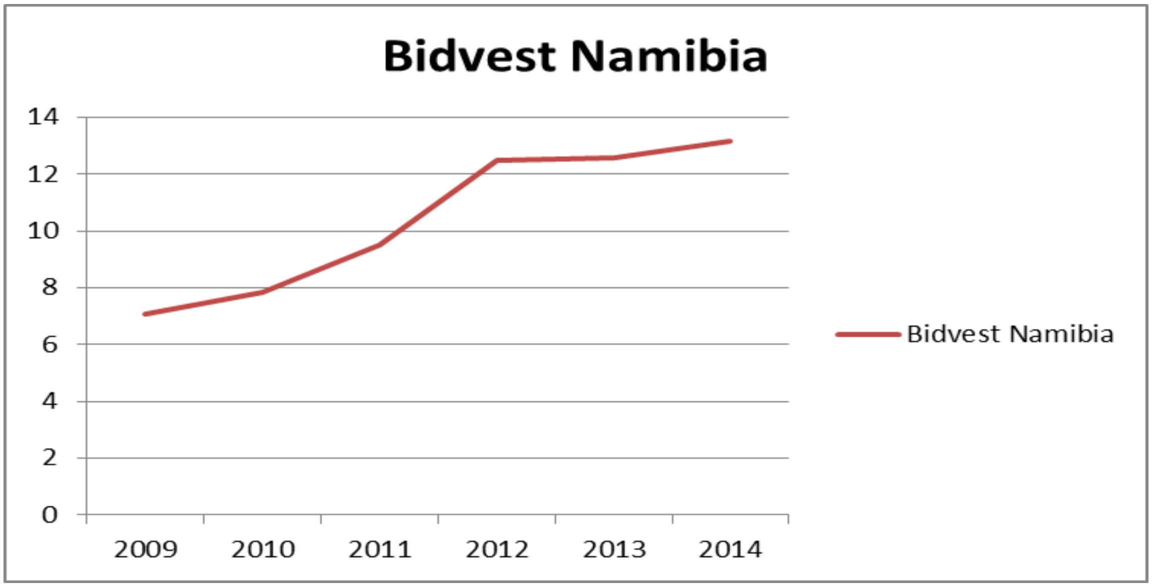

Figure 1: Graph illustrating Bidvest Namibia's stock returns over a five year period

Source: Namibian Stock Exchange

Table 4: Financial Statement Analysis of Bank Windhoek Holdings Limited

Bank Windhoek Holdings Limited	N$ 000's					
	2009	2010	2011	2012	2013	2014
Total Number of Outstanding Shares				452475	493135	501117
Weighted Average Number of Outstanding Shares				451388	455152	502063
Shareholders equity (Book Value)				1,887,059	2,624,058	3,094,158
Total Assets				18,921,050	20,938,608	24,318,268
Total Liabilities				17,033,991	18,314,550	21,224,110
Depreciation and Amortisation				32,085.00	31,937.00	32,618.00
Book value per share				4.17	5.32	6.17
Market price per share				0	10.2	13.2
					52%	47%
Price- To- Book Ratio(P/B) Ratio				0	1.92	2.14
Total Market Value (Market Capitalisation)				0	5,029,977	6,614,744
Enterprise Value (EV)				0	22,491,891	27,129,423
Revenue				1,525,912.00	1,708,096.00	1,944,847.00
Cost of Goods Sold				742,854.00	793,642.00	887,949.00
Gross Profit				783,058.00	914,454.00	1,056,898.00
Gross Profit Margin (%)				51%	54%	54%
Earnings Before Interest, Taxes depreciation and Amortisation (EBITDA)				1,253,232.00	1,442,779.00	1,740,133.00
Operating Income				1,221,147.00	1,410,842.00	1,707,515.00
Operating Margin (%)				80%	83%	88%
Earnings available for common stockholders				399,803.00	493,271.00	624,915.00
Headline Earnings				394,850.00	494,866.00	606,221.00
Earnings per share (EPS)				0.89	1.08	1.24
Cash flow per share (CFPS)				0.96	1.15	1.31
Headline Earnings Per Share (HEPS)				0.87	1.09	1.21
Dividend declared per share				1	31.3	31.3
Dividend paid per share				0.25	0.33	0.44
Price- Earning Ratio (P/E Ratio)				0.0	9.4	10.6
Enterprise Multiple				0.0	15.6	15.6
Tobin's Q Ratio				0.0	0.2	0.3
Rate of Return					0%	304%
Return on Equity				21%	19%	20%
Return on Total Assets				2%	2%	3%
Average Rate of Return				152%		
Value Added to Employees				405,390	419,729	470,659
Value Added to Government				167,370	216,448	253,374
Value Added to Employees as % increase on prior year		0%	0%	0%	4%	12%
Average Employee Added				8%		
Value Added to Government as % increase on prior year		0%	0%	0%	29%	17%
Average Government Value Added				23%		

Source: Data from Bank Windhoek Holdings Limited's Annual Reports; Author's calculation

Bank Windhoek listed on the NSX on 26 of May 2013 for N$8.75 per share. By the end of 2014 the share price increased from N$10.20 to N$13.20 and dividends paid out to shareholders increased from N$0.25 to N$0.44 per share. This means that from May to December 2014 the shareholders received an average return of 152% on their investment. Based on the information presented in Table 4 the P/B ratio for 2014 was 2.14, which means that the market price per share is more than double the book price per share. From the independent valuation by the market the current and prospective investors can measure the Bank Windhoek's market value more accurately. From Table 4 it can be observed that from 2013 to 2014 the Enterprise Value of Bank Windhoek Holdings Limited's increased from N$22.5 billion to N$27.1 billion, a 21% growth over 1 year. Between 2009 and 2014 the average stakeholder value added to government and employees were twenty three and twenty eight percent respectively.

The graphical illustration below represents Bank Windhoek Holdings Limited's stock returns from May 2013 to December 2014

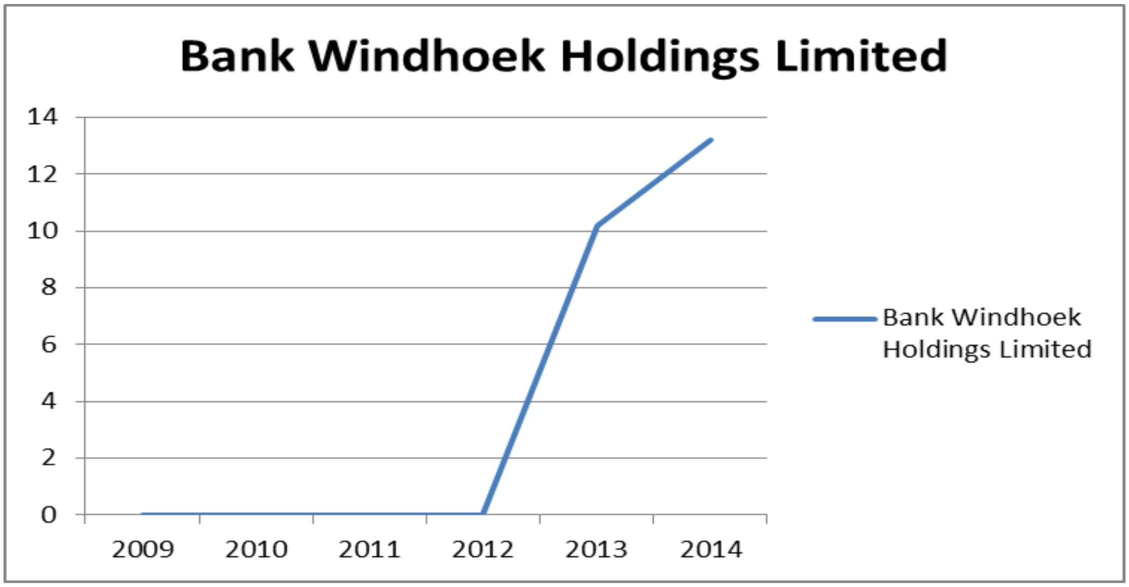

Figure 2: Graph illustrating Bank Windhoek Holdings Limited's stock returns from May 2013 to December 2014.

