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Ethiopian Securities Exchange

GUIDE TO LISTING

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The Guide

Going public is a pivotal step for any business, its shareholders, and management. Listing on the Ethiopian Securities Exchange (ESX) signals a strong commitment to transparency, enhancing the company's credibility and trustworthiness. This milestone can significantly raise the company's profile among key stakeholders such as customers, suppliers, employees, financial institutions, investors, and the media, positioning it for growth and broader market visibility.

This guide serves as a comprehensive resource for companies considering going public, as well as for investors, financial advisors, and other key players involved in the Initial Public Offering (IPO) process. It explains the essential concepts, steps, and factors to consider at each stage of the IPO journey. Whether you're thinking about listing your company on the Ethiopian Securities Exchange or investing in a newly listed company, this guide is designed to help you understand the process and make well-informed decisions.

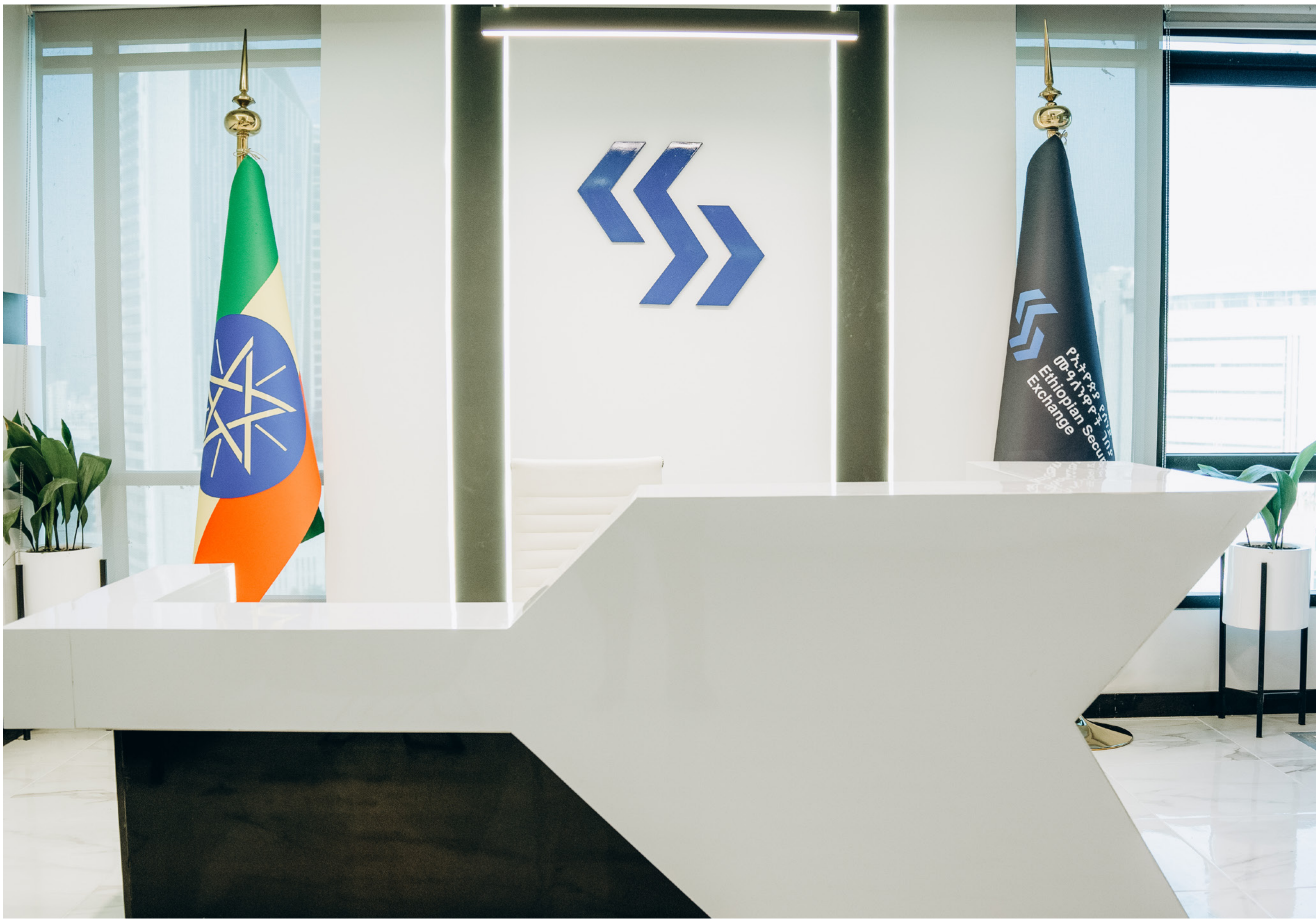
This guide covers the entire life cycle of an IPO, from the initial decision-making process to post-IPO considerations. It offers insights into the practical steps required to successfully navigate an IPO, including understanding what an IPO entails, preparing for an IPO, meeting listing requirements, and managing post-IPO responsibilities.

