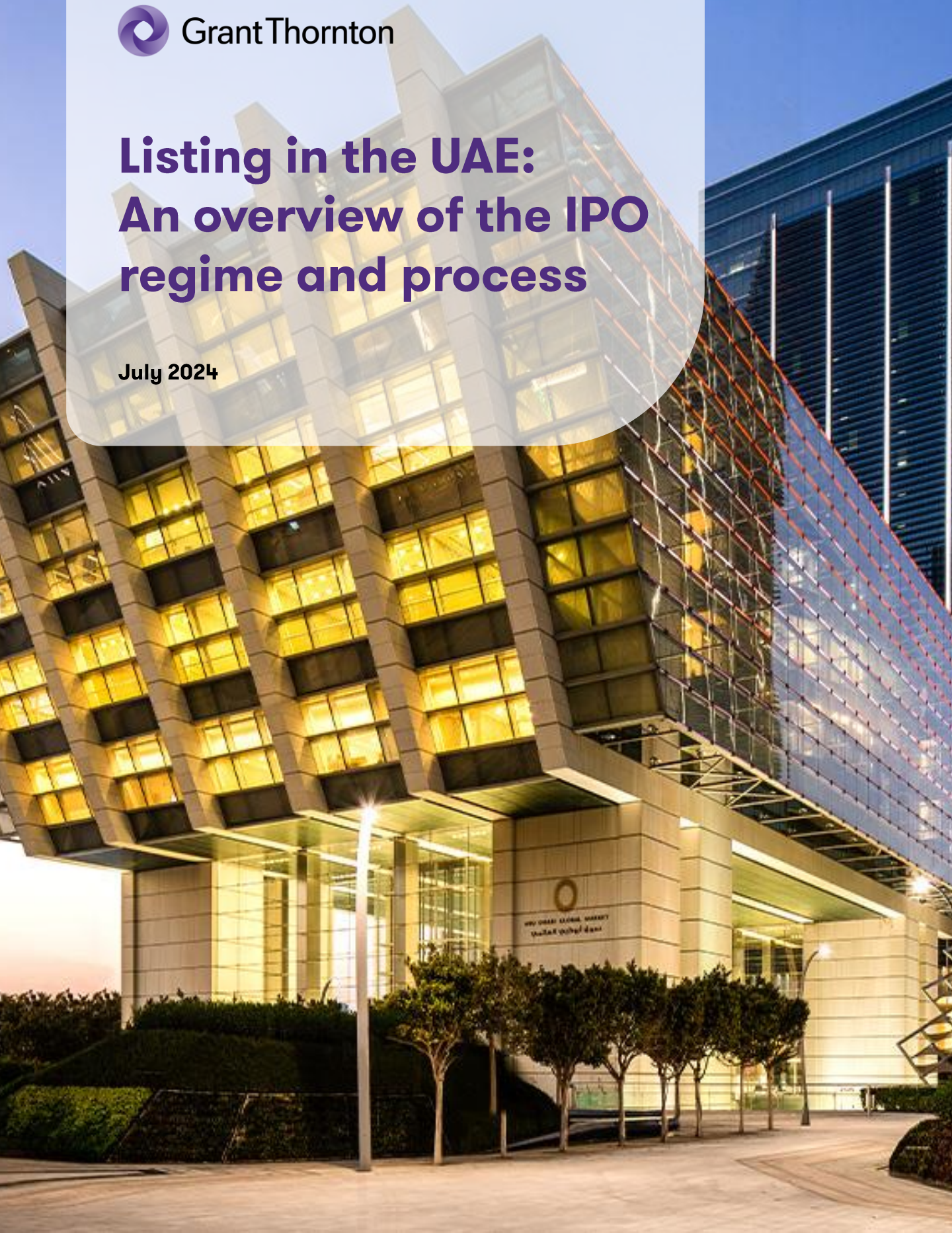


# **Listing in the UAE: An overview of the IPO regime and process**

**July 2024**



# UAE IPO activity

Whilst many of the western markets have experienced significant reduction in IPOs in recent years in both volume and proceeds terms, the IPO activity in the Middle East has steadily increased. In 2018, the GCC raised USD2.2bn from 17 IPOs. By 2023, this had increased to USD10.6bn from 47 IPOs.