Source: Namibian Stock Exchange

Table 5: Financial Statement Analysis of Namibia Breweries Limited

Namibia Breweries Limited	N$ 000's					
	2009	2010	2011	2012	2013	2014
Total Number of Outstanding Shares	206529	206529	206529	206529	206529	206530
Weighted Average Number of Outstanding Shares	206529	206529	206529	206529	206529	206530
Shareholders equity (Book Value)	608,782	677,534	791,704	907,313	860,471	931,630
Total Assets	1,058,126	1,172,393	1,406,722	1,672,521	1,714,174	1,541,199
Total Liabilities	449,344	494,859	615,018	765,208	853,703	609,569
Depreciation and Amortisation	51,185.00	61,525.00	65,680.00	81,876.00	98,202.00	108,221.00
Book value per share	2.95	3.28	3.83	4.39	4.17	4.51
Market price per share	6.43	8.12	12	12.64	16.22	18.51
Price- To- Book Ratio(P/B) Ratio	2.18	2.48	3.13	2.88	3.89	4.10
Total Market Value (Market Capitalisation)	1,327,981	1,677,015	2,478,348	2,610,527	3,349,900	3,822,870
Enterprise Value (EV)	1,710,611	1,994,851	3,001,715	3,283,836	3,935,802	4,376,498
Revenue	1,566,545.00	1,731,058.00	1,797,071.00	2,160,067.00	2,383,384.00	2,316,932.00
Earnings Before Interest, Taxes depreciation and Amortisation (EBITDA)	307,827.00	364,491.00	440,994.00	510,891.00	598,291.00	559,552.00
Operating Income	256642	302966	375314	429015	500089	451331
Operating Margin (%)	16%	18%	21%	20%	21%	19%
Earnings available for common stockholders	158,398.00	159,798.00	211,286.00	221,954.00	72,945.00	205,403.00
Headline Earnings	168,409.00	159,804.00	213,719.00	216,607.00	367,251.00	328,552.00
Earnings per share (EPS)	0.77	0.77	1.02	1.07	0.35	0.99
Cash flow per share (CFPS)	1.01	1.07	1.34	1.47	0.83	1.52
Headline Earnings Per Share (HEPS)	0.82	0.77	1.03	1.05	1.78	1.59
Dividend declared per share	39.2	44.1	47	52	58	65
Dividend paid per share	0.392	0.441	0.47	0.52	0.58	0.65
Price- Earning Ratio (P/E Ratio)	8.38	10.49	11.73	11.76	45.92	18.61
Enterprise Multiple	5.56	5.47	6.81	6.43	6.58	7.82
Rate of Return		176%	394%	68%	363%	233%
Return on Equity	26%	24%	27%	24%	8%	22%
Return on Total Assets	15%	14%	15%	13%	4%	13%
Average Rate of Return		247%				
Value Added to Employees	143,586	175,023	212,158	224,703	251,202	231,702
Value Added to Government	614,058	671,695	755,731	923,745	1,074,582	955,130
Value Added to Employees as % increase on prior year		22%	21%	6%	12%	-8%
Average Employee Added	11%					
Value Added to Government as % increase on prior year		9%	13%	22%	16%	-11%
Average Government Value Added	10%					

Source: Data from Namibia Breweries Limited’s Annual Reports; Author’s calculation

The Namibia Breweries Limited Annual Report (2014) stated that the company first listed on the NSX in May 1996 and became a publically owned company. At the time of listing in 1996 the share price was N$2.40, in 2009 the share price was N$6.43 and by the end of 2014 the share price increased to N$18.51 and dividends paid out to shareholders increased from N$0.39 in 2009 to N$0.65 per share in 2014. This means that from 2009 to 2014 the shareholders received an average return of 247% on their investment. Based on the information presented in Table 5 the P/B ratio for 2009 was 2.18 and by 2014 grew to 4.10, which means that the market price per share is more than four times the book price per share. From the independent valuation by the market the current and prospective investors have a lot of confidence in the future performance of Namibia Breweries Limited (NBL). From Table 5 it can be observed that from 2009 to 2014 the Enterprise Value of NBL increased from N$1.7 billion to N$4.3 billion, a 156% growth over 5 years. Between 2009 and 2014 the average stakeholder value added to government and employees were ten and eleven percent respectively.

The graphical illustration below represents Namibia Breweries Limited's stock returns over a five year period.

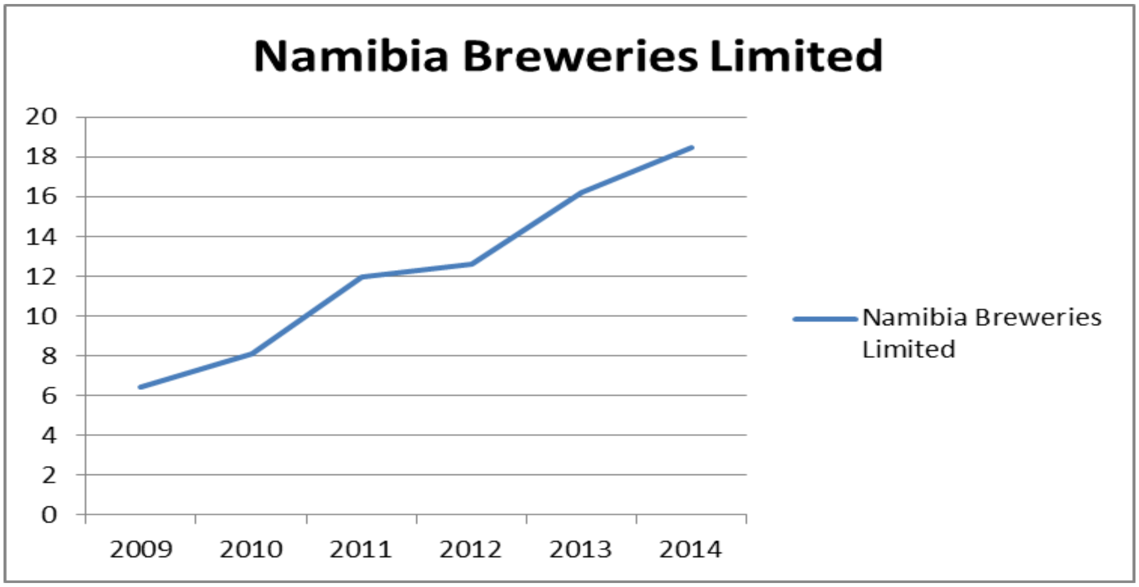

Figure 3: Graph illustrating Namibia Breweries Limited's stock returns over a five year period.

Source: Namibian Stock Exchange

Table 6: Financial Statement Analysis of Oryx Properties Limited

Oryx Namibia Limited	N$ 000's					
	2009	2010	2011	2012	2013	2014
Total Number of Outstanding Shares	55042	55042	55042	55042	55042	61677
Weighted Average Number of Outstanding Shares	55042	55042	55042	55042	55042	61677
Shareholders equity (Book Value)	224,792	381,530	476,419	514,153	529,100	636,068
Total Assets	774,517	918,326	1,084,103	1,284,225	1,507,273	2,015,043
Total Liabilities	549,725	536,796	607,684	770,072	978,173	1,378,975
Depreciation and Amortisation	47.00	10.00	4.00	15.00	19.00	45.00
Book value per share	4.1	6.9	8.7	9.3	9.6	10.3
Market price per share	9.5	11.1	11.5	13.8	17.3	18.4
Price- To- Book Ratio(P/B) Ratio	2.33	1.60	1.33	1.48	1.79	1.79
Total Market Value (Market Capitalisation)	523,449	612,067	634,084	759,580	949,475	1,136,090
Enterprise Value (EV)	1,054,805	1,146,658	1,236,820	1,526,639	1,924,096	2,500,752
Revenue	90,368.00	96,655.00	115,257.00	132,792.00	160,596.00	204,792.00
Cost of Goods Sold	17,616.00	20,137.00	21,681.00	23,576.00	28,900.00	41,887.00
Gross Profit	72,752.00	76,518.00	93,576.00	109,216.00	131,696.00	162,905.00
Gross Profit Margin (%)	81%	79%	81%	82%	82%	80%
Earnings Before Interest, Taxes depreciation and Amortisation (EBITDA)	101,039.00	173,341.00	181,230.00	135,227.00	134,215.00	261,578.00
Operating Income	100,992.00	173,331.00	181,226.00	135,212.00	134,196.00	261,533.00
Operating Margin (%)	112%	179%	157%	102%	84%	128%
Earnings available for common stockholders	26,747.00	80,498.00	94,889.00	37,734.00	14,947.00	106,857.00
Headline Earnings	53,463.00	58,959.00	65,018.00	72,512.00	81,953.00	100,018.00
Earnings per share (EPS)	0.49	1.46	1.72	0.69	0.27	1.73
Cash flow per share (CFPS)	0.49	1.46	1.72	0.69	0.27	1.73
Headline Earnings Per Share (HEPS)	0.97	1.07	1.18	1.32	1.49	1.62
Dividend declared per share						
Dividend paid per share						
Price- Earning Ratio (P/E Ratio)	19.57	7.60	6.68	20.13	63.52	10.63
Enterprise Multiple	10.44	6.62	6.82	11.29	14.34	9.56
Tobin's Q Ratio	0.68	0.67	0.58	0.59	0.63	0.56
Rate of Return		161%	40%	228%	345%	117%
Return on Equity	12%	21%	20%	7%	3%	17%
Return on Total Assets	3%	9%	9%	3%	1%	5%
Average Rate of Return		178%				
Value Added to Employees			435	1,205	1,224	1,595
Value Added to Government	7,485	15,261	21,482	-	4,595	4,833
Value Added to Employees as % increase on prior year		0%	0%	177%	2%	30%
Average Employee Added	70%					
Value Added to Government as % increase on prior year		104%	41%	-100%	0%	5%
Average Government Value Added	10%					

Source: Data from Oryx Properties Limited's Annual Reports; Author's calculation

The Oryx Properties Limited Annual Report (2014) stated that the company first listed on the NSX on in December 2002. At the time of listing in 2002 the share price was N$5.00, in 2009 the share price was N$9.50 and by the end of 2014 the share price increased to N$18.40. From 2009 to 2014 the shareholders received an average return of 178% on their investment.. Based on the information presented in Table 6 the P/B ratio is consistently greater than one for the periods 2009 to 2014, which means that the company is sound and the market continues to show confidence in the company's future growth and performance. From Table 6 it can be observed that from 2009 to 2014 the Enterprise Value of Oryx Properties Limited increased from N$1.054 billion to N$ 2.501 billion, a 137% growth over 5 years. Between 2009 and 2014 the average stakeholder value added to government and employees were ten and seventy percent respectively.