Ethiopian Securities Exchange (ESX)

The Ethiopian Securities Exchange (ESX) is Ethiopia's first, and only organized securities exchange established as a public private partnership in line with Article 31 of the Capital Market Proclamation (No.1248/2021).

As a securities exchange, ESX fulfills the roles of a Self-Regulatory Organization (SRO) and central market organizer, offering an integrated suite of products through its equity, fixed income and alternative market segments.

ESX supports mobilization of finance for both public and private sector institutions while providing investors a platform to invest in a reliable and efficient environment. The core objective of the ESX is to facilitate access to capital and support effective capital allocation in a manner that promotes the country's economic growth.



ESX Market Segments

ESX offers a diverse range of markets and financial products across three key areas: the **Equity Market, Fixed Income Market** and **the Alternative Market.** These offerings cater to the varied needs of investors, companies, as well as public sector financing needs, promoting a dynamic capital market ecosystem in Ethiopia.

Equity Market

Comprises the Main Market for well-established companies and the Growth Market for smaller or emerging businesses.

The Equity Market includes additional financial instruments such as Exchange-Traded Funds (ETFs), Real Estate Investment Trusts (REITs), Sharia-Compliant Equity products, and Structured Products designed to provide tailored risk and return profiles.

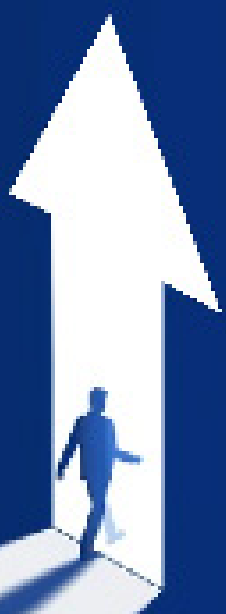
Fixed Income Market

Serves as marketplace for Treasury Bonds, T-Bills, Corporate Bonds, Sharia compliant fixed income instruments – Sukuks, Municipal Bonds and other thematic instruments.

The market also provides platform for Interbank Money Market and Repurchase Agreements (Repo) (Secured Interbank) transactions.

Alternative Market

Focuses on innovative and niche financial products, including Crowd-investment platforms and the Over the Counter/ Unlisted Market for trading securities that are not publicly listed.



Fuel Your Business Growth: **ESX Opens Doors to Equity and Debt Capital for SMEs**

Understanding the Listing Process

Listing refers to the process by which a company's shares are included and quoted on the ESX, allowing them to be traded by investors.

A company that undergoes the listing process must meet all the regulatory requirements of the Ethiopian Capital Markets Authority (ECMA) and ESX, including financial disclosures, corporate governance practices.

Once listed, the company's shares become publicly traded, increasing their liquidity and providing the company with access to a broader pool of capital. Listing also typically enhances the company's visibility, credibility, and ability to raise funds in the future.

Companies have several options when it comes to accessing the capital market. The most popular and common transaction structures are presented below.

A. Listing by IPO

An Initial Public Offering (IPO) is the process by which a privately held company offers shares to the public for the first time. This transition allows the company to raise capital from public investors by selling ownership stakes in the form of shares. By selling new or existing shares to the public, the company can obtain funding to finance its operations and growth, or allow its founders and shareholders to exit.

IPOs in Ethiopia are required to be supported by licensed transaction advisors and other advisors, who assist the company in registering and pricing the shares, marketing the offering, and managing the sale of the shares to investors. Once the IPO is completed, the company's shares are listed on ESX, making them available for trading by the general public.

The company works with a licensed transaction advisor such as an investment bank to determine the investor demand, initial offer price and the number of shares to be sold. The investment bank may use a book building, fixed price offer or auction to determine the offering price.

- **Book building:** Book building is a price determination mechanism where the issuing company, with the help of investment bank (s) gathers indications of interest from institutional investors, high-net-worth individuals and to some extent retail investors for shares being offered. Through this process, a "book" is created, reflecting the demand for the shares at various price levels. The final price, or strike price, is set based on the level of demand at the end of the book-building period, ensuring the minimum capital required is raised.
- **Fixed price offering:** A fixed price offering is a method of issuing shares or other securities where the price at which the securities are offered to the public is predetermined and fixed by the company. Unlike the book-building process, where the price is determined based on investor demand, in a fixed price offering, the issuer sets the price upfront, and investors can buy the securities at that specified price.
- **Auction:** A share offering through auction is a method of selling shares or securities in which potential investors submit bids for the number of shares they wish to purchase and the price they are willing to pay. This auction process determines both the price and allocation of shares based on demand from investors.

Types of Offers in an IPO

An **offer for sale** is a listing method where existing shareholders invite the public to purchase shares that are already in their possession. This process does not involve issuing new shares but instead allows current shareholders to sell a portion of their holdings. It is often used as an opportunity for founding shareholders to realize returns on their investment by reducing their stake in the company.

An **offer for subscription** is when a company invites the public to purchase newly issued shares. Unlike existing shareholders, the new investors acquire these shares directly from the company. This approach modifies the company's shareholding structure while channeling the proceeds from the sale to the company as equity capital. Companies typically use this method when listing to raise funds for expanding their operations.