The UAE has been a major contributor to this phenomenon. In the past two years, the UAE has raised more IPO proceeds than any other GCC countries. In 2023, proceeds from the 8 UAE IPOs amounted to USD6.1bn which accounted for 58% of all GCC IPO proceeds. Three of the top five 2023 GCC IPOs by proceeds were by UAE companies on UAE stock exchanges including ADNOC Gas, Pure Health and ADNOC Logistics and Services. 2022 was equally remarkable when 9 companies raised USD12.2bn collectively through IPOs on UAE stock exchanges. Catapulted by the USD6.1bn IPO of Dubai Electricity and Water Authority, UAE companies accounted for 53% of the total GCC IPO proceeds in 2022.

The UAE IPO market remains active in 2024 with 3 IPOs already taken place as of 30 June. One of these being the supermarket chain Spinneys, which alongside the IPO of Al Ansari Exchange in 2023, could mark the beginning of increasing UAE IPO activity by family-owned businesses / private companies, against a backdrop of IPOs of state-owned/related entities historically.



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IPOs in the UAE in 2023

USD 6bn

raised in UAE  
IPOs in 2023

# Stock exchanges in the UAE

The UAE has three exchanges distributed across the emirates of Abu Dhabi and Dubai. Both the Abu Dhabi Exchange (“**ADX**”) and the Dubai Financial Market (“**DFM**”) are located on the mainland of the respective emirate and are regulated by the same regulator, the Securities and Commodities Authority (“**SCA**”). Nasdaq Dubai is located in the Dubai International Financial Centre Freezone, one of the freezones in Dubai, and is regulated by the Dubai Financial Services Authority (“**DFSA**”).

Nasdaq Dubai is marketed as the international financial exchange in the region. Its regulatory regime follows closely that of the UK. Nasdaq Dubai is also unique in the UAE in the sense that it offers two markets for the public listing of shares – the Main Market and the Growth Market. The Growth Market, as the name suggests, is to cater to companies which have shorter track records but with promising growth potential.

	ADX	DFM	Nasdaq Dubai
Markets for public listing of shares	Main Market	Main Market	Main Market Growth Market
Regulator	SCA	SCA	DFSA
Number of companies	83	64	6
Total market capitalization as of 31 Dec 2023 <sup>1</sup>	AED3.0 trillion	AED0.7 trillion <sup>2</sup>	



<sup>1</sup> Source: SCA

<sup>2</sup> Represents the combined market capitalization of DFM and Nasdaq Dubai

# Main listing requirements

Set out below are the main listing requirements for the three exchanges in the UAE and their respective markets, taking into account the rules stipulated by the applicable regulator and the respective exchange.