The graphical illustration below represents Oryx Properties Limited's stock returns over a five year period.

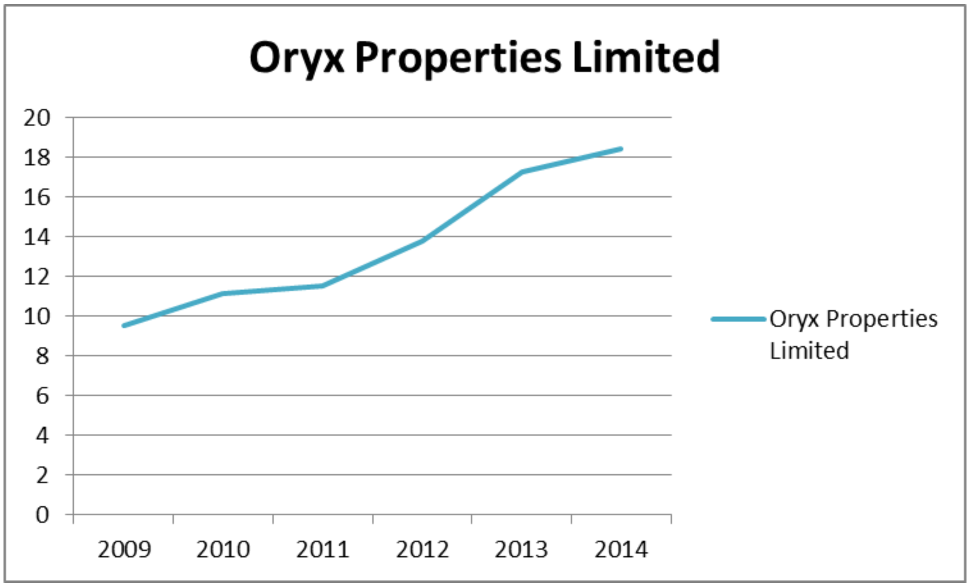

Figure 4: Graph illustrating Oryx Properties Limited Limited's stock returns over a five year period.

Source: Namibian Stock Exchange

Table 7: Financial Statement Analysis of Trustco Group Holdings

Trustco Group Holdings	N$ 000's					
	2009	2010	2011	2012	2013	2014
Total Number of Outstanding Shares	707142	707142	707142	707142	772142	772142
Weighted Average Number of Outstanding Shares	660197	677240	677240	683622	727652	772142
Shareholders equity (Book Value)	370,477	517,144	732,781	913,305	968,130	1,224,355
Total Assets	762,324	921,104	1,222,347	1,520,089	1,532,927	2,474,484
Total Liabilities	391,847	403,960	489,566	606,784	564,797	1,250,129
Depreciation and Amortisation	15,288	14,312	21,294	11,056	18,890	39,029
Book value per share	0.52	0.73	1.04	1.29	1.25	1.59
Market price per share	0.7	0.6	0.7	1.05	1	2.7
Price- To- Book Ratio(P/B) Ratio	1.34	0.82	0.68	0.81	0.80	1.70
Total Market Value (Market Capitalisation)	494,999	424,285	494,999	742,499	772,142	2,084,783
Enterprise Value (EV)	778,350	737,198	901,880	1,248,283	1,290,015	3,203,306
Revenue	484,514	550,448	587,018	713,304	595,239	843,554
Cost of Goods Sold	257,172	279,087	265,144	320,368	240,194	171,976
Gross Profit	227,342	271,361	321,874	392,936	355,045	671,578
Gross Profit Margin (%)	47%	49%	55%	55%	60%	80%
Earnings Before Interest, Taxes depreciation and Amortisation (EBITDA)	107189	196299	267387	305941	90400	396,362
Operating Income	91901	181987	246093	294885	71510	357333
Operating Margin (%)	19%	33%	42%	41%	12%	42%
Earnings available for common stockholders	92423	137544	189771	239824	39384	252672
Headline Earnings	71364	85332	131940	138540	33863	141522
Earnings per share (EPS)	0.14	0.20	0.28	0.35	0.05	0.33
Cash flow per share (CFPS)	0.163	0.224	0.312	0.367	0.080	0.378
Headline Earnings Per Share (HEPS)	0.11	0.13	0.19	0.20	0.05	0.18
Dividend declared per share	1	2	1.5	3.75	4.15	2
Dividend paid per share	0.01	0.02	0.015	0.0375	0.0415	2
Price- Earning Ratio (P/E Ratio)	5.00	2.95	2.50	2.99	18.48	8.25
Enterprise Multiple	7.26	3.76	3.37	4.08	14.27	8.08
Tobin's Q Ratio	0.65	0.46	0.40	0.49	0.50	0.84
Rate of Return		-7%	13%	40%	-1%	370%
Return on Equity	25%	27%	26%	26%	4%	21%
Return on Total Assets	12%	15%	16%	16%	3%	10%
Average Rate of Return		83%				
Value Added to Employees	66,853	61,552	66,028	87,164	120,450	138,374
Value Added to Government	-	23,954	22,490	37,093	50,129	45,426
Value Added to Employees as % increase on prior year		-8%	7%	32%	38%	15%
Average Employee Added	17%					
Value Added to Government as % increase on prior year		0%	-6%	65%	35%	-9%
Average Government Value Added	17%					

Source: Data from Trustco Group Holdings' Annual Reports; Author's calculation

As per the Trustco Integrated Annual Report (2014) the company listed on 27 September 2006 on the NSX. On 16 July 2012 the primary listing on the NSX was amended to secondary listing, this explains the sharp dip in the share price in July 2012. The investors however still benefited from the continued average increase in share and dividends over between 2009 and 2014. In 2009 the share price was N$0.70 and by the end of 2014 the share price increased to N$2.70 and dividends paid out to shareholders increased from N$0.01 in 2009 to N$0.02 per share in 2014. Based on the information presented in Table 7 the P/B ratio is lower than one for the periods 2010 to 2013, this however changed in 2014. The P/B ratio increased to 1.7 in 2014 which shows that the market is beginning to show confidence in the company's future growth and performance. From Table 7 it can be observed that from 2009 to 2014 the Enterprise Value of Trustco Group Holdings increased from N$778 million to N$3.2 billion, 312% growth over 5 years. From 2009 to 2014 the shareholders received an average return of 83% on their investment. Between 2009 and 2014 the average stakeholder value added to government and employees were seventeen percent respectively.

The graphical illustration below represents Trustco Group Holdings' stock returns over a five year period.

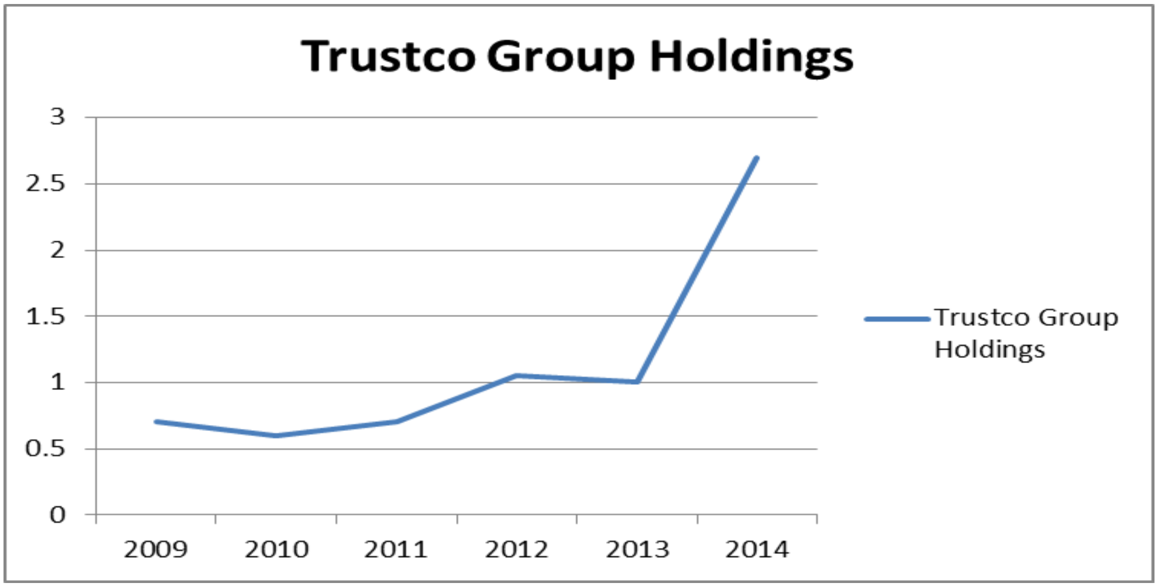

Figure 5: Graph illustrating Oryx Properties Limited Limited's stock returns over a five year period.