B. Listing by Introduction

In a listing by introduction “Registration of shares without concurrently raising capital” or often called “Direct Listing”, a company lists on ESX without issuing new shares or raising additional capital. Instead, existing shares held by current shareholders, employees, or investors are listed on an exchange for the public to easily buy and sell. This is the best way of becoming public for existing share companies with a wider shareholding base.

Key Features of Listing by Introduction:

1. No New Shares Issued: The company does not issue additional shares to raise capital. Instead, it lists the existing shares held by current shareholders.
2. Pre-existing Shareholders: The company already has a broad base of shareholders, and the shares are freely transferable.
3. Market for Shares: The listing provides a regulated and organized market for trading the company’s shares, enhancing liquidity and visibility.
4. No Public Offer: Since no shares are being sold to the public, there is no need for underwriting or an Initial Public Offering (IPO).

Benefits of Listing

Listing on the Ethiopian Securities Exchange (ESX) offers more than just opportunity to raise capital. It enables companies at various stages of growth to strategically position themselves for the future.

Whether it's expanding operations, enhancing market visibility, or solidifying their financial foundation, listing allows businesses to advance and pursue long-term development goals while benefiting from increased credibility and access to public markets.

Access to Capital

Listing provides companies with access to the public capital markets and alternative sources of capital helping the company achieve its strategic objectives and its long-term growth and success.

Listing helps reduce a company's reliance on debt financing by increasing its equity base.

Once listed, a company can more easily raise additional capital through secondary share offerings or by accessing debt markets, providing future funding opportunities.

This increased access to capital markets enhances the company's financial flexibility, supporting its growth and expansion plans while reducing the need to depend solely on traditional forms of borrowing.

Enhancing Visibility and Prestige

Listing elevates a company's profile, boosting visibility among potential customers, partners, and investors. This can lead to increased brand recognition and attract favorable media attention, analysts, and business opportunities.

Achieving listed status on ESX enhances the company's credibility with key stakeholders, including business partners, customers, and employees.

Being a listed company can provide competitive advantages, opening doors to new business opportunities and strengthening the company's market position.

Liquidity for Shareholders

An IPO offers liquidity for the company's founders, early investors, and employees by providing an opportunity to sell shares on the open market.

Listing on ESX allows institutional investors to exit through a market-based avenue, enabling them to sell their holdings at market-determined prices.

Employee Performance

Offering share options to employees can boost performance, while also helping to attract and retain top talent by aligning their interests with the company's success.

Executives in particular can be compensated with a combination of salary and share options, aligning with global best practices, and providing incentives for long-term value creation.

Valuation and Reputation

Being listed on ESX gives the company a transparent, market-driven valuation, which can be used to assess its performance and improve its reputation among customers, suppliers, and the business community.

The public market's valuation provides a strong signal to stakeholders, enhancing the company's credibility and helping it build a solid standing in the industry. This can be instrumental in gaining trust and recognition from partners and investors.

Regulatory Framework

A company intending to list on ESX must satisfy the requirements of both the ECMA and the listing and trading requirements of ESX.

Listing on ESX requires two successful applications:

A To ECMA for the registration of securities and approval of Prospectus

> In line with Article 75 (1) of the Capital Market Proclamation "A publicly traded security shall be registered, prior to the offer or placement, by the Authority." Certain exemptions apply.

> In line with Article 76 (1) of the Capital Market Proclamation " An issuer of securities shall obtain approval from the Authority for its prospectus prior to issuing or advertising any securities for a public offering"

B To ESX for the Listing and Trading of Securities

> In line with the Rulebook of the ESX an issuer shall submit its listing application after which ESX shall make an independent determination of the viability of the company for listing.

> Part of the listing evaluation includes; confirmation against minimum listing requirements of the exchange for both main, and growth markets (for equity securities)

> Such requirements include but are not limited to;

- Minimum capital (market capitalization)
- Minimum operational track record
- Minimum free float requirements
- Ensuring these securities are fully paid and transferable

Pre-Listing Considerations

Before pursuing listing, a company should evaluate its readiness to transition to a publicly listed and traded entity through assessment of the below critical factors. These elements influence how compelling the company's equity story will be for potential investors. The strength of these factors will ultimately determine investor confidence and the success of the IPO.

Financial Health

Ensure strong financial performance and transparency through accurate, audited statements. Focus on demonstrating stability with clear revenue growth, profitability, cash flow, and manageable debt levels. This builds investor confidence and sets a solid foundation for going public.

Operational Readiness

Ensure processes, systems, and infrastructure are robust and capable of supporting growth; includes having a well-structured management team, effective supply chain management, strong internal controls, compliance with regulations and up-to-date technology systems.

Business Model

Develop a clear value proposition that outlines the revenue model, customer base, and operational structure. A solid business model is key to generating steady income and maintaining profitability, which will be crucial in attracting investors and securing long-term growth after going public.

Market Position

Assess the company's position versus competitors as a strong market position shows a competitive edge. The company should have clear growth plans, such as market expansion or product development, and communicate how IPO funds will support these goals to investors.

