

# Guide on Initial Public Offerings in the GCC 2018-2019

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# GUIDE ON INITIAL PUBLIC OFFERINGS IN THE GCC

## Introduction

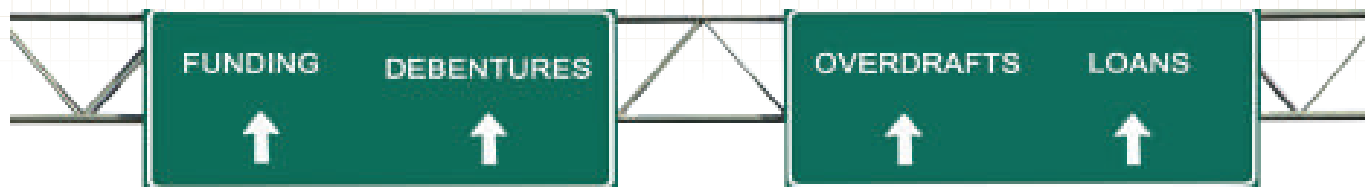
**W**hen a company issues the very first sale of stock to the public is known as Initial Public Offering (**IPO**), and before an IPO the company is considered to be private with a relatively small number of shareholders. IPO is a type where the company sells shares to an institutional investor or individual investor. An IPO is underwritten by the investment banks and who also arranges shares on one or more stock exchange market. IPO plays a crucial role in the empowerment of economic development plans, as they represent an efficient way to raise the necessary funds for the enhancement of sustainable development of the Gulf of Co-operation Council (**GCC**) economy. When a private companies convert into IPO, it opens a path of joining capital market which provides issuance of an entity with the opportunity to benefit from improved access to capital, increased global profile and access to liquidity. It also allows companies to transform itself into a sustainable business model.

The UAE Securities and Commodities Authority (**SCA**) governs and regulates Dubai Financial Market (**DFM**). Securities and Commodities Authority has the power to impose laws and standards which DFM must comply. DFM continues to build its reputation for reinforcing economic growth by encouraging and facilitating companies to grow and strengthen their positions regionally and internationally. The companies with IPO and listing on DFM offers many benefits such as ongoing access to capital required to fund growth, fair valuation of shares, succession planning for private and family-owned groups, increased implementation

of governance and investor relations best practices, thus enhancement of companies regionally and internationally. Additionally, Dubai Financial Services Authority (**DFSA**) governs and regulates Dubai International Financial Centre (**DIFC**). The working of DFSA and DIFC is explained in detail further in this guide.



In Abu Dhabi international financial center is Abu Dhabi Global Market (**ADGM**) which is an institution established by the Federal Law Number (8) of 2004, Federal Decree Number (15) of 2013, Cabinet Resolution Number (4) of 2013 and Abu Dhabi Law Number (4) of 2013. ADGM consist of three independent authorities which are the Registration Authority, the Financial Services Regulatory Authority (**FSRA**) and ADGM courts to ensure best international financial practice that is recognized by major business centers across the world.



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*The journey of a thousand miles begins with one step.*

*- Lao Tzu*



## 1. Initial Public Offering Listing in UAE

The IPO global, as well as local equity market, looks quite active in the coming year as the UAE companies are expected to raise up to \$9 billion depending on their valuations. Prominent companies such as Emirates Global Aluminum has IPO size of \$3 billion while Abu Dhabi Ports are targeting around \$1 billion. Gems Education is planning to raise \$1.5 billion through London IPO. If all these companies are successful in achieving their specific targets, then it is predicted that 2018 could be a landmark year for UAE financial markets. In 2017, there were two IPOs listed on the DFM which were Orient UNB Takaful Insurance raising \$16.3 million and Emaar Development listing was for \$1.3 billion. On Real Estate Investment Trust (REIT) listing it was Nasdaq Dubai for Emirates NBD Asset Management at \$105 million. On Abu Dhabi listing Adnoc raised \$851 million. IPOs are far more established and profitable businesses with strong management track records. High anticipation of main IPOs is from Abu Dhabi Ports, Sanaat, Gems Education and Emirate Global Aluminum ahead of Aramco sale. The estimation is around 5 IPOs will be able to raise close to \$8 billion.

There was a decline in IPO activity in Q2 2017 as market volatility weighs on investor's sentiments. The only IPO which floated a total of 36 million shares by raising proceeds of \$96 million was of Jadwa REIT Alharamin Fund. ThobAl-Aseel Co. made first and largest offering in Q2 2017 on the parallel market front which floated 3 million shares raising proceeds of \$68 million. Additionally, Al Kathiri Holding Co. made second highest offerings which drifted to \$8 million shares raising proceeds of \$6.7 million. During Q2 Saudi Stock Market remain the primary driver of IPOs in the whole of GCC.