Source: Namibian Stock Exchange

Table 8: Financial Statement Analysis of Nictus Holdings Limited

Nictus Holdings Limited	N$ 000's					
	2009	2010	2011	2012	2013	2014
Total Number of Outstanding Shares				250	53444	53444
Weighted Average Number of Outstanding Shares				250	31280	53444
Shareholders equity (Book Value)				118,676	79,264	107,078
Total Assets				831,126	914,442	1,184,212
Total Liabilities				712,450	835,178	1,077,134
Depreciation and Amortisation				2,023	1,699	2,098
Book value per share				474.7	1.5	2.0
Market price per share				1.5	2.4	2.4
Price- To- Book Ratio(P/B) Ratio				0.003	1.618	1.198
Total Market Value (Market Capitalisation)				375	128,266	128,266
Enterprise Value (EV)				497,639	689,740	856,002
Revenue				516,346	462,771	725,276
Cost of Goods Sold				424,255	376,215	591,441
Gross Profit				92,091	86,556	133,835
Gross Profit Margin (%)				18%	19%	18%
Earnings Before Interest, Taxes depreciation and Amortisation (EBITDA)				23,910.00	- 10,040.00	33,202.00
Operating Income				21,887.00	- 11,739.00	31,104.00
Operating Margin (%)				4%	-3%	4%
Earnings available for common stockholders				22,131.00	- 9,412.00	24,549.00
Headline Earnings				16,723.00	- 9,571.00	3,659.00
Earnings per share (EPS)				88.524	-0.30	0.46
Cash flow per share (CFPS)				96.62	-0.25	0.50
Headline Earnings Per Share (HEPS)				66.892	-0.31	0.07
Dividend declared per share				40	0.96	0.00
Dividend paid per share				40	0.96	0.00
Price- Earning Ratio (P/E Ratio)				0.02	-7.98	5.22
Enterprise Multiple				20.81	-68.70	25.78
Tobin's Q Ratio				0.00	0.14	0.11
Rate of Return					154%	0%
Return on Equity				19%	-12%	23%
Return on Total Assets				3%	-1%	2%
Average Rate of Return				77%		
Value Added to Employees				28,450	38,527	49,961
Value Added to Government				20,483	19,989	29,204
Value Added to Employees as % increase on prior year		0%	0%	0%	35%	30%
Average Employee Added	33%					
Value Added to Government as % increase on prior year		0%	0%	0%	-2%	46%
Average Government Value Added	22%					

Source: Data from Nictus Holdings Limited's Annual Reports; Author's calculation

Nictus Limited placed a secondary listing on NSX in October 1992. As per the Circular to Nictus Shareholding (2012) the board has undertaken an extensive strategic review of the company and its Namibian and South African operations and concluded that it is preferable for the Namibian and South African operations to be separately listed on the respective stock exchanges of the countries in which they operate. The board has decided to unbundle its Namibian operations and list them separately on the NSX. Nictus Namibia unbundled from Nictus Limited in September 2012 and became Nictus Holdings Limited. At the time of listing in September 2012, Nictus Holdings' share price was N$2.4 per share but decreased to N$1.50 by the end of 2012. By the end of 2014 the share price increased from N$1.50 to N$2.40. This means that from September 2012 to December 2014 the shareholders received an average return of 77% on their investment. The P/B ratio in 2014 was 1.2, which means that the market continues to show confidence in the company's future growth and performance in Namibia after the unbundling process. The enterprise value increased from N$498 million in 2012 to N$ 856 million in 2014, reflecting a 72% growth. Between 2012 and 2014 the average stakeholder value added to government and employees were twenty two and thirty three percent respectively.

The graphical illustration below represents Nictus Holdings Limited' stock returns from September 2012 to December 2014.

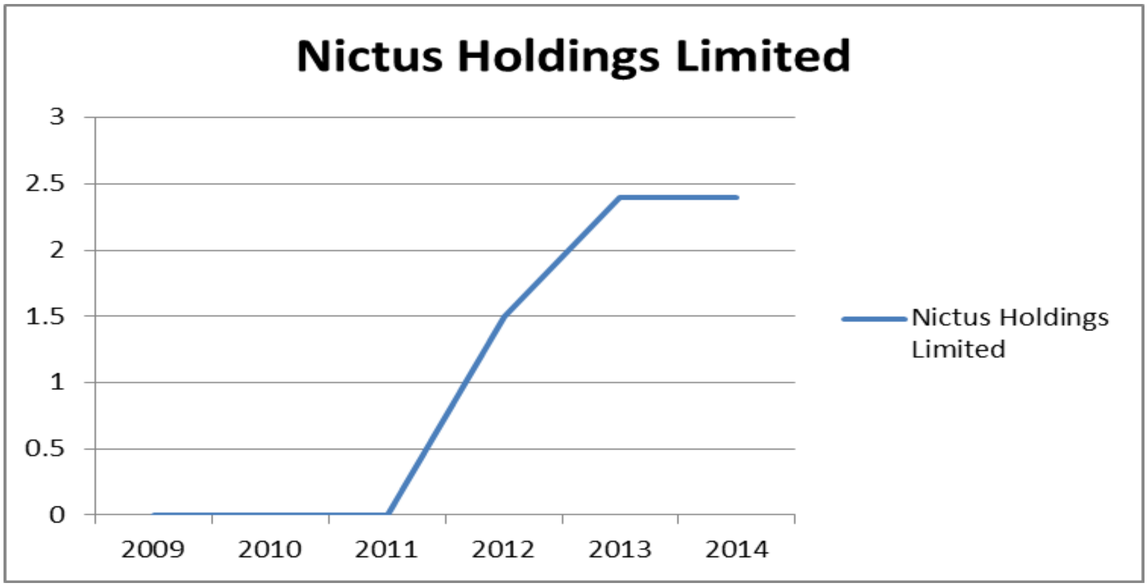

Figure 6: Graph illustrating Nictus Holdings Limited's stock returns from September 2012 to December 2014.

Source: Namibian Stock Exchange

Table 9: Financial Statement Analysis of Namibia Asset Management Limited

Namibia Asset Management Limited	N$ 000's					
	2009	2010	2011	2012	2013	2014
Total Number of Outstanding Shares	200000	200000	200000	200000	200000	200000
Weighted Average Number of Outstanding Shares	190105	191080	165755	165755	168854	169479
Shareholders equity (Book Value)	11,878	15,259	13,451	16,057	19,118	24,754
Total Assets	18,287	22,966	21,504	26,151	28,570	50,655
Total Liabilities	6,409	7,707	8,053	10,094	9,452	25,901
Depreciation and Amortisation	80.00	95.00	122.00	118.00	142.00	168.00
Book value per share	0.06	0.08	0.07	0.08	0.10	0.12
Market price per share	0.25	0.25	0.25	0.18	0.32	0.65
Price- To- Book Ratio(P/B) Ratio	4.21	3.28	3.72	2.24	3.35	5.25
Total Market Value (Market Capitalisation)	50,000	50,000	50,000	36,000	64,000	130,000
Enterprise Value (EV)	48,596	50,107	49,963	37,304	63,716	127,980
Revenue	23,540.00	28,782.00	45,475.00	41,645.00	63,848.00	80,469.00
Earnings Before Interest, Taxes depreciation and Amortisation (EBITDA)	8,624.00	7,107.00	7,515.00	11,565.00	14,928.00	18,950.00
Operating Income	8544	7012	7393	11447	14786	18782
Operating Margin (%)	36%	24%	16%	27%	23%	23%
Earnings available for common stockholders	5,463.00	5,705.00	4,774.00	7,694.00	10,101.00	12,718.00
Headline Earnings	5,463.00	5,703.00	4,771.00	7,694.00	10,100.00	12,715.00
Earnings per share (EPS)	0.029	0.030	0.029	0.046	0.060	0.075
Cash flow per share (CFPS)	0.029	0.030	0.030	0.047	0.061	0.076
Headline Earnings Per Share (HEPS)	0.029	0.030	0.0288	0.0464	0.0598	0.0750
Dividend declared per share	0.012	0.03	0.03	0.04	0.04	0.055
Dividend paid per share	0.012	0.03	0.03	0.04	0.04	0.055
Price- Earning Ratio (P/E Ratio)	8.70	8.37	8.68	3.88	5.35	8.66
Enterprise Multiple	5.63	7.05	6.65	3.23	4.27	6.75
Tobin's Q Ratio	2.73	2.18	2.33	1.38	2.24	2.57
Rate of Return		12%	12%	9%	36%	50%
Return on Equity	46%	37%	35%	48%	53%	51%
Return on Total Assets	30%	25%	22%	29%	35%	25%
Average Rate of Return		24%				
Value Added to Employees	3,134	3,768	3,833	4,173	4,706	5,795
Value Added to Government	3,043	1,186	2,381	3,753	4,682	6,065
Value Added to Employees as % increase on prior year		20%	2%	9%	13%	23%
Average Employee Added	13%					
Value Added to Government as % increase on prior year		-61%	101%	58%	25%	30%
Average Government Value Added	30%					

Source: Data from Namibia Asset Management Limited's Annual Reports; Author's calculation

In 2009 the share price was N$0.25 and by the end of 2014 the share price increased to N$0.65 and dividends paid out to shareholders increased from N$0.01 in 2009 to N$0.05 per share in 2014. This means that from 2009 to 2014 the shareholders received an average return of 24% on their investment. Based on the information presented in Table 9 the P/B ratio for 2009 was 4.21 and by 2014 grew to 5.25, which means that the market price per share is more than five times the book price per share. From the independent valuation by the market the current and prospective investors have a lot of confidence in the future performance of Namibia Asset Management Limited (NAML). From Table 9 it can be observed that from 2009 to 2014 the Enterprise Value of NAML increased from N$49 million to N$128 million, a 163% growth over 5 years. Between 2009 and 2014 the average stakeholder value added to government and employees were thirty and thirteen percent respectively.