	ADX	DFM	Nasdaq Dubai	
<b>Markets for public listing of shares</b>	Main Market	Main Market	Main Market	Growth Market
<b>IPO advisor</b>	Listing Advisor	Listing Advisor	Sponsor	Compliance Advisor
<b>Free float</b>	First Category Listing: 20% free float (unless capital is AED500m or more) Second Category Listing: No minimum requirement	Category 1 Listing: 20% free float (unless capital is AED500m or more) Category 2 Listing: No minimum requirement	25%	25%
<b>Financial eligibility</b>	Net operating profit $\geq 10\%$ of capital during the previous two financial years	Net operating profit $\geq 10\%$ of capital during the previous two financial years	Minimum market capitalisation USD250m	Maximum market capitalisation USD250m
<b>Number of shareholders</b>	No minimum requirement although requires 100 or more to be eligible for First Category.	No minimum requirement although requires 100 or more to be eligible for Category 1.	At least 250	Consider on a case-by-case basis
<b>Financial track record</b>	The company must have been established for at least two years and has issued two annual financial statements audited by an authorised auditor.  The latest financial statements must cover up to at least within 3 months of the prospectus date.	The company must have been established for at least two years and has issued two annual financial statements audited by an authorised auditor.  The latest financial statements must cover up to at least within 3 months of the prospectus date.	Three years of audited financial statements.  Cannot be older than 18 months if audited interim financial statements are included, reduced to 15 months if interim financial statements included are unaudited.	At least one year of audited financial statements, or if has been in operation for more than one year, such longer period as it has been in operation, up to three years.  Cannot be older than 18 months if audited interim financial statements are included, reduced to 15 months if including unaudited interim financial statements.
<b>Applicable GAAP</b>	IFRS	IFRS	IFRS	IFRS
<b>Accountant diligence</b> (refer to pages 5-7 for further information)	Working capital report Business plan review* Valuation*  Listing Advisor typically also requires comfort letters and may require a Long Form report	Working capital report Business plan review* Valuation*  Listing Advisor typically also requires comfort letters and may require a Long Form report	Working capital report Financial position and prospects procedures ("FPPP") report Sponsor typically also requires the following: Long Form report Comfort letters	Working capital report FPPP report Compliance Advisor typically also requires the following: Long Form report Comfort letters
<b>Applicable corporate governance code</b>	Chairman of SCA Board Decision No. (03 R.M.) of 2020 concerning adopting the Corporate Governance Guide for Public Joint Stock Companies	Chairman of SCA Board Decision No. (03 R.M.) of 2020 concerning adopting the Corporate Governance Guide for Public Joint Stock Companies	DFSA Market Rules - Appendix 4 – Corporate Governance Best Practice Standards	DFSA Market Rules - Appendix 4 – Corporate Governance Best Practice Standards

\* May not be required. Subject to discussion with SCA on a case-by-case basis.

# Accountant diligence workstreams

The following covers in further details the accountant diligence workstreams referred to on the previous page.

## Working Capital

### Requirements

- SCA/DFSA requires Listing Advisor/Sponsor to confirm that the issuer has sufficient liquidity for at least 12 months following its IPO.
- Management prepares an Excel model comprising integrated income statement, balance sheet and cash flow statement covering 18-24 months post IPO, typically, at monthly intervals.
- Requires base case and downside case; assumptions will be challenged by reporting accountant and banks.

### Reporting accountant deliverables

- Working capital report providing analysis of the working capital projection and the basis on which they are compiled.
- A private comfort letter confirming that the working capital projection complies with ESMA CESR guidance is typically required by banks.
- Report not submitted to SCA/DFSA.

## Business Plan Review

### Requirements

- SCA may require the issuer to submit a business plan review report to provide an understanding and independent view of its historical performance and future prospects. This is more prevalent in IPOs which are priced with a fixed price, as opposed to a price range.
- This necessitates a detailed Excel bottom-up business plan (integrated income statement, balance sheet and cash flow statement) for the next five annual periods along with relevant historical trends.

### Reporting accountant deliverables

- Business plan review report covering the next 5 years including:
  - Background of the business
  - Market overview: key geographic markets / sector drivers for each segment
  - Review of historical financial and operational performance
  - Analysis/ review of business plan assumptions
  - Business plan review report, if required, will be submitted to SCA.

# Accountant diligence workstreams

## Valuation

### Requirements

- SCA may require the issuer to submit a valuation report performed by an independent accounting firm. This is more prevalent in IPOs which are priced with a fixed price.
- Valuation determined on an as-is, pre-money basis and presented as an equity range on a consolidated basis.
- Using discounted cash flow and the market approach to determine an appropriate value range for the business on a sum of the parts basis.

### Reporting accountant deliverables

- Valuation report, if required, will be submitted to SCA.