## 2. Securities and Commodities Authorities

This section of guide illustrates the functioning of Securities and Commodities Authorities (SCA) to authorize companies to go for IPO as per its Article 15.

The companies willing to conduct IPOs shall enter into a contract with a Financial Advisor by the Board Resolution Number 11/R.M of 2016 on the regulations of issuing IPOs for public joint stock companies. Such Financial Advisor shall:

**I. Welcome** some of the qualified speculators to hold a progression of gatherings to show a report of the Issuing organization's business and exercises.

**II. Look** for the conclusion of the qualified financial specialists on their underlying impression of the estimation of the offers to be offered for membership by the Issuing organization.

**III. Coordinate** with the Issuing organization in the examination and investigation of the feelings given by the speculators to settle on a choice on the points of interest of the planned offering and the value scope of the offers subject of the advertising.

**IV. Participate** with the Issuing organization for setting up the preliminary plan in which the value scope of offers, and present the same to SCA for endorsement as a preparatory advance toward a declaration of the offering, except for the declaration time frames indicated in statement (1) of Article (12) in this regard.

**V. Submit** offers to financial specialists as for the offers to be provided by the Issuing organization.

**VI. Lead** informative and instructive workshops for financial specialists to clarify the Book Building procedure to them.

## 3. Dubai Financial Market

### 3.1 Introduction

Dubai Money Market (DFM) is a standout amongst the most robust capital markets in the Center East. Situated in the area's budgetary center point, Dubai, which offers a very much enhanced economy in universal exchange, saving money and fund, tourism, data innovation, and foundation. Built up in 2000 as a legislature claimed trade,



DFM gives financial specialists and market members the best in class universal stage encouraging the simplicity of posting of an assortment of advantage classes. In 2007, the DFM freely recorded the first trade, and early trade territorially to work with sharia' standards.

### 3.2 Critical Benefits for Companies Listing on DFM

The following are the keys benefits for the companies listed on DFM or going public through DFM are:

- I. Grants access to a stable and transparent securities market.
- II. Rules and regulations are adequate.
- III. Increase in public exposure through media, panel discussions, the DFM website, roadshows and DFM communications.
- IV. Innovative issuer services.
- V. Solid Regulatory framework.
- VI. Advanced Technologies.

### 3.3 Key IPO Stages

The significant strides for an organization considering going public must fulfill the mandatory requirements from the Department of Economic Development (DED) and Securities and Commodities Authorities (SCA). From the underlying assessment of the organization meeting the qualification necessities to selecting a warning group and presenting all the expected documentation to change over into a public joint stock company, through enlistment and original posting the open collective stock company shares on the DFM. Below are steps to be followed to fulfill the requirement of IPOs:

#### I. Meet the eligibility requirements by Company Board and Shareholder to decide to go public must obtain DED initial approval on the conversion (Step 1-3):

i. Once the owner or the Board of Managers ("Board") decides to convert the company into a public company, then the representative of the Board, along with the legal counsel, hold discussions with the relevant Economic Development to seek in-principle approval for the conversion.

***The art of simplicity is a puzzle of complexity.***  
***- Douglas Horton***

ii. The Board further invites the shareholders to a meeting to approve the conversion to a public joint stock company (PJSC) and the new Memorandum and Articles of Association of the company. The assembly of the shareholder is to determine whether the IPO will follow price valuation or invest in property. Shareholders appoint a founder's committee.

iii. The composition of founder's committee shall be not less than three members, who should represent the founders.

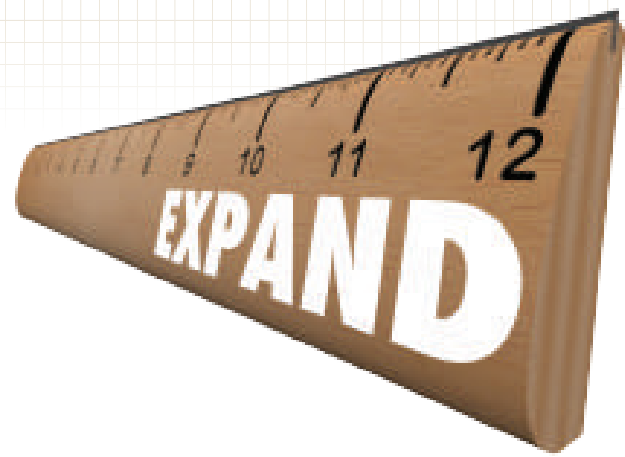
iii. The composition of founder's committee shall be not less than three members, who should represent the founders.