Strategic Readiness

Have a clear business strategy that sets long-term goals, identifies growth opportunities, and aligns resources. This helps the company navigate the challenges of going public and ensures sustained growth in the competitive market.

Corporate Governance

A company must strengthen its corporate governance to meet standards expected by regulators, investors, and ESX. This includes separating management from the board, having independent board members, and setting up key committees like audit, risk, and compensation. Strong governance, accountability, and ethical practices are crucial for building investor confidence and enhancing the company's reputation in the public market. These factors directly impact the success of the company's transition to being publicly traded.

Financial Audit and Reporting Requirements

A company must ensure its financial audit and reporting practices comply with applicable laws and regulations. This includes preparing audited financial statements for the required number of years, e.g., three years if the company is to be listed on ESX main market or at least 2 years if the company is to be listed on ESX Growth Market, in accordance with International Financial Reporting Standards (IFRS) or any other acceptable standard by the relevant regulatory body. The company should also establish robust.

Legal and Regulatory Considerations

A company must thoroughly review and ensure compliance with all legal and regulatory requirements governing public offer and trading of securities. This includes addressing any outstanding legal issues, such as lawsuits or contractual disputes, which could pose risks to potential investors. A strong legal foundation is critical to mitigating risks and ensuring a smooth and compliant transition to public markets.

The Equity Story

The success of an IPO largely hinges on a compelling equity story and its effective communication. A company's share profile is multifaceted, shaped by a range of internal and external factors as well as market expectations. Evaluating the quality or sustainability of a company's performance cannot rely solely on financial metrics. This is where the equity story becomes crucial. Designed to capture the attention of the financial community, the equity story presents the company within its context, outlining its background, ambitions, and prospects. It highlights potential growth, profitability, and competitive advantages for investors, linking the company's business case with its investment proposition.

Listing by IPO: Key Steps

Decision to go Public
Board Approval
Assess Readiness
Remediate Gaps

DD and Regulatory Filing
Develop Equity Story
Prepare Prospectus
File with Regulator

Pricing and Allocation
Set Final Price
Allocation

Select Advisor/ Underwriter
Investment bank/ advisor
Underwriting agreement
Identify IPO Team

Marketing & roadshow
Roadshow pricing
Investor relations

Listing & trading
Stock exchange Listing
First day of trading

Overview of the IPO Timeline

PHASE	KEY ACTIVITIES
Pre-IPO Preparation	> Assess IPO readiness (financial, legal, governance) > Assemble IPO team > Improve internal controls & financial reporting
Drafting and Due Diligence (DD)	> Prepare prospectus and financial statements > Conduct due diligence > Prepare regulatory filings
Regulatory Review & Roadshow	> Submit filings & respond to regulatory feedback > Begin marketing IPO via roadshow > Gather investor feedback on pricing
Pricing and Listing	> Finalize IPO pricing > Execute listing on the stock exchange > Begin public trading
Post-IPO	> Transition to public company standards > Maintain investor relations > Meet ongoing reporting obligations

Step 1:
Decision to go Public

The decision to go public is a critical phase of the IPO process, where a company evaluates the strategic benefits and challenges of becoming a publicly traded entity.

Under this step,

- The company's board of directors must formally approve the decision to go public, signaling alignment with the organization's growth strategy.
- A thorough evaluation of the company's financial, operational, and governance structures should be performed to ensure it meets regulatory and market requirements for a public offering.
- Gaps should be identified and areas of deficiencies that require improvement must be addressed to meet the standards expected by regulators and investors in the public market.

This decision is influenced by factors such as the need for capital to fund expansion, increase visibility, enhance credibility, and provide liquidity for existing shareholders.

Select Advisors

Transaction Advisors

Transaction advisors typically include investment banks, underwriters, transaction advisors, legal advisors, auditors, and public relations firms.

These advisors play a vital role in structuring the IPO, ensuring regulatory compliance, preparing financial disclosures, and managing market communications. The selection process focuses on finding advisors with a strong track record, relevant industry experience, and a deep understanding of the regulatory environment. Companies put together internal IPO team that works together with selected advisors under this key step.

A well-chosen team of advisors is essential for navigating the complexities of the IPO, optimizing valuation, and ensuring a successful listing.

Legal Advisors

Legal advisors with expertise in capital markets provide guidance throughout the IPO Process and take part in the interaction between the company and regulatory agencies, ECMA and ESX. Legal advisors play a key part in the IPO process as they lead the company's legal due diligence, contribute to the drafting of the legal sections of the prospects and advise management team on their legal and regulatory duties before and after the IPO.

Auditors

Auditors are responsible for confirming the accuracy and fairness of the historical financial information and financial position presented in the prospectus. Auditors sign on the audit reports, giving assurance on fair presentation of statements.

Step 2:
Due Diligence and Regulatory Filing

This phase focuses on ensuring that the company meets all legal, financial, and regulatory requirements for going public and prepare its prospectus document to file with the regulator. During this phase, the company, with the help of its transaction advisors, undergoes a thorough review of its financial statements, corporate governance practices, legal contracts, and operational performance. Auditors, legal advisors, and investment banks collaborate to verify the accuracy and completeness of information, identifying and addressing any potential risks or compliance issues. A key part of this process is the preparation of the prospectus.