## FPPP

### Requirements

- Applicable only to Nasdaq Dubai listings, DFSA requires Sponsor/ Compliance Advisor sign-off that the issuer has in place effective internal risk control and reporting processes to provide a reasonable basis for the directors to make proper judgements as to the financial position and prospects of the issuer on a timely basis.
- The UAE market practice is to follow the FPPP procedures used in UK IPOs, which broadly encompasses matters relating to financial reporting, corporate governance and controls.

### Reporting accountant deliverables

- FPPP report covering the following areas:
  - Risk assessment
  - High-level reporting environment
  - Forecasting and budgeting
  - Management reporting framework
  - Significant transaction complexity, potential financial exposure or risk
  - Strategic projects and initiatives
  - Financial accounting and reporting; and
  - IT environment
- Report not submitted to DFSA

# Accountant diligence workstreams

## Long Form

### Requirements

- Not explicitly required by law or regulations, but established market practice for IPOs in the UAE.
- Overall objective is to provide the Listing Advisor with sufficient information in relation to the underlying business to be able to fulfil their responsibilities towards the regulator.
- If done early in the process, serve as a good basis for drafting the management discussion and analysis section of the prospectus.

### Reporting accountant deliverables

- Long Form diligence report, typically covering a description of the history of the business, its management, employees, its markets and products, trading results and balance sheet position, taxation and other regulatory matters.
- Report not submitted to SCA/DFSA.

## Comfort Letters

### Requirements

- To discharge its due diligence responsibility, banks will require comfort from the issuer's auditors confirming the accuracy of financial information in the prospectus and provide comfort on the period since the last financial statements.
- As part of the process, the auditors would also review the prospectus for any discrepancies with its understanding of the issuer.

### Reporting accountant deliverables

- Comfort letters (Reg S or 144A) addressed to the issuer and Listing Advisor/Sponsor only.
- Comments on various draft of the prospectus.
- Comfort letters not submitted to SCA/DFSA.

# Corporate governance

Companies listed on ADX and DFM are subject to the corporate governance code issued by SCA, namely the Chairman of SCA Board Decision No. (03 R.M.) of 2020 concerning adopting the Corporate Governance Guide for Public Joint Stock Companies. Companies listed on Nasdaq Dubai are subject to the code issued by DFSA, the Corporate Governance Best Practice Standards, which are appended to the DFSA Market Rules.

We have included below some of the key areas of the UAE corporate governance codes stipulated by the two regulators and also taking into account the requirements of the UAE Commercial Companies Law.