The graphical illustration below represents Namibia Asset Management Limited's stock returns over a five year period.

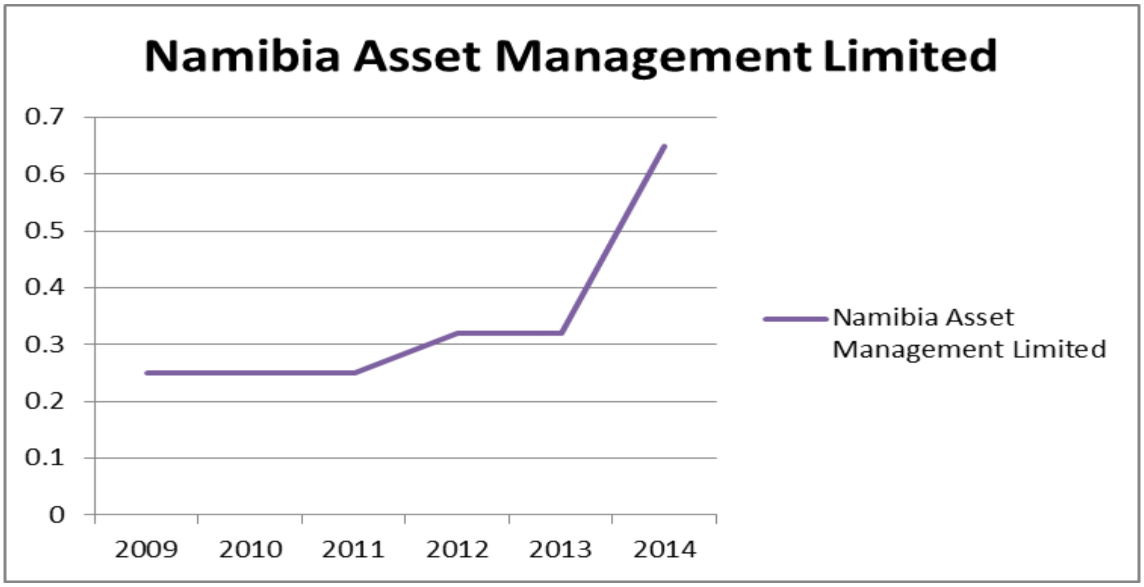

Figure 7: Graph illustrating Namibia Asset Management Limited's stock returns over a five year period. Source: Namibian Stock Exchange

Table 10: Financial Statement Analysis of FNB Namibia Holdings

First National Bank Namibia	N$ 000's					
	2009	2010	2011	2012	2013	2014
Total Number of Outstanding Shares	267593	267593	267593	267593	267593	267593
Weighted Average Number of Outstanding Shares	260226	258471	258699	258992	259221	259676
Shareholders equity (Book Value)	1,762,320	2,151,083	1,985,848	2,383,629	2,289,708	2,777,172
Total Assets	14,100,045	15,937,072	17,163,930	19,697,552	22,499,441	26,255,827
Total Liabilities	12,337,725	13,785,989	15,178,082	17,313,923	20,209,733	23,478,655
Depreciation and Amortisation	27,361.00	58,619.00	48,217.00	57,935.00	44,793.00	51,298.00
Book value per share	6.59	8.04	7.42	8.91	8.56	10.38
Market price per share	11.7	12.2	13.57	16.66	21.71	26.57
Price- To- Book Ratio(P/B) Ratio	1.78	1.52	1.83	1.87	2.54	2.56
Total Market Value (Market Capitalisation)	3,130,838	3,264,635	3,631,237	4,458,099	5,809,444	7,109,946
Enterprise Value (EV)	15,111,889	16,595,409	18,381,265	20,769,970	25,328,837	29,721,022
Revenue	2,199,992.00	2,307,588.00	2,091,551.00	2,349,043.00	2,603,271.00	3,122,667.00
Earnings Before Interest, Taxes depreciation and Amortisation (EBITDA)	589,340.00	739,774.00	1,534,698.00	1,777,203.00	1,923,750.00	2,312,934.00
Operating Income	561979	681155	1486481	1719268	1878957	2261636
Operating Margin (%)	26%	30%	71%	73%	72%	72%
Earnings available for common stockholders	354,165.00	429,278.00	496,298.00	762,103.00	596,651.00	773,170.00
Headline Earnings	352,912.00	428,395.00	495,599.00	526,025.00	594,697.00	765,206.00
Earnings per share (EPS)	1.36	1.66	1.92	2.94	2.30	2.98
Cash flow per share (CFPS)	1.47	1.89	2.10	3.17	2.47	3.17
Headline Earnings Per Share (HEPS)	1.36	1.66	1.92	2.03	2.29	2.95
Dividend declared per share	0.56	0.67	2.47	2.62	1	1.22
Dividend paid per share	0.56	0.67	2.47	2.62	0.87	1.09
Price- Earning Ratio (P/E Ratio)	8.60	7.35	7.07	5.66	9.43	8.92
Enterprise Multiple	25.64	22.43	11.98	11.69	13.17	12.85
Tobin's Q Ratio	0.22	0.20	0.21	0.23	0.26	0.27
Rate of Return		56%	157%	328%	510%	491%
Average Rate of Return		309%				
Value Added to Employees	327,415	347,600	407,732	467,267	491,328	552,000
Value Added to Government	197,092	227,449	258,261	299,629	309,285	386,216
Value Added to Employees as % increase on prior year		6%	17%	15%	5%	12%
Average Employee Added	11%					
Value Added to Government as % increase on prior year		15%	14%	16%	3%	25%
Average Government Value Added	15%					

Source: Data from FNB Namibia Holdings' Annual Reports; Author's calculation

In 2009 FNB Namibia Holdings' share price was N$11.70 and by the end of 2014 the share price increased to N$26.57 and dividends paid out to shareholders increased from N$0.56 in 2009 to N$1.09 per share in 2014. This means that from 2009 to 2014 the shareholders received an average return of 309% on their investment. Based on the information presented in Table 10 the P/B ratio for 2009 was 1.78 and by 2014 grew to 2.56, which means that the market price per share is more than two times the book price per share. From the independent valuation by the market the current and prospective investors have a lot of confidence in the future performance of FNB Namibia Holdings (FNB). From Table 10 it can be observed that from 2009 to 2014 the Enterprise Value of FNB increased from N$15 billion to N$29.7 billion, a 97% growth over 5 years. Between 2009 and 2014 the average stakeholder value added to government and employees were fifteen and eleven percent respectively.

The graphical illustration below represents FNB Namibia Holdings' stock returns over a five year period.

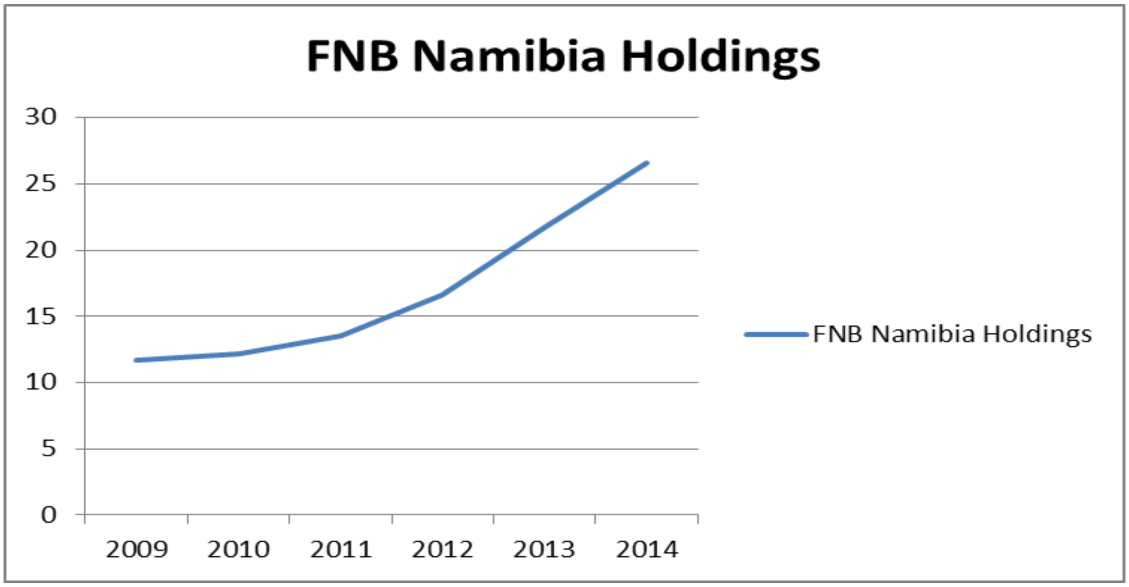

Figure 8: Graph illustrating FNB Namibia Holdings' stock returns over a five year period. Source: Namibian Stock Exchange

Relationship between economic value and stakeholder value

Following the model by Chebaane and Othman (2014), equation (1) below was used to further investigate the relationship between shareholder value creation and being listed on the stock exchange.

$$\text{Market Value Per Share} = a + a_j \text{Company}_j + b_1 EPS + b_2 RR + b_3 BVPS \qquad (1)$$

where:

EPS is Earnings per Share;

RR is Rate of Return;

BVPS is Book Value per Share;

a is the intercept;

a_j is the coefficient capturing company$_j$ effect; and

b_1,b_2 and b_3 are coefficients.