A. Registration Statement

In line with Article 8 of ECMA Directive on Public Offering and Trading of Securities (Directive Number 1030/2024), an issuer is expected to ECMA a submit a registration statement that includes

- A letter signed by a duly authorized officer or the transaction advisor
- A prospectus or any other offer document, as applicable, and
- The accompanying information and documents, that include, among others
- Copy of the Certificate of Commercial Registration and business license
- An authenticated copy of the Memorandum of Association of the Issuer and other applicable incorporation documents
- A certified copy of the resolution(s) of the shareholders or Board of Directors authorizing the Offer of the Securities, as applicable;
- A Certified copy containing the details of the Board of Directors, as applicable;
- A copy of the annual Report for the preceding 3 (three)
- A valuation report issued by the transaction advisor
- An external independent legal opinion
- Summary and copies of agreement with transaction advisors
- Evidence of escrow bank account opened for the subscription monies
- Where the issuer intends to list on a securities exchange a letter of provisional approval of listing

B. Prospectus

The Prospectus is a detailed document that provides potential investors with essential information about the company, including its financial health, business strategy, risk factors, and growth prospects.

> *“Prospectus” refers to a document or a publication by, or on behalf of, a share company containing information on the character, nature, and purpose of an issue of shares, debentures, or other corporate securities that extends an invitation to the public to purchase the securities;” Capital Market Proc; Article 2(52).*

The prospectus is then submitted to the ECMA, for review and approval. This phase is essential for building investor confidence as well as ensuring that the company complies with all the regulations necessary for a successful IPO.

This phase usually includes professional equity valuation work. This valuation helps set the initial price range for the shares being offered to the public. The valuation process is crucial, as it impacts how much capital the company will raise and how attractive the offering will be to potential investors. It will also be refined during the capital raise roadshow when the feedback from investors is gathered.

Summary of prospectus contents

Major areas of information that are required to be provided within the prospectus issued by the issuing company in line with the Capital Market Proclamation and ECMA Directive on Public Offering and Trading of Securities include:

- Business overview: A comprehensive description of the business, its strategy and objectives
- A clear and coherent description of the business plan
- A description of the issuer's operations and principal activities

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- Principal markets and competition
- The regulatory environment in which the issuer operates its business

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- Information on employees (number, type of employment, etc.)
- Description of compensation benefit plans, share-based payment, etc.

- Issuer's debt position
- Credit ratings assigned to an issuer
- Issuer's investment activity

- Interests and related party transactions
- Major shareholders and interested persons
- Related party transactions

- Management discussion and analysis operations and financial results, capital resources and liquidity, working capital statement

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- Information concerning the securities being offered
- Dividend rights, voting rights, pre-emption rights, redemption provisions, etc.
- Terms and conditions of the offer of securities
- Pricing — the price at which the securities are being offered and the basis for the issue price

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- Reasons for the offer and use of proceeds
- Distribution and underwriting
- Expenses of the offer

- Property, land and fixed assets
- A summary of material contracts to which the issuer or any member of the group is a party

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- Audited historical financial information
- Profit forecast or a profit estimate
- Significant change in the issuer's financial position
- Proforma financial information
- Special valuation report: A special valuation report may be required where the specific nature of the operations or planned activities of the issuer warrants

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- Corporate governance arrangements
- Governance and management; A profile of board of directors, senior management, and founders and promoters (where the business is in existence for less than 5 years)
- Board committees and practices
- Remuneration paid to Board of Directors and estimate of the amounts payable to named executive officers

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- Extract of the issuer's memorandum of association
- The total of issuer's share capital
- Dividend policy

- Risk factors: Description of the material risks that are specific and relevant to the issuer and its business
- Other related matters: Trading arrangements

Step 3:
Marketing and Roadshow

The marketing and roadshow phase of an IPO is a pivotal stage where the company and its transaction advisors actively promote the upcoming public offering to potential investors. This phase typically involves a series of presentations, known as the "roadshow," where the company's management team, along with investment bankers, meets with institutional investors, analysts, and fund managers to showcase the company's business model, financial performance, and future growth potential.

The roadshow serves as an opportunity to generate investor interest and assess demand for the shares. It also provides investors with the chance to ask questions and gain deeper insights into the company.

Step 4:
Listing and Trading

The listing and trading phase of an IPO marks the moment when the company's shares are officially listed on ESX and made available for public trading. On the day of the listing, also known as the "IPO debut," the company's share begins trading under a designated ticker symbol. This phase is the culmination of the IPO process, where the company transitions from private to public ownership.

Successful listing and strong trading activity helps establish the company's presence in the public market, enhance visibility, and provide liquidity for shareholders. For many issuers, the listing is an unforgettable highlight in the company's history. The listing ceremony will be celebrated by the company's management and staff on ESX trading floor. This designed event and the live broadcast from the trading floor allow all employees to experience this special moment in the company's history in real time. The presence of national and international media on the trading floor further increases the company's visibility and reach, garnering broad international attention.

