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ETHIOPIAN CAPITAL
MARKET AUTHORITY



THE WORLD BANK

Call for Application for the Pilot Phase of the ECMA IPO Clinic

APPLICATION DEADLINE: February 21st, 2025

Background

Capital markets development is a key component of the Government of Ethiopia's (GoE) Home-Grown Economic Reform Program and 10-Year Development Plan (2021-2031). In line with this commitment, the Capital Markets Proclamation (No. 1248/2021) was adopted by the House of Peoples' Representatives in June 2021, which included the establishment of the Ethiopian Capital Market Authority (ECMA) and the Ethiopian Securities Exchange (ESX). The Ethiopian Capital Market Authority is committed to promoting the development of the capital market by creating an enabling environment for long term investments. However, certain gaps exist in developing the ecosystem, such as limited access to experienced advisors and market intermediaries, gaps in knowledge and understanding of regulatory requirements, and insufficient market participation. Addressing these gaps requires concerted efforts from policymakers, regulators, and market participants to build the necessary infrastructure, strengthen governance structures and improve market awareness to enhance market liquidity and boost market participation, leveraging lessons from more mature markets to accelerate Ethiopia's progress. It also highlights the need for additional support to build a pipeline of companies ready to issue and trade securities.

Consequently, the ECMA, with the support of the World Bank, is establishing an IPO Clinic as a stop gap solution to address current market gaps until when the market for such services develops in Ethiopia. The Clinic will serve as a critical enabler, providing guidance and technical support to companies preparing for public markets and assessing their readiness for IPOs while addressing systemic challenges in the budding capital market ecosystem.

About the IPO Clinic

The IPO Clinic is being established as a project office under the ECMA with a broad mandate to undertake activities towards building a pipeline of companies ready to participate in the Ethiopian capital market via equity issuances and listings. The IPO Clinic operates at an arm's length from the regulatory and other functions of the ECMA and has minimal interface with the Ethiopian Securities Exchange (ESX).

The IPO Clinic operates a structured program of supporting companies over a one-year period, wherein companies admitted into the IPO Clinic would undergo IPO readiness diagnostic assessments to identify gaps in their readiness for IPOs, receive technical guidance and support to remediate gaps identified, participate in several capacity building and training programs and begin preparation for an IPO.

The Clinic will focus on educating selected companies on the requirements and processes involved in going public, enabling them to access the capital markets for growth and expansion.

Objectives of the Clinic

The primary objective of the IPO Readiness Clinic is to:

- ✓ Enhance understanding of the IPO and listing process among Ethiopian companies.
- ✓ Build a pipeline of IPO-ready companies by assessing the readiness of participating companies to undertake an IPO and supporting them to remediate identified gaps.
- ✓ Provide tailored guidance on regulatory, financial, and operational aspects necessary for a successful IPO.
- ✓ Connect companies with relevant industry experts, including investment advisers, accountants, legal advisers, and regulators necessary for an IPO.
- ✓ Serve as a stop-gap solution to address immediate challenges in Ethiopia's nascent capital market while laying the groundwork for a sustainable, competitive, and innovation-friendly capital market ecosystem.

Scope of the Clinic

The Clinic will utilize a structured framework for undertaking IPO readiness assessment and preparation of selected entities. The framework utilized by the Clinic shall incorporate at least the following with regards to each entity:

- ✓ Corporate governance
- ✓ Financial reporting, transparency, and disclosure
- ✓ Risk management and internal control
- ✓ Financial reporting including an assessment of historical financial performance and the evolution of its business and operations
- ✓ Leadership and commitment by management
- ✓ Investor relations and communication
- ✓ The organizational set up of the entity including the efficiency of its corporate structure, the arrangements of its business affairs
- ✓ The proposed strategy and business plan and prospects of each entity
- ✓ Publicly available information on reputation, credibility and perception of the company
- ✓ readiness to comply with IPO requirements, listing requirements, regulatory directives, and disclosure obligations

Expected Benefits for Participants

- ✓ In-depth training on IPO requirements and processes.
- ✓ Access to experts in finance, law, compliance, and corporate governance.
- ✓ Individualized assessments of IPO readiness.
- ✓ Networking opportunities with potential investors, regulators, and advisors.
- ✓ Strategic guidance on improving business practices to meet IPO standards.