#### II. Appointment of the crucial advisory team to prepare a feasibility study of asset evaluation report prospectus (Step-4):

i. **Selection of Lead Manager-** duties of a lead manager are to do preliminary work for going public and requires selection of the other advisors for the IPO. Usually, leading managers are Investment Banks. The essential responsibilities of the Lead Manager include the following:

1. reviewing the company's capital needs.
2. advising on the offer structure.
3. rawing up a detailed timetable and coordinating the activities of the other professional advisors.
4. drafting the offering prospectus, in particular, the business description and business risk factors.
5. drafting presentations to investors and research analyst.
6. The recommendation provided on market conditions and the potential level of demand from the investment community for the company's shares.
7. The company's Directors seek advice on the first and second market regulations.
8. development the overall market strategy and to promote the company to private and institutional investors, high net-worth individuals and brokers.

*The business journey is never ending...*



9. The company is seeking guidance on a vast range of subjects, the methodology of distribution, magnitude, and the crux of an issue as well as its timing and pricing.

10. coordinating between the company, its advisors, the concerned authorities and the IPO team at DFM.

11. working with the company after floatation to sustain a liquid and well-informed market for its shares.

**ii. Recording Accountant Firm-** the firm prepares the financial report to give assurance that the company is eligible for an IPO. The nitty-gritty depiction incorporates monetary and exchange examination of the organization covering its money related record, capital structure, and conjectures. The Reporting Accountant Firm furthermore audits the association's favorable position valuation report and coordinates an interim survey covering the period from the date of the last cash related enunciation up to the posting date.

**iii. Coordination with the independent value-** the organization will choose a free valuer to set up a valuation report of the benefits, which will constitute the originators in-kind commitment in the capital of the PJSC.

**iv. Coordination with the preparer of the feasibility study-** the organization should name a counselor who will set up an achievability examine laying out the practicality of the task.

**v. Legal Advisor-** the primary concern of the legal advisor is to carry out a due diligence exercise on the company and ensuring all legal requirements are satisfied. Additionally, preparing the amendments to the company's Memorandum and Articles of Association and drafting the legal component of the offering prospectus. Furthermore, liaising with SCA and liaising with DFM for listing the company's shares.

**vi. Financial Advisor-** typically the lead director likewise goes about as the monetary council, advising the

organization on every single budgetary issue and adds to the drafting of the possibility ponder. An organization may designate a different money related counsel if it esteems fitting.

**vii. Receiving Banks-** receiving banks receive the subscription funds and make refunds to subscribers for unallocated shares in case of oversubscription.

**viii. Rating Agency-** it assists in the IPO pricing.

**ix. PR/Communications Company-** some companies prefer to seek the services of a PR/ communications company to promote the IPO, within the legal boundaries. DFM also offers utilization many communication tools through the PR/Communications agency as part of their communications planning.

**III. Ensure founders subscription for the share not less than 30% and not more than 70% of the share capital-** the authors should buy in for shares at least 30% and not over 70% of the offer capital of the organization at the season of the IPO, preceding the welcome of people in general.

**IV. Document submission to DED and SCA for the establishment of the PJSC-**

**i.** Minutes of the special resolution of the investors of the organization.

**ii.** The amended Memorandum and Articles of Association.

**iii.** An endeavor by the executive of the Board of Directors, confirmed by the reviewers that the investors have entirely paid the ostensible estimation of offers issued by the organization.

**iv.** Various proposals required to be claimed, keeping in mind the end goal to be qualified for assignment for enrollment on the Board of Directors of the PJSC.

**v.** Chairman of the Board signs the audited financial statements for the preceding two fiscal years.

**vi.** Valuation report of the matter of the organization.



**Success of an IPO depends on strategy to minimize risks...**

- vii. Feasibility study.
- viii. Draft of the prospectus.
- ix. Trade license of the LLC Company.
- x. All the supporting documents of the investors of the LLC.
- xi. A letter signed by all the authorized Directors, confirming that the Prospectus includes all information within their knowledge.
- xii. Affirmation from the organizers that they have stored the sum proportionate to the level of their offer capital in a ledger.

The founders must formulate an interim committee which is responsible for electing one representative to act on behalf of the NGO in the licensing procedure. Such procedure is crucial for the NGO as it cannot function without such license.