Listing by Introduction: Key Steps

Similar to steps to be followed by a company that is going through the IPO process, listing a company by introduction (listing an existing share company without raising new capital) requires fulfillment of certain steps, alibet that are lighter than listing by IPO.

Step 1 - Prepare the Company for Listing

> Ensure that the company complies with the **eligibility criteria** for listing, such as the minimum capital requirements, free float, financial reporting, and shareholder requirements, as specified under ESX rules

> Conduct a readiness assessment to identify gaps in compliance, operational processes, or disclosures required for public companies.

Step 2: Regulatory Filing

> Hire advisors, including transaction and legal advisors to assist with preparing the required documents, ensuring adherence to ECMA and ESX requirements.

> Submit an application to ECMA, including the required documentation for registration:

- Information Memorandum: A detailed document outlining the company's financial health, governance, risks, and other material disclosures.
- Audited financial statements, prepared in compliance with IFRS and other documents
- An application to register shares is limited to the shares that an Issuer has previously issued, and no new securities shall be offered or registered as part of the Registration Statement

Listing and Trading on ESX

Listing and trading of securities on ESX is governed by the Rulebook of the exchange which provides for listing and trading rules including membership rules and disciplinary procedures and dispute resolution rules.

The Rulebook prescribes requirements of listing both equity and debt securities. ESX's equity listing requirements to its main board and growth board are further discussed on the following pages.

The trading rules of ESX are designed to ensure fair, transparent, and orderly trading of securities on the exchange. These rules govern the behavior of trading members, issuers, and investors, establishing a framework that promotes market integrity and protects investor interests.

Understanding and complying with these key trading requirements is critical for issuers to ensure their securities remain actively and favorably traded on ESX.

Below are the key trading requirements that impact issuers directly.

Prohibition of Insider Trading and Market Manipulation	Issuers must ensure that they and their representatives do not engage in insider trading, where they use non-public information to their advantage.
Disclosure Requirements	Issuers are required to provide timely, accurate, and complete information to the market. This includes financial reports, material developments, and any other information that could affect the price of their securities.
Trading Halts and Suspensions	The Exchange may impose trading halts on an issuer's securities in the event of emergencies, significant market disruptions, or if the issuer fails to comply with disclosure obligations.
Prohibited Trading Practices	Issuers need to be aware that engaging in or allowing activities like front-running (trading ahead of large client orders), short selling without proper authorization, or colluding to manipulate prices can result in disciplinary actions, including fines and possible suspension of their securities from the Exchange.
Audit Trails and Transaction Records	Issuers must ensure that all transactions involving their securities are accurately recorded and auditable. Any discrepancies or unauthorized transactions could trigger regulatory scrutiny and damage the issuer's reputation.
Clearing and Settlement Requirements	Issuers should ensure that transactions involving their securities are settled promptly and correctly, as delays or failures in the settlement process can lead to market instability and affect the issuer's credibility
Maintenance of Public Float	Issuers need to maintain the required percentage of shares available to the public (public float) to avoid public float falling below the minimum threshold

Criteria for Listing on ESX

The ESX listing rule outlines the key listing requirements for companies seeking to go public. These criteria ensure that companies meet essential regulatory, financial, and governance standards before listing their shares on the exchange.

Paid-up and Transferable Capital

The company's capital should meet the requirements of ESX and be fully paid and freely transferable, ensuring that there are no restrictions on the transfer of shares among investors.

Equal Rights for Shares in the Same Class

Shares within the same class must carry identical rights, maintaining fairness and transparency for all shareholders