Eligibility Criteria

To be eligible for the Clinic, companies must:

- ✓ Be registered and operating in Ethiopia.
- ✓ Have a minimum of 2 years of business operations.
- ✓ Demonstrate a sound financial track record and growth potential.
- ✓ Be willing to commit senior management to participate in the Clinic sessions.
- ✓ Show interest in exploring an IPO as a potential capital-raising option.

Pilot Phase of the IPO Clinic

Following the setting up of the IPO Clinic Project Office, the Clinic seeks to kick start its initial operations with a pilot phase. The Pilot phase involves the assessment of the readiness of companies for public markets including the development of a gap analysis report with actionable recommendations as well as an implementation roadmap for the Company. In addition to the IPO readiness, selected companies in the pilot phase would subsequently join the first cohort of companies to be admitted into the IPO Clinic benefiting from specialized training, workshops, and one-on-one advisory sessions to prepare for an IPO.

Invitation for Application to be Admitted into the IPO Clinic (Pilot Phase)

This call for application invites Ethiopian companies including private companies and State-Owned Entities (SOEs) to submit applications to participate in the pilot phase of the IPO Clinic. Interested companies should submit an application for admission into the Clinic which should contain

- ✓ The company's profile including an overview of the business, sector, products/services, history, board and management structure.
- ✓ Analysis of the company's financial performance in the last 2 years
- ✓ Business, regulatory environment and future outlook of the company
- ✓ Names, designation and CVs of at least three (3) senior executives who will participate fully in the Clinic activities

- ✓ Reasons for exploring an IPO or listing with expected benefits

The application should be accompanied by the following documents:

- ✓ Copies of business registration certificates and licenses.
- ✓ Proof of tax compliance
- ✓ 2 – 5 years Audited Financial Statements
- ✓ Decision by the Board and/or management of the Company to explore IPO and/or listing
- ✓ Signed undertaking to participate fully in the clinic and adhere strictly to the rules and regulations of the clinic.
- ✓ Other supporting documents as may be required by the clinic from time to time.

Technology companies and women led organizations are encouraged to apply

Submitted applications should not exceed 10 pages (excluding annexures). Applications must be submitted in PDF format to ipoclinic@ecma.gov.et ; by 12 PM noon on or before **21st February 2025** with the **Subject Line: "Application to Participate in the ECMA IPO Clinic – [Company Name]"**,

Evaluation Criteria

Applications would be evaluated based on:

- ✓ Alignment with the Clinic's objectives.
- ✓ Financial stability and growth potential.
- ✓ Commitment to the IPO process.
- ✓ Senior management involvement and readiness to participate.
- ✓ Completeness and quality of the submitted application.
- ✓ Additional criteria for admission into the clinic are outlined in **Annex 1** of this document.

Contact Information

For inquiries or further clarification, please contact:

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Confidentiality

All information provided in response to this call for application will be treated as confidential and will only be used for the purpose of evaluating the suitability of companies for participation in the clinic.



Disclaimer

This call for application does not constitute an offer to form a contract or a binding agreement. The ECMA reserves the right to modify, cancel, or reissue this call for application at any time.

We look forward to receiving your applications and helping Ethiopian companies take the next step toward accessing public capital markets.

Annex 1 – Detailed Eligibility Criteria for Companies Seeking Admission into the IPO Clinic.

Criteria	Growth Company	Mature Company
Revenue Size	<250,000,000 ETB	>250,000,000 ETB
Revenue Growth Rate	>=20% y-o-y	>=5% y-o-y
EBITDA Margin	>=10%	>=5%
Average Management Team Experience	5 Years	10 Years
Return on Equity	>5%	>10%
Debt to Equity Ratio	< 1 : 1	< 1 : 1
Age	>/=3 years	>5 years
Legal Structure	Private companies, public companies, share companies, family-owned businesses, and PLCs.	Private companies, public companies, share companies, family-owned businesses, PLCs and SOEs
Financial Reporting	At least 2 years audited financial statement	At least 5 years audited financial statement
IPO Readiness	Demonstrate a willingness and readiness to explore public listings within the next 18-24 months, evidenced by Board resolution.	Demonstrate a willingness and readiness to undertake public listing within the next 12-18 months, evidenced by Board resolution.