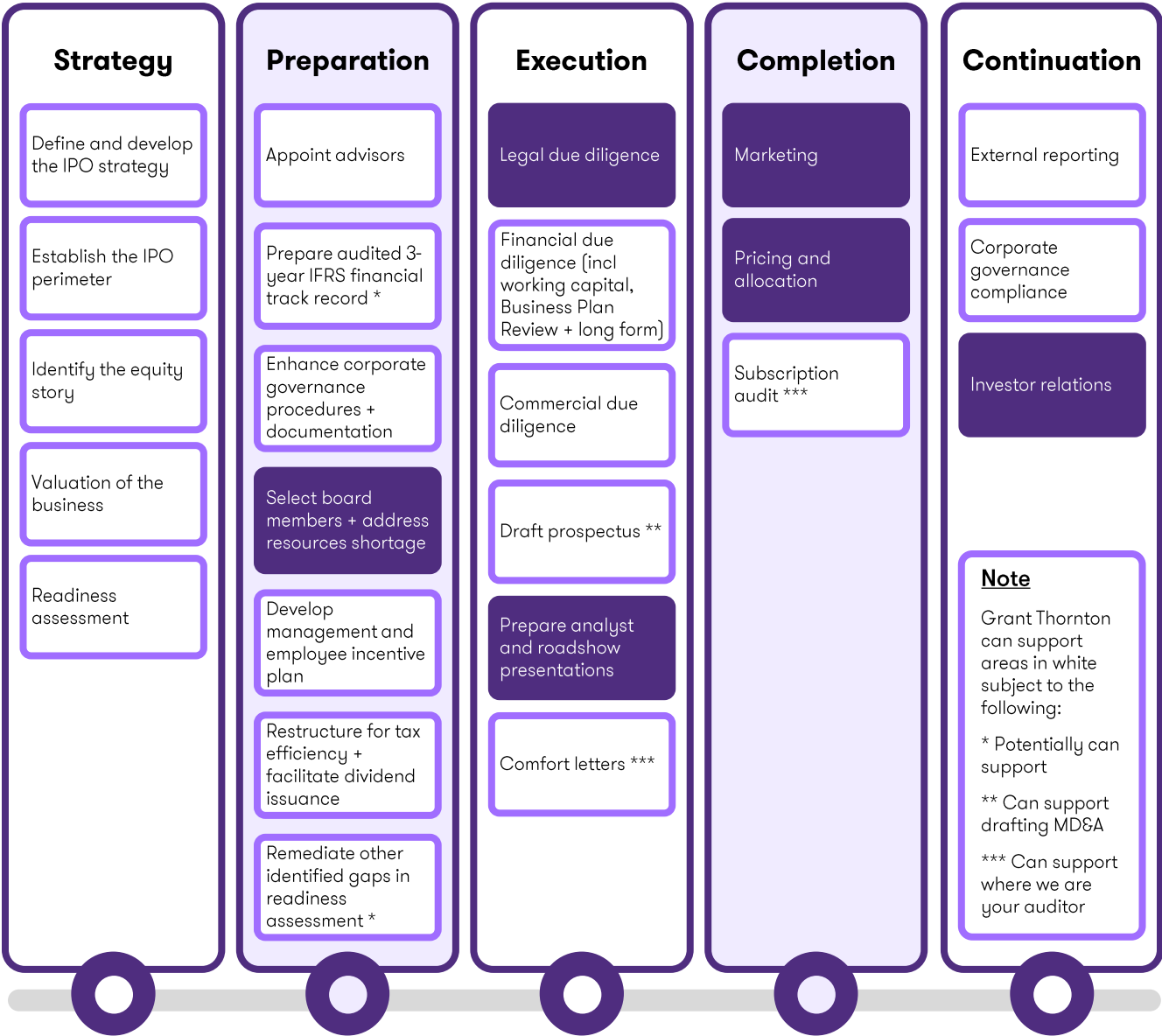
	SCA	DFSA
<b>Corporate Governance Guide</b>	Chairman of SCA Board Decision No. (03 R.M.) of 2020 concerning adopting the Corporate Governance Guide for Public Joint Stock Companies	DFSA Market Rules Appendix 4 - Corporate Governance Best Practice Standards
<b>Applicable markets</b>	ADX, DFM	Nasdaq Dubai Main Market, Nasdaq Dubai Growth Market
<b>Board composition</b>	At least one third of the Board should be independent and at least half of the Board should be non-executive directors. There also needs to be a least one female board member. The majority of the board are required to be UAE nationals.	At least one third of the Board should be non-executive directors, of which at least two non-executive directors should be independent
<b>Chairman</b>	The chairman of the Board shall not hold any executive position of the company. The chairman must be a UAE national.	Role of the chairman of the Board and the role of the chief executive of the reporting entity should not be held by the same individual.
<b>Board committees</b>	Nomination committee Remuneration committee Audit committee	Nomination committee Remuneration committee Audit committee
<b>Related party disclosure</b>	Commercial Companies Law (applicable to on shore companies only) provides that: RPT ≤ 5% of the company's capital require board approval. RPT >5%, general assembly approval required, plus evaluation of the RPT to be performed by an SCA-accredited evaluator. "Related party" is defined to include the chairman, the directors, senior executive management and employees (and any companies in which such persons hold at least 30% of the share capital), shareholders owning 5% or more of the company's shares, as well as parent, subsidiary (owned by 50% or more or under full control of another company), sister (being a company that belongs to the same group to whom another company belongs) or affiliate companies (owned by another company by more than 25% but less than 50%).	RPT (cumulatively with the same party within the last 12 months) ≤ 5% of company's net asset requires notification to DFSA with the relevant terms and the basis on which such terms are considered fair and reasonable, along with a written confirmation by an independent third party acceptable to DFSA confirming the fair and reasonableness. RPT (cumulatively with the same party within the last 12 months) >5% of net asset requires general assembly approval and approval by a majority of shareholders in voting. The definition of "Related party" is extensive including a director or person involved in senior management of the company, its parent, or a member of its group. The spouse and children of the above as well as any companies which the above is a director of, as well as parent, subsidiary, sister and affiliate companies
<b>Publication of financial statements</b>	Annual (within 90 days of year end and audited) Preliminary (within 45 days - unaudited and unreviewed) Half Year (within 45 days - unaudited but reviewed)	Annual (within 120 days of year end and audited) Preliminary (as soon as possible but no later than 30 mins before market opens on the day after board approval) Half Year (within 60 days of half year end)
<b>ESG requirement</b>	SCA-listed companies are required to issue a sustainability report within 90 days of year end. Separately, both ADX and DFM have also issued ESG reporting guidelines which companies listed on those exchanges are encouraged to adopt.	Currently under consideration



