

New capital pool company lists on NSX

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THE Namibia Stock Exchange is expected to list another capital pool company – Mcube Investments One Limited – tomorrow.

This company has Swapo Party think tank member Amos Shiyuka, veteran broker and former Namibia Stock Exchange (NSX) chief executive officer John Mandy and former chief financial officer at Standard Bank Namibia Bryan Mandy, as directors.

According to an abridged pre-listing announcement made on the exchange's news platform last Friday, the company was formed and incorporated in Namibia on 1 September 2016 as a non-operating cash entity.

“The board intends to list Mcube as a capital pool company (CPC) in order to position the company as an alternative vehicle for listing on the NSX and benefit from the growing need for access to the listing process,” reads the announcement.

Because of Namibia's business potential, the directors said their intention is to do a reverse takeover of an existing Namibian business that shows good growth prospects that in turn, will offer good returns for investors, albeit initially from a small base.

The directors said this will bridge the gap between investment capital and the level at which it is needed and do away with debt financing from banks, which normally places constraints on cash flow.

Mcube said it will look for a target which meets its investment policy and restrictions and has not to

date entered any negotiations to conclude a reverse takeover.

The directors have, however, identified a number of potentially viable targets, which meet the acquisition criteria for a reverse takeover listing, the company said in the announcement.

There is substantial demand for local investments in Namibian saving pools, and there is a demand for funds from Namibian businesses to finance their growth, the directors said.

“The growth and development of the structured savings and capital markets in Namibia are expected to drive sustainable future economic growth that bodes well for Namibian businesses positioned to benefit from this future growth,” read the announcement.

In anticipation of the listing, the directors said they have capitalised the company with around N\$2,1 million.

The issued shares represent 5% of the total authorised shares and would be the anticipated minimum ownership of Mcube after completing an acquisition.

The directors said while access to the capital markets through an initial public offering remains risky and costly, a CPC reverse takeover route significantly reduces costs, time and complexity for a company to be listed on the NSX.

The NSX has granted Mcube a listing of 10 million ordinary shares with effect from the commencement of trade tomorrow. The authorised share capital is around 200 million shares.

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What Is A Cpc?

Capital pool companies, sometimes referred to as 'cash companies' or 'cash shells' are entities that have no commercial operations and no assets except cash.

The purpose of a capital pool company is to find and acquire an active business(es), or be found and be acquired by another entity.

They are mainly used to facilitate the primary capital raising process to enable an acquisition as stated above, that would like to be listed on a stock exchange.

In most cases, a company that wants to list on the stock exchange but does not want to go through the route of a tedious and expensive listing process mainly agrees to be acquired by a CPC.

Some of the requirements of listing a CPC as per the NSX rules:

- The CPC must not carry on any commercial and/or business operations at the time of application to the NSX.
- The CPC disclose the acquisition criteria for viable assets;
- The board of directors must have subscribed for shares or units in the applicant representing at least a 5% interest, on a collective basis, in the applicant on the date of listing.

- The CPC must have raised a minimum of N\$20 million through the issue of shares and/or units for listing on the main board and N\$2 million for the development capital board.

* There is more to the list and the full CPC listing requirements are available from the NSX on request.