The estimation results from the model are shown in Table 11. The parameter estimate for earnings per share is statistically insignificant. The insignificance is likely to be caused by the buy and hold strategy that is prevalent on the Namibia Stock Exchange. The parameter estimate for the rate of return (RR) has the value 0.011 which is positive and statistically significant (p- value =0.000). This shows that a unit increase in the rate of return leads to a 1.1% increase in the market value per share. The parameter estimate for the book value per share (BVPS) has the value 2.081 which is also positive and statistically significant (p- value =0.000). This shows that a unit increase in the book value per share leads to a 2.081 increase in the market value per share.

Table 11: Regression analysis between Market Value Per Share and the indicators Rate of Return and Earnings per share and Book Value Per Share

Parameter Estimates

Parameter	B	Std. Error	95% Wald Confidence Interval		Hypothesis Test		
			Lower	Upper	Wald Chi-Square	df	Sig.
(Intercept)	-2.295	.7982	-3.859	-.730	8.264	1	.004
[Company=BIDV]	-5.193	2.3265	-9.753	-.634	4.983	1	.026
[Company=FNB]	-2.551	2.7343	-7.910	2.808	.870	1	.351
[Company=NAM]	2.154	1.0401	.115	4.193	4.288	1	.038
[Company=NBL]	4.182	1.3585	1.519	6.844	9.475	1	.002
[Company=NICT]	.199	1.3198	-2.387	2.786	.023	1	.880
[Company=ORY]	-4.682	2.6203	-9.818	.453	3.193	1	.074
[Company=TRUS]	0[a]	.	.	.	.	.	.
EPS	.729	.7975	-.834	2.292	.835	1	.361
RR	.011	.0023	.006	.015	20.302	1	.000
BVPS	2.081	.3275	1.439	2.723	40.381	1	.000
(Scale)	2.395[b]	.5988	1.467	3.910			

Dependent Variable: MVPS

Model: (Intercept), Company, EPS, RR, BVPS

a. Set to zero because this parameter is redundant.

b. Maximum likelihood estimate.

In order to show that there is an improvement in the shareholder value, we have to examine the extent to which the share value deviates from the book value over time.

This is done by examining the price to book ratio for the different companies. The results are shown in Table 12 below. The table shows that there is a general rise in the price to book ratio over time except for Bidvest and Nictus. Nictus has only two observations and the value went down from 1.6 in 2013 to 1.2 in 2014. In the case of Bidvest it has generally remained constant at 1.4 although it peaked to the values of 1.8 in 2009 and 1.6 in 2012 This means the share price is increasing faster than the book value per share over time. If a company is not listed the value remains at its book value whereas when it’s listed the market value is much higher. This is evidence that there is an improvement in the shareholder value through listing on the stock exchange.

Table 12: Price- To- Book Ratio (P/B) Ratio

	2009	2010	2011	2012	2013	2014
Namibia Asset Management	4.2	3.3	3.7	2.2	3.4	5.3
Trustco Group Holdings	1.3	0.8	0.7	0.8	0.8	1.7
Namibia Breweries Limited	2.2	2.5	3.1	2.9	3.9	4.1
Bidvest	1.8	1.4	1.4	1.6	1.4	1.4
Nictus					1.6	1.2
Oryx Properties	2.3	1.6	1.3	1.5	1.8	1.8
FNB Holdings	1.8	1.5	1.8	1.9	2.5	2.6
Bank Windhoek					1.9	2.1

CHAPTER 5

5.1 RECOMMENDATIONS

The examination of the current listing environment of the Namibian Stock Exchange indicates that there are many challenges that the market is facing specifically in terms of low capitalization and liquidity. However, as seen from the data collected the Namibian companies continue to perform remarkably well in terms of return on investment. Well-functioning stock markets play and important role in the economic growth of a country. If Namibians themselves are reluctant to invest in their own local stock market, the challenges of capitalisation and liquidity will not be addressed. Domestic participation is important in building the credibility of the Namibian Stock Exchange.

The recommendations proposed in this paper serve as guidelines to improve domestic participation, improve liquidity and to make the NSX the preferred platform for capital raising. This will not just benefit the exchange but also other stakeholders such as government, employees and society at large.

Issuer and Investor Relations Department (IIRD)

The JSE has an Issuer and Investor Relations Department (IIRD) which focuses on business development and customer relationships. The department also has a marketing division that focusses on all marketing related activities of business development. The

IRRD are constantly meeting with sponsors, advisors and companies in order to discuss the benefits of listing and any new developments on the exchange. The purpose is to make the JSE the preferred platform for capital raising, in South Africa and elsewhere. The business development managers also travel to the mining conferences and other African countries to market and network. The JSE advertises in selected publications in order to profile the exchange. The NSX can follow the example of the JSE and its Investor Relations Department (IIRD). Individuals from the NSX can travel to mining conferences and other African countries to market and network the exchange. The NSX can advertise in selected publications in order to profile the exchange.

Demutualisation

Senbet and Otchere (2008) explained that demutualisation transforms an exchange from a non-profit entity into a profit entity through a change in the legal status and governance structures of the exchange. They further mention that good governance in demutualisation is sustained by genuine separation of ownership and control. The Namibia Financial Sector Strategy: 2011-2021 also proposed that the NSX be demutualised to enable it to be listed on the exchange to segregate its trading rights from its ownership and to enhance its regulatory functions. Demutualisation will also enhance efficiency and competitiveness in order to make the NSX the preferred platform for capital raising, in Namibia and elsewhere.

Privatization of state owned enterprises

Senbet and Otchere (2008) state that share issue privatisation programs contribute directly to the depth of stock markets through increased supply of listed companies. They further explain that generally State Owned Enterprises (SOEs) are heavily subsidised and lack effective governance with little competition, bringing these firms to the discipline of the stock markets improve efficiency and performance. If the government of Namibia allows state owned enterprises like Namibia Power Corporation, Namibia Water Corporation, Air Namibia, Namibia Petroleum Corporation and Namibia Airports Company to name a few, to list it will reduce subsidies and lack of efficiency and will be better governed. Listing on the NSX provides and arena for price discovery where the fair value of the SOEs can be determined and tracked. SOE's are well known by the Namibian public and listing these enterprises will increase public awareness about the NSX and also create first time local Namibian buyers.

Investor and public education

Educating companies and providing information to the general public on the advantages of investing and raising funds on the NSX. There needs to be a culture of participation on the stock exchange in order it address the lack of capitalisation and illiquidity.

Unbundling

As per the Circular to Nictus Shareholders (2012), Nictus Namibia unbundled from the South African operations and simultaneous listed Nictus Holdings Limited on the NSX in 2012. The board's decision to unbundle the two operations was aimed at enhancing the strategic flexibility of the Namibian operations and South African operations. The board also felt that it will enable the two separately listed entities to embark on their own strategy to grow within their respective commercial and regulatory environments. If more multinational companies decided to unbundle its operations and list the Namibia operations on the NSX it increase Namibian ownership and improve liquidity in the market.

5.2 CONCLUSIONS

This chapter presents the conclusions of the study. The study set out to achieve the following objectives as articulated in the first chapter of this document:

a) To determine the reasons for either listing or remaining unlisted;

b) To examine the challenges that companies faced after being listed;

c) To determine the economic and stakeholder value added by analysing the share price performance, profitability, operational ratios and book value of listed companies over time; and

d) To establish the relationship between share price and book value per share.

Summary of findings

Reasons for listing

All respondents either agreed or strongly agreed that the reason why they listed was to comply with national development plans and policy guidelines of Namibianisation. The main objective of Namibian Listed companies was to facilitate the transformation of the Namibian economy and bring about tangible benefits to Namibians.

Eighty three percent of the respondents listed on the NSX in order to allow ordinary Namibians to also share in the ownership of Namibian companies. Eighty four percent of all respondents listed in order to improve their credibility with stakeholders.

In summary the main reasons why companies decided to list on the NSX was to be a Namibian company, owned and managed by Namibians. These companies believed that creating value for ordinary Namibians will ultimately create economic value for their companies and the economy.

Reasons for remaining unlisted

The respondents pointed out that the reasons they remained unlisted was due to the lack of instruments and low liquidity of the NSX. They mentioned that listing was too risky due to the low levels of trading activity on the NSX. Shareholders would find it difficult to reinvest their profits in an asset that provided the same return.

The need to raise capital through equity was also cited as one of the reasons to remain unlisted. The companies interviewed operated on a very conservative strategy of retaining capital and reinvesting it in the company for future investments. The companies believed in expansion based on affordability, which meant they only took on new developments, once they had sufficient reserves built up. The respondents mentioned that the companies had sufficient cash reserves at its disposal for expansion, hence there was no need to list. Banks were also willing to lend large amounts to well established firms.

