



The Rise of IPOs in the Gulf: Emerging Trends and Potential Future Directions

This article was published in the **September 2023 issue of *Insights***.

If you have any questions regarding the matters discussed in this memorandum, please contact the following attorneys or call your regular Skadden contact.

James A. McDonald

Partner / London
44.20.7519.7183
james.mcdonald@skadden.com

Nayla Basma

Associate / London
44.20.7519.7577
nayla.basma@skadden.com

Michelle H. Lee

Associate / London
44.20.7519.7598
michelle.h.lee@skadden.com

Key Points

- Unlike most IPO markets, the Gulf countries, most notably Saudi Arabia and the UAE, have been host to a number of large first-time public equity issuances.
- The Gulf capital markets are benefiting from a combination of higher oil and gas prices, business-friendly government policies and new market regulations aimed at bringing local practices into line with world standards.
- A growing crop of “unicorn” and other startups in Gulf countries could help support IPO markets there in the coming years.

A combination of factors — including the war in Ukraine, high inflation and surging interest rates — made 2022 a challenging year for capital markets transactions globally. Increased volatility caused a significant drop in capital market deal volumes in London, Hong Kong and New York. Although there are signs that the IPO market in the U.S. may be opening up, investors around the world have remained cautious in 2023.

Meanwhile, countries in the Gulf — most significantly, Saudi Arabia and the United Arab Emirates (UAE) — have experienced a sharp rise in IPOs over the past few years. Companies in the region raised over \$22 billion through IPOs in 2022, accounting for more than half the total for the wider Europe, Middle East and Africa region (EMEA). In the second quarter of 2023 alone, there were a total of 35 IPOs in the EMEA, with around 42% of EMEA’s year-to-date proceeds coming from companies in the UAE.

To manage the rise of activity in the Gulf, a number of banks have expanded or set up new offices in the region. Banks are also regularly bringing fund managers to the Gulf to engage with companies seeking to go public.

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What Has Caused the Rise?

The IPO boom in the Gulf has been fueled by various factors. While stock markets were first established in the Gulf in the mid-1980s, they did not attract significant global attention due to a perceived lack of transparency by listed companies. However, in recent years, the Saudi Capital Market Authority, the Abu Dhabi Securities Exchange and the Dubai Financial Market have made comprehensive regulatory changes to align their regulations and markets with international standards. For example, in 2016, the Saudi Capital Market Authority required all listed companies to adopt the International Financial Reporting Standards.

In 2021, the UAE also shifted from a Friday-Saturday to a Saturday-Sunday weekend to allow trading on Fridays and better align with global markets. Such reforms, combined with strong oil and gas prices — which benefit many companies in the region and have mitigated the impact of the global macroeconomic slowdown — have made the Gulf states [an attractive location for new listings](#).

Additionally, a number of countries in the region have implemented tax and economic policies to give government support to a more stable business landscape for entrepreneurs and foreign investors. Initiatives like Dubai's economic free zones and favorable taxation of foreign investors have led to the UAE accounting for over 30% of foreign direct investment (FDI) inflow to the Middle East and North Africa region (MENA) in 2020-21, according to the United Nations Conference on Trade and Development's (UNCTAD's) [World Investment Report 2023](#). Economic resilience and progressive policymaking have attracted FDIs, a number of startups, sovereign wealth fund investments and private equity investments.

What's Next?

The Gulf serves as a new base for significant startups and foreign investors alike. To date, MENA has a total of six unicorns (unlisted startups with a \$1 billion valuation), three of which are located in the UAE, and more are anticipated in the upcoming years. [Some of these unicorns are expected to turn to IPOs for funding and listing in the coming years.](#)

Gulf leaders have also continued to undertake efforts to diversify their economies and attract foreign investment.

- The UAE's new Federal Ministry of Investment and Financial Stability Council aims to stimulate investments and reform its legislation to more competitive global standards.
- Dubai has announced an \$8 trillion economic plan in 2023, with the aim to double the size of its economy and achieve status as one of the top three global financial centers over the next decade.
- Saudi Arabia's Vision 2030 is also one of the most ambitious plans among the Gulf countries, with initiatives centered around modernization and a goal to become an integral economic connector of Africa, Asia and Europe.

Such initiatives by governments across the region will likely enhance foreign interest in the region.

Listings for companies headquartered in the Gulf have generally been regional, and foreign listings on the New York or London stock exchange remain limited. As investor and business interest in the region continues to grow, it will be interesting to see whether one or more Gulf countries will position themselves as a gateway to dual listings between a Middle Eastern exchange market and countries outside of the region. In June 2023, Americana Restaurants International PLC became the first company to be dual listed on the Abu Dhabi Securities Exchange and the Saudi Exchange.

In Sum

Over the past two years, the Gulf has attracted enterprising new businesses and investors with a combination of a stable economy and the adoption of business-friendly policies. But the region still has a way to go in fulfilling its ambitions to become a new economic hub. Global market trends are constantly shifting, and the Gulf states will be an area of particular focus as to how they adapt and innovate in response to those shifting trends.

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One Manhattan West / New York, NY / 10001 / 212.735.3000

22 Bishopsgate / London / 44.20.7519.7000