# IPO journey

Ringling the bell at the stock exchange on the day of listing is the culmination of many months, if not years, of hard work through a complex process that involves strategy, governance, accounting, reporting, systems, investor relations, legal and tax amongst many others. You will be dealing with a broad range of stakeholders: from the regulator, the exchange, financial advisors and lawyers to investors, the public and your very own employees to name but a few.

The following chart sets out some of the key aspects of the IPO journey. It is by no means exhaustive but more to provide a flavour of the areas that will need to be covered.



**Note**

Grant Thornton can support areas in white subject to the following:

\* Potentially can support

\*\* Can support drafting MD&A

\*\*\* Can support where we are your auditor

T-24 to T-12 months

T-12 to T-6 months

T-6 to T-2 months

T-2 months to T

T+

Pre-IPO

Post-IPO

# How Grant Thornton can help

Our team of capital markets professionals can support you throughout your IPO journey, from the preparation, the remediation through to the execution and beyond. Our team members have collectively worked on over a third of all the UAE IPOs since 2018. Not only are they experienced in the regulations and the process but also have established working relationships with the lead advisors involved in the UAE IPO process so not only can you bounce your IPO-related questions off them, you also can worry less about project management and focus on what really matters to you.



# Our core IPO team

Whether you are contemplating an IPO or have decided to pursue one, it is never too early to reach out to us to find out more.



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# Glossary

<b>144A</b>	Rule 144A as per US Securities Exchange Commission regulation that enables purchasers of securities in a private placement to resell their securities to qualified institutional buyers in the US without registration under Section 5 of the Securities Act of 1933
<b>ADX</b>	Abu Dhabi Securities Exchange
<b>AED</b>	Emirati Dirham
<b>bn</b>	billion
<b>DFM</b>	Dubai Financial Market
<b>DFSA</b>	Dubai Financial Services Authority
<b>ESG</b>	Environment, Social and Governance
<b>ESMA CESR</b>	European Securities and Markets Authority update of the recommendations of the Committee of European Securities Regulators
<b>FPPP</b>	financial and position and prospects procedures
<b>GCC</b>	Gulf Cooperation Council
<b>IFRS</b>	International Financial Reporting Standards
<b>IPO</b>	initial public offering
<b>IT</b>	information technology
<b>m</b>	million
<b>MD&amp;A</b>	management discussion and analysis
<b>Reg S</b>	Regulation S as adopted by the US Securities and Exchange Commission which provides that offers and sales of securities that occur outside of the US are exempt from the registration requirements of Section 5 of the Securities Act of 1933
<b>RPT</b>	related party transactions
<b>SCA</b>	Securities and Commodities Authority of the UAE
<b>UAE</b>	United Arab Emirates
<b>UK</b>	United Kingdom
<b>US</b>	United States of America

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