**V. DED issues a decree approving the conversion of the company to a PJSC (Step-8)-**

Once SCA and DED do the endorsement of possibility study and valuation report, it will meet and issue a pronouncement favoring the change of the organization to a PJSC (Joint Decision). The distribution of joint decision should be in two daily papers, one of them to be in Arabic inside five days from the date of its issuance.

**VI. Two newspaper announcements on the conversion and notification to all the creditors (Step-9)-**

distribution of notice to every one of the loan creditors of the organization with the joint decision giving the banks 30 days to raise any complaint they may have to the transformation of the organization to a PJSC.

**VII. Subscription period (Step-12)-**

Offering period might not be under ten working days and ought not to surpass thirty days, with one expansion time of not over ten days, the pattern in the market is to leave the membership time frame open for 10-15 days.

**VIII. Allocation of share and refunding (Steps 13-14)-**

allocation of shares amongst the successful subscribers and transferred or deposited the corresponding amounts with the receiving banks. The information of the offer offers distributed to them and any extra sum not dispensed is discounted using the DFM IPO stage given to all supporters.

**IX. Founders hold a Constitutive General Assembly (CGA) (Step-15)-**

founders invite the subscribers to a constitutive general assembly (CGA) within 15 days of the closing of the subscription. SCA and DED send one or more representative as observers to attend the meeting of the General Assembly without the right to vote, but their presence will include in the minutes of the meeting. The CGA considers the following matters explicitly:

- i. Report of the organizers on the customs of the joining of the PJSC and the costs acquired in connection to it;
- ii. The decision of the individuals from the primary Board of Directors and the arrangement of the Auditors.

**X. Application submission to SCA is requesting a declaration of PJSC incorporation(Step-16)-**

founders must submit to the SCA an application seeking the disclosure of establishment of the PJSC within ten days of the meeting of the CGA. Following records must be presented alongside the use:

- i. A revelation that the capital has been completely bought in to, the estimation of offers paid up by the endorsers, and a rundown of the supporter's name and the number of suggestions brought in to by every one of them.
- ii. Minutes of the CGA meeting.
- iii. The Articles of Association as approved by the CGA.
- iv. The validation of the incorporation procedures is through submission of evident documents.

*Intermediaries and regulators play a critical role in shares and securities market...*



#### **XI. SCA issues a decision announcing the incorporation of the PJSC (Step-17)-**

the executive of SCA issues a choice reporting the consolidation of the PJSC within five days from the date of posting of use.

#### **XII. DED registers PJSC and grants its Trade License subject to all required documentation filed with SCA (Step 18-20)-**

to record the PJSC with the SCA, at its office in Abu Dhabi or Dubai following documents are:

- i. Name and type of the PJSC.
- ii. Address of its principal office.
- iii. Duration period of the PJSC and the commencement date.
- iv. The valuation of capital and the number, type of each share and paid-up capital.
- v. Unique duplicate of the Memorandum and Articles of Association of the PJSC.
- vi. Photocopy of the registration of the authorized document in the Commercial Register.
- vii. A statement, approved by the chairman and auditors of the PJSC, showing the percentage of ownership of UAE and GCC nationals and foreigners in the capital of the PJSC.
- viii. An announcement, affirmed by the executive, posting the names of the investors, their nationalities, and the number of offers held by each.
- ix. A statement, endorsed by the executive, publishing the names of the individuals from the Board of Directors of the PJSC, their nationalities and furthermore their abilities
- x. Listing of the PJSC shares must take place no later than 15 days from the date of issuing the trade license by the relevant Economic Department.

### **4. Initial Public Offering Listing on NASDAQ Dubai**

#### **4.1 Introduction**

Nasdaq Dubai is intended to offer one of a kind posting advantages to organizations found any place, from the UAE including its free zones to different nations in the Middle East and around the globe. All gains from the

benefit of worldwide deceivability upheld by a posting in the business capital of the district. Nasdaq allows multinational corporation owners to choose their share price in an IPO and keep control of business afterward.

#### **4.2 Procedure**

The companies opting to IPO must follow the two-stage process as well as ensure its acceptance for admission to trading by Nasdaq Dubai under the exchange's Admission and Disclosure Standards (ADS). The illustration of timeline for official listing and entry for IPOs is as below:

- I. On** the first few days of admission and listing, it is Initial meeting with issuer including advisers.
- II. On** twenty-eight-day submission of the final draft prospectus and draft documents. Submit an initial application for trading.
- III. On** the eighth day, it is prospectus approval and publication.
- IV. On** the seventh day, it is an application for listing and final form for trading.
- V. On** the fifth day, it is conditional approval for listing.
- VI. Between** initial listing and fifth day, it is admission to trading notice and approval for admittance to trading.