Most companies, especially family-owned companies, sentiment played a big role and members of the family did not want to give away a 20 % stake of their family inheritance.

Lack of liquidity, lack of instruments, need for capital and the unwillingness to share ownership were the biggest reasons why companies remained unlisted. These companies simply did not see the benefit of being listed on the NSX.

Challenges of being listed

From all the respondents interviewed, eighty three percent of the respondents cited lack of liquidity and activity as their biggest challenge of being listed on the NSX. The reasons given included Regulation 28; buy and hold strategy; number of companies; and number of asset classes on the NSX. Due to the fact that long term insurance and pension funds had to invest thirty five of subscriptions in domestic assets, they bought up all the available assets and hold these for a long term. The lack of liquidity made it difficult for companies to determine a fair market value for its share price. This meant that companies could not raise meaningful amounts of capital, the share price of the companies were undervalued and shareholders could not unlock maximum value from their investments.

Determine the economic and stakeholder value through ratio analysis

Hirt and Block (2010) explains that price ratios are ratios that that relate the internal performance of a firm to the external judgement of the marketplace in terms of value. The price to book ratio is a ratio used to compare a stock's market value to its book value. From the independent valuation by the market the current and prospective investors, all the companies' market values were higher than the book values. This means that the stakeholders have a lot of confidence in the future performance and sustainability of these companies.

One of the most important finding was that listed companies' unwavering commitment to good governance practices and ethical reporting. From the annual financial statements the value added to stakeholders by each company selected was evident. With each year of improved financial performance the Government of Namibia received increased taxes through Pay As You Earn, Value Added, Import, Withholding and Corporate Taxes and employees earned higher salaries, bonuses, allowances and share incentives.

Relationship between share price and stakeholder value

From the regression results in the Parameter Estimates in Table 11 and the price to book ratio Table 12 we can observe the significant relationship between the rate of return, book value per share and market value per share and the general increase in the share price over book value per share over time of the listed companies. The significant relationship relates to the internal performance of a firm to the external judgement of the marketplace in terms of value. This means that with each year of improved financial performance shareholders receive return on investments through dividends and growth in share prices. The Government of Namibia also receives increased taxes and employees earn higher salaries, bonuses and incentives.

In conclusion employees earned higher salaries, bonuses, allowances and share incentives. Suppliers received cash for materials and services rendered to each of the listed entities. Customers received goods and services that were ethically produced. Shareholders received a return on their investment and society at large received benefits through the corporate social responsibility programs. The findings revealed that listed companies have a definite positive impact on stakeholder value creation and the companies interviewed all agreed that the benefits of being listed far outweigh the costs.

5.3 Suggested Areas of Further Research

African equity markets have grown in number over the past years yet they lack the liquidity to effectively compete against the major developed markets. More needs to be done in order to improve upon their efficiency in order to attract more investors in the near future. There is need to do a study on how to improve liquidity and instruments in the stock exchanges of developing countries.

REFERENCES

Alford, A. (1992). The effect of the set of comparable firms on the accuracy of the price-earnings valuation method, *Journal of Accounting Research, 30*, 94-108.

Ashta, A., & Patil, S. (2007). Behavioral Finance Issues in Listing and Delisting in the French Wine Industry: Lessons from the Case of Grands Vins Boisset, *Decision*, *34*, 1-26.

BDO. (2011). *Research Project into JSE Listings*. Johannesburg, South Africa: Author

Baker, M., & Ruback, R. (1999). *Estimating Industry Multiples*. Retrieved November 16, 2014, from http://www.people.hbs.edu/mbaker/cv/papers/estimatingindustry.pdf

Bank Windhoek Holdings Limited. (2014). *Annual Report 2014*. Windhoek, Namibia: Author

Bauer, R., Frijns, B., Otten, R., & Tourani-Rad, A. (2008). ‘The impact of Corporate Governance on corporate performance: Evidence from Japan’, *Pacific-Basin Finance Journal*, *16*, 236-251.

Bauer, R., & Günster, N. O. R. (2004). ‘Empirical evidence on Corporate Governance in Europe– The effect on stock returns, firm value and performance’, *Journal of Asset Management*, *5*, 91-104.

Beatty, R.P., Riffe, S.M., & Thompson, R. (1999). ‘The method of comparables and tax court valuations of private firms: an empirical investigation’, *Accounting Horizons*, *13*, 177-199.

Bebchuk, L., Cohen, A., & Ferrell, A. (2008). 'What Matters in Corporate Governance?', *Review of Financial Studies*, February, *22*, 783-827.

Beiner, S., Drobetz, W., Schmid, M. M., & Zimmermann, H. (2005). 'An Integrated Framework of Corporate Governance and Firm Valuation', *European Financial Management*, *12*, 249-283.

Bhagat, S., & Bolton, B. (2008). 'Corporate Governance and Firm Performance', *Journal of Corporate Finance*, *14*, 257-273.

Bidvest Namibia Limited. (2014). *Annual Report 2014*. Windhoek, Namibia: Author.

Brown, S. (2014, October 16). 'Understanding three basic market questions', *Finweek*, p 42.

Brown, L. D., & Caylor, M. L. (2006). 'Corporate governance and firm valuation', *Journal of Accounting and Public Policy*, 25, 409-434.

Boatsman, J., & Bakin, E. (1981). 'Asset valuation with incomplete markets', *The Accounting Review*, *56*, 38-53.

Chebaane, S., & Othmanb, H. B. (2014) The impact of IFRS adoption on value relevance of earnings and book value of equity: the case of emerging markets in African and Asian regions, *Procedia - Social and Behavioral Sciences*, *145* 70 – 80.

Cheung, S. Y., Connelly, T. J., Limpaphayom, P. and Zhang, L. (2007). 'Do Investors Really Care About Corporate Governance? Evidence from the Hong Kong Market', *Journal of International Financial Management & Accounting*, *18*, 86-122.

Chinese Wall. (2014). Retrieved September 5, 2014, from http://www.investopedia.com/chinese wall.html

Collins goes public (2005, May). *Institutional Investor International Edition*. Retrieved August 6, 2015, from http://web.a.ebscohost.com/ehost/detail/detail?sid=6c81acb13bcb4ec899f4f4bbb7d80eee%40sessionmgr4005&vid=0&hid=4112&bdata=JnNpdGU9ZWhvc3

Core, J. E., Guay, W. R., & Rusticus, T. O. (2006). 'Does Weak Governance Cause Weak Stock Returns? An Examination of Firm Operating Performance and Investors' Expectations', *The Journal of Finance*, 11.

Da, Z., & Schaumburg, E. (2011). 'Relative Valuation and Analyst Target Price Forecasts', *Journal of Financial Markets*, *14*, 161-192.

De La Mater, R., De Sombre, M., & You, M. (2002, December). Why Asian issuers should not dismiss US offerings. *International Financial Law Review*. Retrieved August 6, 2015, from data:text/html;charset=utf8,%3Cdiv%20class%3D%22fttranslation%22%20style%3D%22margin%3A%200px%3B%20padding%3A%201.23em%200px%3B

Deloitte. (2014). *NamCode: The Corporate Governance Code for Namibia*. Windhoek, Namibia: Author.

Derivatives. (2014). Retrieved September 5, 2014, from http://www.investopedia.com/derivatives.html

Drobetz, W., Schillhofer, A., & Zimmermann, H. (2004). 'Corporate Governance and Expected Stock Returns: Evidence from Germany', *European Financial Management*, *10*, 267-293.

Dybvig, P. H., & Warachka, M. (2012). *Tobin's Q Does Not Measure Firm Performance: Theory, Empirics, and Alternative Measures*. Retrieved November 9, 2014, http://phildybvig.com/papers/CGOE_revise16.pdf

Enterprise Multiple. (2014). Retrieved September 5, 2014, from http://www.investopedia.com/enterprise multiple.html

Enterprise Value. (2014). Retrieved September 5, 2014, from http://www.investopedia.com/enterprise value.html

First National Bank Namibia Holdings. (2014). *Annual Report 2014*. Windhoek, Namibia: Author.

Foester, S. R., & Huen, B. C. (2004). 'Does Corporate Governance Matter To Canadian Investors?', *Canadian Investment Review*, *Fall*, 19-25.

Gitman, L.J. (2000). *Managerial Finance*. California, United States: Addison Wesley Publishing House.

Gompers, P. A., Ishii, J. L., & Metrick, A. (2003). 'Corporate Governance and Equity Prices', *Quarterly Journal of Economics*, *118*, 107-155.

Government of the Republic of Namibia. (2012). *Namibia's Fourth National Development Plan 2012/13 to 2016/17*. Windhoek, Namibia: Author.

Government of the Republic of Namibia. (2011). *Namibia Financial Sector Strategy: 2011-2021*. Windhoek, Namibia: Author.

Government of the Republic of Namibia. (2009). *Namibia Financial Sector Charter*. Windhoek, Namibia: Author.

Gupta, P. P., Kennedy, D. B., & Weaver, S. C. (2009). 'Corporate Governance and Firm Value: Evidence from Canadian Capital Markets', *Corporate Ownership & Control*, *6*, 293-307.

Hanney, B. (2004, November). 'Begbies buoyant after float', *Accountancy*, p 62.