Minimum Public Float

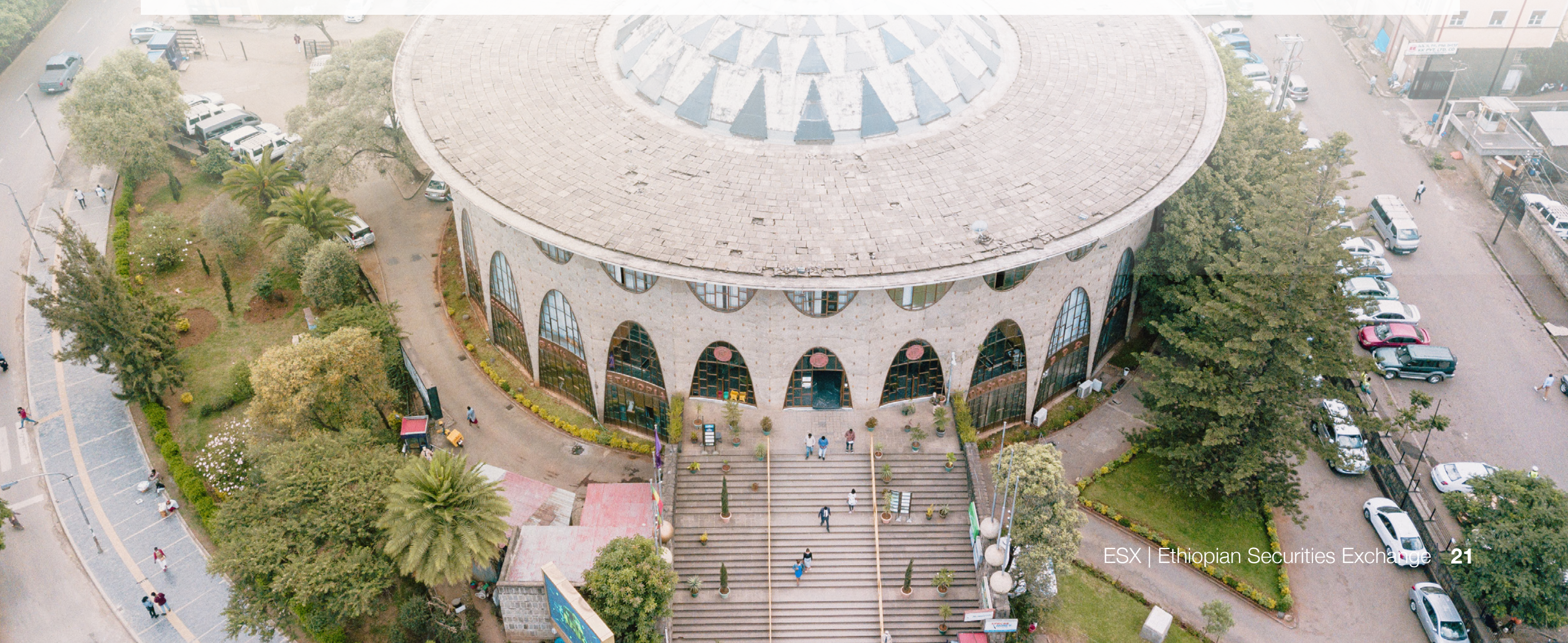
The company must meet the minimum public float requirement, ensuring that a certain percentage (10%-15%) of shares are available for trading by the public. Hence owners can keep control of the company

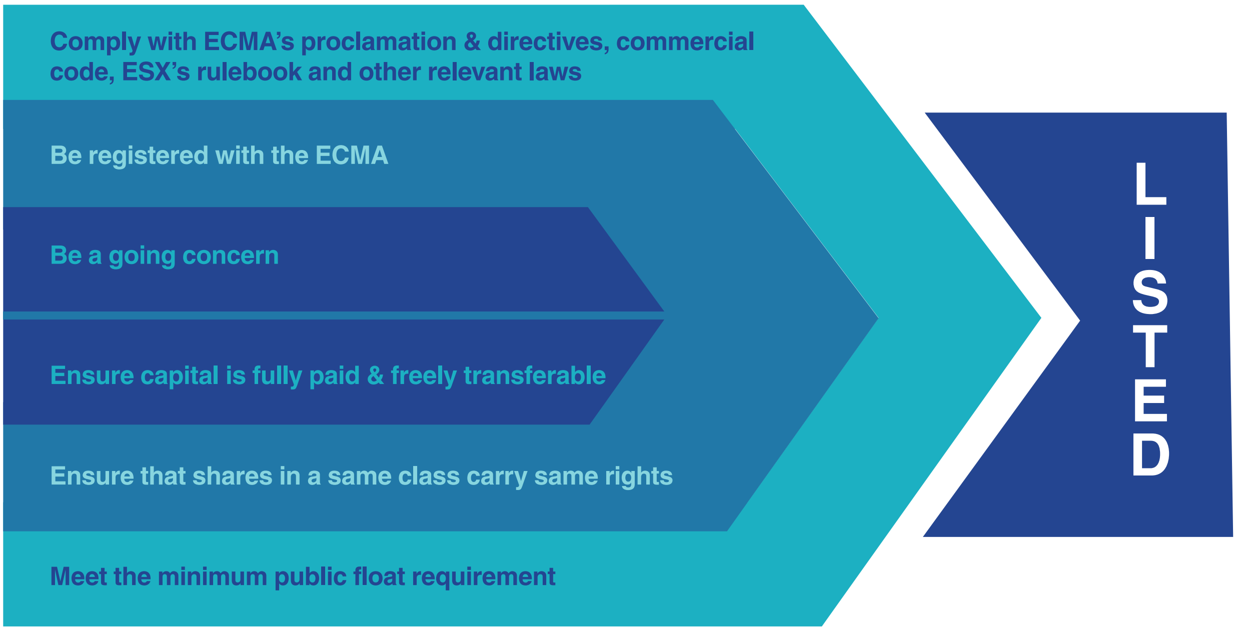
Going Concern

The company must be a viable and operational entity with a sustainable business model, demonstrating that it is a going concern

Operational track record

The company must be a viable and operational entity with a sustainable business model, demonstrating that it is a going concern.





Listing eligibility conditions for companies seeking to list on either the Main Market or the Growth Market segments are different.

Below are the specific listing requirements for both the Main and Growth Market segments.