#### **4.3 Timeline for admission to trading for debt**

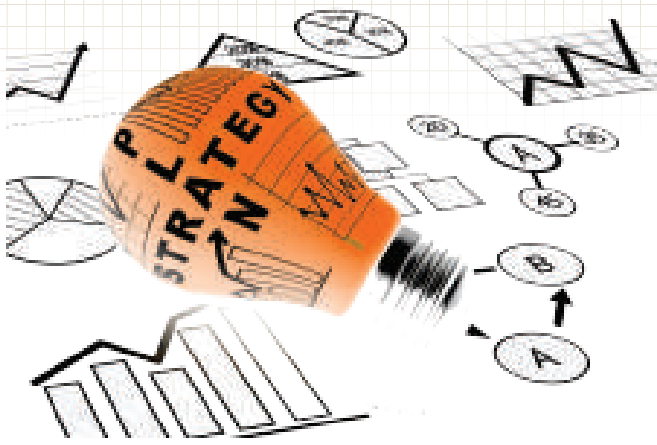
- I. During** initial days it is admission to Nasdaq Dubai.
- II. On** the first day, it is conditional approval and admission notice.
- III. On** the second day, it is the submission of final documents and DFSA prospectus approval ad final application documents.
- IV. On** the fifth day, DFSA returns comments on initial submission.
- V. On** the tenth day, it is the submission of final draft prospectus and documents and initial application.

#### **4.4 Admission Fees**

The application fee for IPO is USD 5,000, and the admission fee ranges from USD 75,000 upwards depending on the admission of shares. The annual fees range from USD 20,000 upwards. The admission fee for a single issue or a program is USD 4,500.

Benefits of Initial Public Offerings





*"The essence of strategy is choosing what not to do."*

*- Michael Porter*

#### 4.5 Flexibility

**I. Owners** require only 25% of the shares to be floated to raise capital for growth while retaining control of their company. Certain other exchanges need a sale of more than 50%.

**II. Minimum** market capitalisation is as little as USD 10 million.

**III. Owners** can choose the IPO share price themselves.

**IV. The** regional and international investors have unique access that facilitates active trading.

**V. Rundown** with no remote possession limitations forced by the trade.

**VI. There** is a choice to choose between a book building process, which enables the owner to sell shares at their market value.

**VII. The** owner can sell some of its shares in the IPO, as well as issue new shares. Certain other exchanges do not permit owners to sell their shares in an IPO.

#### 4.6 Global and Regional Branding

**I. Owners** of IPO can leverage Nasdaq brand to support their international status.

**II. The** owner's exposure can be increased by ringing the Nasdaq opening or closing Bell in New York and advertise on Nasdaq's dramatic video tower in Times Square.

**III. The** publication company's brand and trading symbol on Nasdaq Dubai's and DFM's trading platform and websites.

Investor Access

**i.** Connect with investors in the region and across the world through nearly all the largest UAE brokers and global investment banks.

**ii.** Extensive organizations might be qualified to join the FTSE Nasdaq Dubai UAE 20 file, which is intended to draw in global and also territorial financial specialists.

**iii.** Allows participating in investor conferences organized by the exchange and leading investment banks and other advisors.

#### 4.7 Liquidity

**I. Nasdaq** Dubai shares are exchanged on the DFM stage, setting them in a pool of more than 70 organizations recorded on the two trades. The stage interfaces more than 500,000 enrolled DFM singular speculators in the locale with Nasdaq Dubai's institutional financial specialists around the globe, giving profound liquidity.

**III. The** exchanged estimation of DP world, Nasdaq Dubai's most significant organization, was the fourth most astounding of all organizations recorded on the two trades in 2011.

**IV. Unlike** many other transactions in the region, Nasdaq Dubai enables its listed companies to appoint brokers as market makers, that facilitates liquidity by maintaining both buy and sell orders simultaneously.

#### 4.8 Regulation and Law

**I. Nasdaq** Dubai is regulated to international standards by the DFSA, the regulator in the DIFC free zone.

**II. The** organization and business laws represent DIFC, and in this way, Nasdaq Dubai depended on standards of English custom-based law and customized to the necessities of the area.

#### 4.9 Listing Criteria on Nasdaq Dubai

To IPO on Nasdaq Dubai, DFSA has listed down following criteria:

Company's shares:

**I. The** minimum market capitalization of USD 10 million.

**II. 25%** free float of capital share requirement for post listing.

**III. Shares** must be freely transferable.

**IV. Shares** must be paid entirely and free from any confinements on the exchange.

**V. Shares** must be duly authorized and validly issued under the laws of jurisdictions where the issuer is incorporated.