Hirt, G., & Block, S. B. (2010). *Fundamentals of Investment Management*. , United Kingdom: Custom Publishing.

Howson, N. C., & Khanna, V. S. (2003). 'Reverse Cross-listings-The Coming Race to List in Emerging Markets and an Enhanced Understanding of Classical Bonding', *Cornell International Law Journal*, *47*, 608-629.

Huang, Y., Tsai, C.H., & Chen, C.R. (2007). 'Expected P/E, Residual P/E, and Stock Return Reversal: Time – Varying Fundamentals or Investor Overreaction?', *International Journal of Business and Economics*, *6*, 11-28.

Irina, I., Alexander, P., & Ivan, K. (2007). *Adjustments to Market Multiples – Based Valuation in Emerging Markets: Empirical Study for Russia*. Retrieved November 9, 2014, http://ecomod.net/sites/default/files/document-conference/ecomod2008/535.pdf

Jackson, R. D. C., & Stent, J.J. (2007). *Auditing Notes for South African Students*. Durban: LexisNexis.

Kaplan, S. N., & Ruback, R. S. (1995). 'The valuation of cash flow forecasts: An empirical analysis', *The Journal of Finance*, *50*, 1059-1093.

Kerin, R. A., Hartley, S. W., Berkowitz, E. N., & Redelius, W. (2006). *Marketing*. New York: McGraw- Hill Irwin.

Kim, M., & Ritter,J. (1999). 'Valuing IPOs', *Journal of Financial Economics*, *53*, 409-37.

Klein, P., Shapiro, D., & Young, J. (2005). 'Corporate Governance, Family Ownership and Firm Value: the Canadian evidence', *Corporate Governance: An International Review*, *13* (6), 769-784.

Koller, T., Goedhart, M., & Wessel, D. (2010). *Measuring and Managing the Value of Companies*. Hoboken: New Jersey.

KPMG. (2009). *Corporate Governance & King 3*. Jonannesburg, South Africa: Author.

La Porta, R., de Silanes, F. L., Shleifer, A., & Vishny, R. (2002). Investor protection and corporate valuation, *The Journal of Finance*, *57*(3), 1147-1170.

Liu, J., Nssim, D., & Thomas, J. (2002). 'Equity Valuation Using Multiples', *Journal of Accounting Research*, *40*, 135-172.

Liu, J., Nissim, D., & Thomas, J. (2007). 'Is Cash Flow King in Valuations', *Financial Analyst Journal*, *63*, 56-65.

Loughran, T., & Wellman, W., J. (2009). *The Enterprise Multiple Factor and the Value Premium*. Retrieved November 16, 2014, http://csinvesting.org/wp-content/uploads/2012/05/enterprise-multiple-vs-tobins-q.pdf

Macloud, R. (2008). Business Blue Book of South Africa. *A Guide to Listing Companies on the JSE Limited* (pp.1-13). Retrieved from University of Western Cape database.

Market Capitalisation. (2014). Retrieved September 5, 2014, from http://www.investopedia.com/ market capitalisation.html

Monda, B., & Giorgino, M. (2013). Corporate Governance and shareholder value in listed firms: An Empirical Analysis in Five Countries (France, Italy, Japan, UK, USA). DIG, Politecnico di Milano, *MPRA Paper No.45429,* 1-38.

Namibia Asset Management Limited. (2014). *Annual Report 2014*. Windhoek, Namibia: Author.

Namibia Breweries Limited. (2014). *Annual Report 2014*. Windhoek, Namibia: Author.

Namibian Stock Exchange. (2012). *Annual Report 2012*. Windhoek, Namibia: Author.

Nel, P. S., Werner, A., Haasbroek, G. D., Poisat, P., Sono, T., & Schultz, H., B. (2010). *Human Resources Management*. , Cape Town, South Africa: Oxford University Press.

Nictus Holdings Limited. (2014). *Annual Report 2014*. Windhoek, Namibia: Author.

Patel, S., Dallas, G. (2002). *Transparency and Disclosure: Overview of Methodology and Study Results– United States* .United States of America: Standard & Poor's.

Penman, S. H. (1996). The Articulation of Price-Earnings Ratios and Market –to- Book Ratios and the Evolution of growth, *Journal of Accounting Research*, *34*, 253-259.

Penman, S. H. (1997). *Combining Earnings and Book Value in Equity Valuation*. Retrieved November 16, 2014, http://pruss.narod.ru/Earn_and_Book.pdf

Price Discovery. (2014). Retrieved September 5, 2014, from http://www.investopedia.com/ price discovery.html

Price- To- Book- Ratio. (2014). Retrieved September 5, 2014, from http://www.investopedia.com/price-to-book-ratio.html

Schwab, K., Sala-i-Martín, X. & Brende, B. (2013). *The Global Competitiveness Report 2013–2014.* Geneva, Switzerland: World Economic Forum.

Scotts jumps aboard stock exchange (1996, January 06). *American Nurseryman.* Retrieved August 6, 2015, from http://web.a.ebscohost.com/ehost/detail/detail?sid=23a4e470533e4ab7855515e3fb845d98%40sessionmgr4003&vid=0&hid=4112&bdata=JnNpdGU9ZWhvc3

Sehgal, S., & Pandey, A. (2009). 'The Behavior of Price Multiples in India (1990-2007)', *Asian Academy of Management Journal of Accounting and Finance*, *5*, 31-65.

Sehgal, S., & Pandey, A. (2010). 'Equity Valuation Using Price Multiples: A Comparative Study for BRICKS', *Asain Journal of Finance & Accounting*, *2*, 68-91.

Senbet, L., & Otchere, I. (2008). African Stock Markets. *Paper presented at African Finance for the 21st Century Seminar*. Tunis, Tunisia.

Shotter, M.,Dennis, C., Brummer, L., & Boshoff, A. (1998). 'Creation of shareholder value: A comparison of economic value added (EVA) with traditional performance measures', *Meditari Accounting Research*, *6*, 301-317.

Suozzo, P., Cooper, S., Sutherland, G., & Deng, Z. (2001). *Valuation Multiples: A Primer*. Retrieved November 9, 2014, http://pages.stern.nyu.edu/~ekerschn/pdfs/readingsemk/EMK%20NYU%20S07%20Global%20Tech%20Strategy%20Valuation%20Multiples%20Primer.pdf

Tasker, S. C. (1998). Industry preferred multiples in acquisition valuation, *Cornell University Working Paper*, Cornell University, Ithaca, NY.

Taylor, A. (2003, February 17). Porsche's Risky Recipe. *Fortune*. Retrieved August 6, 2015, from http://web.a.ebscohost.com/ehost/detail/detail?sid=9f4cc8afed244e46a03f64dd106ad64d%40sessionmgr4002&vid=0&hid=4112&bdata=JnNpdGU9ZWhvc3

Welman, B., Kruger, F., & Oakland, J. (2005). *Research Methodology*. Cape Town, South Africa: Oxford University Press.

APPENDIX 1

QUESTIONNAIRE

QUESTIONNAIRE ON MEASURING THE IMPACT OF BEING LISTED ON THE NAMIBIAN STOCK EXCHANGE ON STAKEHOLDER VALUE CREATION

Thank you in advance for taking your time to join this survey. I am Angus Claassen, a student at the University of Namibia, Namibia Business School. I am pursuing Master's Degree in Business Administration (MBA) - Finance. I am conducting a study in order to write a thesis in partial fulfilment of the requirements for Master`s degree at Namibia Business School. My topic "Measuring the impact of being listed on the Namibian Stock Exchange on Stakeholder Value Creation". Please understand that your participation in the study is voluntary. All information collected including respondents' names will remain confidential. The results will be used only for research purposes and be presented only in aggregate. The results of this survey will be disseminated to NBS. This questionnaire consists of four (4) parts. Your accurate and specific response is important to the success of this survey. Please complete the questionnaire using the Likert Scale as indicated below.

Likert Scale

1 Strongly Agree

2 Agree

3 Neutral

4 Disagree

5 Strongly Disagree

Please indicate by using a cross (X)

Section 1: Reasons for listing

	Questions	1	2	3	4	5
1	Raise capital for now and in the future					
2	Raise business profile and create brand awareness					
3	Create value for stakeholders					
4	Forced to list by holding company					
5	Achieve compliance, proper governance and reorganisation					
6	Retire debt					
7	Facilitate employee share scheme as a performance incentive					
8	Improve credibility with stakeholders					
9	Attract & retain better people					
10	Create an automatic valuation mechanism					
11	Enable rights issue					
12	Compete better					
13	To be able to raise bond & commercial paper					
14	To facilitate an exit plan at a later stage					
15	Localisation/Namibianisation					

Section 2: Challenges with listing

		1	2	3	4	5
1	Onerous compliance time inputs					
2	Onerous reporting					
3	Level of disclosure					
4	Electronic documentation					
5	IFRS Concerns					
6	King III concerns					
7	SENS format problems (Security Exchange News Service)					
8	Sponsor or designated advisor support					
9	Regulation and Compliance					
10	Too much paperwork					
11	Printing of annual reports					
12	Payment to sponsor and NSX for same service					
13	Need for more and better qualified staff to meet compliance					
14	Liquidity and activity of the NSX					

Section 3 General benefits and challenges not listed above

Section 4 Suggestions to improve current listing environment