ELIGIBILITY CONDITION	MAIN MARKET (MAIN BOARD)	GROWTH MARKET
Operating Track Record	≥ Three (3) years Or ≥ Three (3) years by a core investor/ technical partner in the same business	≥ Two (2) years Or ≥ Two (2) years by a core investor/ technical partner in the same business
Profitability	Profits after tax in at least one of the last three (3) financial years.	Revenue growth rate of at least 20% annually in the last two (2) years. Or Demonstrated growth potential through core investor/technical partner.
Financial Statements (FS)	Three (3) years of not materially qualified FS prepared in accordance with IFRS or applicable Ethiopian standards	Two (2) years of not materially qualified FS prepared in accordance with IFRS or applicable Ethiopian standards
Market Capitalization	≥ ETB 500M market capitalization or shareholder equity	≥ ETB 100M market capitalization or shareholder equity
Public Float	≥ 15% shares in the hands of 300 or more security holders (≥10% if Market Capitalization ≥ ETB 2B)	10% shares in the hands of 50 or more security holders
Application Documents	Submission of all required documents as per ESX	

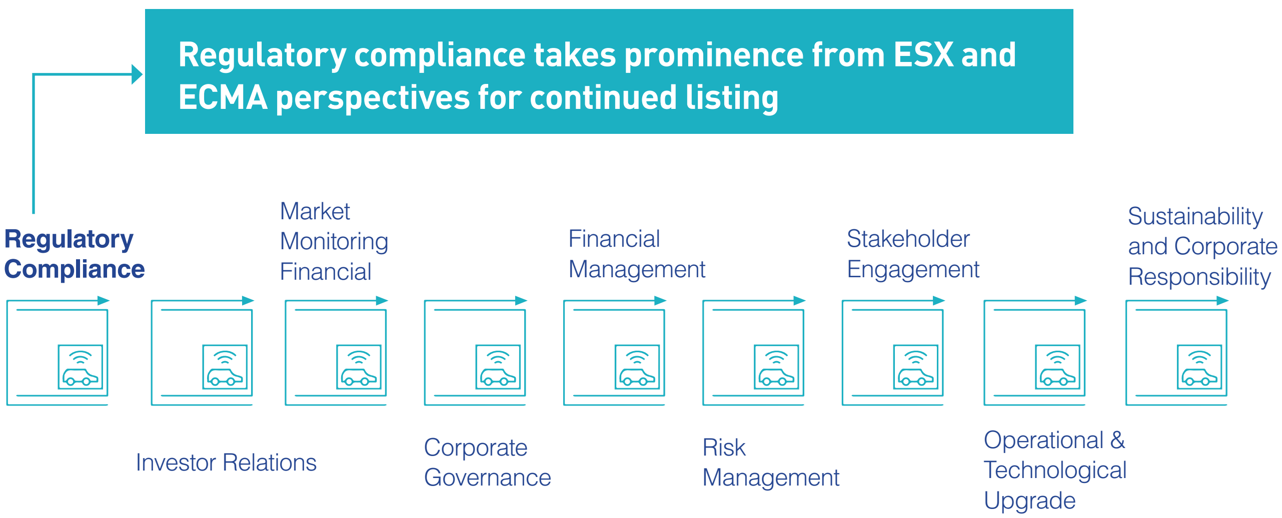
Post Listing

Life as a Listed Company Once listed, the company is expected to maintain compliance with the relevant rules, managing investor relations, and sustaining growth.

Regulatory Compliance The company must adhere to ongoing regulatory requirements, including timely and accurate financial reporting, disclosure of material events, and compliance with corporate governance standards.

Corporate Governance Strengthening corporate governance becomes essential post-IPO. The company must ensure that its board of directors continues to provide effective oversight, with independent directors playing key roles in audit, risk, and remuneration committees.

Transparency and accountability in decision-making are vital to maintaining trust with investors.



Myths About Going Public

Certain myths around going public, commonly held by founders and other stakeholders of companies, need to be dispelled. These include:

X Owners will lose control of the company

The minimum free float requirement on ESX of 15% of shares for main market (500m – 2bn ETB) and 10% for main market > 2bn ETB as well as 10% for growth market, allows founders/owners/existing shareholders to retain control of the company after listing

X IPO process is unduly complicated

The IPO process is well within the capacity of the owners and managers of any successful business. With adequate preparation, and access to high quality external advisors, the route to a listing is far from a daunting one. It can be viewed as a series of steps, each of which is readily achievable.

X Going public is unduly expensive

An IPO can bring down the cost of capital in the long-term, compared to other ways of raising finance. This can make going public highly cost effective, even after fees are taken into account.

X Listing is suitable only for large companies

A small company can carry out an IPO on ESX as long as its market valuation or market capitalization post IPO reaches at least 100 million ETB (ESX Growth Market).

This opens the door to many family and other businesses of small to medium size. The key consideration is the quality of the company, rather than how large it is.

For More Informations

Our team of experts at the ESX are ready to support you in your listing and IPO journey

For inquiries on how to unlock new growth opportunities and elevate your company by listing on the ESX, please contact our dedicated team at the exchange

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