#### 4.10 Incorporation

**I. Duly** incorporate in the home jurisdiction.

**II. Validly** existing.

**III. Constitutional** documents must be complied.

***Strength and growth come only through continuous effort and proper strategy...***

#### 4.11 Financials

- I. Typically requires three years audited financial statements.
- II. **Prepared** by IFRS and audited by IAASB.
- III. **Consolidated** to cover all subsidiaries of the issuer.
- IV. **DFSA** has the power to waive or modify these requirements.
- V. **Waivers** and modifications most typically are seen where there has been in restructuring or where the issuer is less than three years old.

#### 4.12 Management

- I. **The** administration must have the appropriate background and business ability for recorded organization.
- II. **Satisfactory** frameworks set up to wipe out or oversee the irreconcilable material situation.
- III. **Adequate** systems in place to enable the business to be run independently of controlling shareholders.

#### 4.13 General suitability

- I. **DFSA** has a board of powers to determine the suitability of listing.
- II. **Ability** to comply with ongoing requirements.
- III. **Integrity** issues and reputational considerations for DIFC.

#### 4.14 Working Capital

- I. **DFSA** must be satisfied that the issuer has working capital for its present requirements or if not as to how it proposes to provide the additional working capital needed.
- II. **A** working capital report required.

An IPO on Nasdaq requires the publication by the company with formal document offering its shares for sale known as the prospectus. A prospectus is a company's essential marketing tool in its IPO, and it contains necessary data about the guarantor, to furnish speculators with an educated premise on which to choose whether or not they wish to contribute, and at what cost. The production of an outline requires the endorsement from DFSA.



## 5. Abu Dhabi Global Market

### 5.1 Introduction

Abu Dhabi Global Market (ADGM) regulates international monetary transactions in Abu Dhabi. It is a foundations set-up as per the Federal Law Number (8) of 2004, Federal Decree Number (15) of 2013, Cabinet Resolution Number (4) of 2013 and Abu Dhabi Law Number (4) of 2013. ADGM comprises of two autonomous experts such as Regulatory Authorities and the Financial Services Regulatory Authority (FSRA).

On 26 November 2017, Abu Dhabi National Oil Company (Adnoc) distribution had intended to list on the Abu Dhabi stock market and open subscription of its IPO pricing between AED 2.35 and AED 2.95 per share. Adnoc group's chief executive Sultan Al Jaber had predicted that the planned IPO of Adnoc distribution will unlock inherent value of the business and will accelerate the growth of the company. The first 5 percent offering was open to local retail investors, while rest of it is to the government, international institutional investors and high net worth individuals. The equation was expected to raise approximately USD 8 to USD 10 million in equity value. In Q2 of 2017 Abu Dhabi listing on ADNOC was increased by USD 851 million more than expected.

On 8 December 2017, ADNOC UAE's number one fuel retailer and distributor and operator announce the successful pricing for the IPO of its ordinary shares. Immediately after offering the parent company will continue to own 90% of the share capital.

### 5.2 Key benefits of the IPO

The IPO represents the number of achievements and significant milestones for the ADNOC group and the Abu Dhabi securities exchange (ADX):

- I. **At** the public listing, the company is expected to have the fourth largest capitalization on the ADX.
- II. **Adnoc** distribution is expected to be the only sizeable retail sector on the ADX, helping to diversify and grow the number of industry sectors on the exchange.



***"No company can afford not to move forward.  
It may be at the top heap today  
but at the bottom of the heap tomorrow,  
if it doesn't."***

***- James Cash Penney, Founder, JC Penney***

III. IPO has led to substantial interest and engagement from high quality, global institutional investors allowing for increased Foreign Direct Investment into the UAE.

IV. IPO represents the first IPO of ADNOC subsidiary company and creates new platform and route for further value creation.

V. IPO in ADNOC offers new value creation strategy and the more proactive administration of its arrangement of advantages and capital, to open esteem and drive development.

VI. ADNOC retains 90% shareholding in the company with full alignment with other shareholders.

## **6. Initial Public Offering in Saudi Arabia**

### **6.1 Introduction**

Most of the prominent private companies are going public by purchasing a share for the public which is known as Initial Public Offerings (IPO). The benefit of IPO is public listing on Saudi Stock Market (SSM). Private corporate entities in Saudi Arabia are opting for IPOs, to expand company's ability, find a new source of funds, be more competitive, motivate management and employees, improve credit rating, and enhance company image. For example, in 1998 Saudi Stock Market (SSM) witnessed the seventh case of an IPO, when Ahmed Fitahi Co. converted to the public joint stock company. It was authorized, and its paid capital was SR 200 million, and private sector owns all of its shares. Another case of IPO came to light in 1998, when Al-Zamil Co. went public after 40% of its shares to Saudi and Gulf investors. It was authorized, and its paid-up capital was SR 300 million. The company's activities constituted of manufacturing, selling, supplying, maintaining steel buildings, air conditioners, and architectural glass.

Few IPOs comprise altogether of new value, with the first financial specialists holding their offers. Different IPOs include the offering of the just existing amount with no new raise of cash flow for the organization.

However, with the first proprietors offering their shares and yet others consist of a combination of two.

Furthermore, in 1998, the conversion of the ninth private company into a joint public stock was Saudi Chemical Co. It had paid up capital of SR 465 million, and the activities of the company were manufacturing of explosives for military and civil uses such as rock blasting for road cutting and foundations, trench blasting for oil and water pipelines.

Some of the academic scholars debated over the fact that there was a decrease in post-issue operating performance as measured by the operating return on assets and operating cash flows deflated by assets compared to their pre-IPO levels as evidenced by IPO firms. Post-IPO firms have high growth in sales and capital expenditure compared to the firms in the same industry without IPO. IPO firms have a positive relationship between entrepreneurs' ownership and operating performance. The sales of IPOs increased by 80.67% more than their counterparts in the same industry over the four years after going public.



## **7. Initial Public Offering in Oman**

### **7.1 Introduction**

An initial public offering (IPO) is a type of process in which privately owned business changes into an open organization by posting its offers in the Stock Market at Muscat Securities Exchange. The objective of IPO is an expansion of existing activities of the company or setting up of new projects as may be specified by the company or to get existing equity shares by diluting the stake of existing equity shareholders through the offer of sale.

**"Strategy without tactics is the slowest route to victory.  
Tactics without strategy is the noise before defeat."**

**- Sun Tzu**



## 7.2 IPO Process in Oman

The illustration of IPO process is in the table below:

Preparation	Approval and Marketing	Completion
I. The requirement of approval from Promoters and Board of Directors for a decision to go for IPO.	I. Pre-marketing lead by Lead Manager/ Issue Advisor (key player of the IPO process).	I. Bankers and Depositories appointment.
II. Appointment of Financial Advisor/ Issue Manager and legal counsel is mandatory.	II. Capital Market Authority Clearance, Muscat Securities Exchange and Ministry of Commerce filling.	II. Printing and distribution of prospectus.
III. Legal Due diligence	III. Pricing and allocation.	III. Issuance date of the IPO.
IV. Preparation of feasibility report, projected financial statement, and valuation of assets of the company	IV. Book building and underwriting.	IV. Listing in Muscat Securities Market.
V. Prospectus drafting.	V. Roadshows.	V. Funds transfer to the issuer company.
VI. Filing with capital market authority, and Muscat securities market, Oman.		VI. Change of the organization to Open Joint Stock Company (SAOG)

## 7.3 Disclosures in the Prospectus

### Capital Structures

- I. **Transparent** about the shareholding pattern and share premium.
- II. **Disclosure** of holding of promoter and promoters group.
- III. **Disclosure** transfer shares since inception.

### An object of the Issue

- I. **To** mention a total requirement of funds and the purpose of the IPO.
- II. **Detail** of the evaluation of the Issuer organization
- III. **Expansion** of the Issuer company after IPO.

### Details of the Issuer company

- I. **Display** the business structure of the Issuer's company.
- II. **A business** description of the Issuer.

### Risk Factor

- I. **Risk** related to Issuer's company and its external risk.

### Company Management

- I. **Details** about the promoters, and shareholders of the company.
- II. **Details** about the Directors and Committees formed under corporate governance practices.

### Financial Disclosures

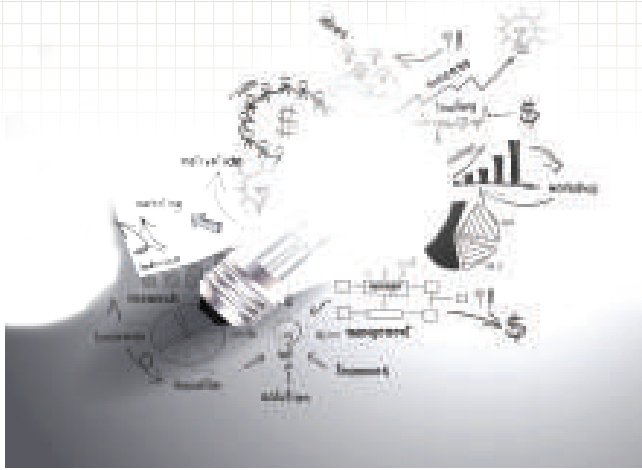
- I. **Auditors** report.
- II. **Projected** financial report and a business group of companies.
- III. **List** of creditors and debtors.
- IV. **Share** valuation report and feasibility report.
- V. **Points** of interest of offer exchanges and the estimation of offer exchange, and a measure of offer application cash pending distribution.
- VI. **Financial** progress performance of last three years.
- VII. **Capital** expenditure, cash flow, and liquidity.

### Litigation

- I. **Disclosure** of any pending litigation and proceedings if any.
- II. **Belated** documents were filing to government agencies and defaults.

### Legal Reports and Certifications

- I. **Responsibility** certificate from Board of Directors and Promoters.
- II. **Certificate** about the authenticity of correct financial statements and share certificates.
- III. **Minutes** of the meetings and extracts from resolutions.
- IV. **Certificates** received from the key managerial personnel and the top ten shareholders.



**"What's the use of running  
if you are not on the right road."**

**- German proverb**

**V. Certificate** establishing the correctness of statutory approvals.

#### **Statutory Reports and Certifications**

**I. All** approved licenses from the government if any pending projects.

**II License** from the municipality if any.

**III. License** and certificates from Ministries about each work permit.

**IV. Company** transformation.

#### **Declarations and Undertakings**

**I. Statement** by the Board of Directors, Financial Advisors, and Issue manager.

#### **Declarations and Undertakings**

**I. Transformation** of the company into a public joint stock company.

**II. Invitation** to issue shares to the public shall be announced in two daily newspapers one of which shall be in Arabic.

**III. Subscription** shall be in effect through three national banks in Oman.

**IV. Subscription** shall remain open for 30 days, renewable for another period not exceeding 30 days' subject to the approval of the Director General of Commerce.

**V. The** public can subscribe 40% of the company's equity shares.

### **8. Initial Public Offerings in Kuwait**

#### **8.1 Introduction**

Kuwait Stock Exchange is to modify into a corporate body, 60 percent of which will be state-owned and the remaining 40 percent to be offered to Kuwaiti investors via an IPO. Capital Markets Authority (CMA) is an established independent body with the vast range of functions, including rulemaking and regulatory oversight capacities. Article 23 of Resolution Number 23 of 2014 states that if there should arise an occurrence of the Capital Market Authority's endorsement of the posting

demand in the local market, the organization may, inside a half year of such approval before posting the offers in the Securities Exchange. It may expand its capital through a Listing Advisor by an Initial Public Offering in a rate at least 30% of the issued and entirely paid cash as it is at the season of favoring the posting demand. The subject to getting an earlier endorsement from the organization's General Assembly, notwithstanding accepting the required approvals from the CMA for such increment as per the techniques stipulated in the Executive By law of Law Number 7 of 2010 concerning the foundation of the CMA and Regulating Securities Activity. Furthermore, the supervisory specialists that organization is liable.

#### **8.2 Listing Approval**

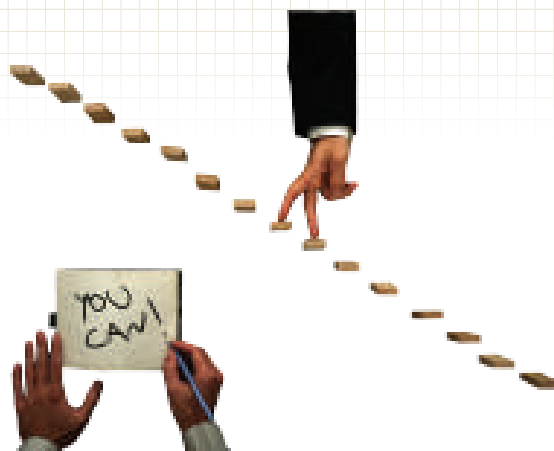
CMA may approve the listing of a closed shareholding company on the central market, on the condition that the applicant raises a minimum of 200 shareholders within two months. The CMA's approval is considered null and void If the minimum requirement is not satisfied within that period. This development allows applicants to list and undertake an initial public offer.

#### **8.3 Additional Requirements**

Also, an applicant must appoint a compliance officer in charge of liaising with the public and the regulatory authorities as well as a listing consultant. The applicant must comply with the corporate governance rules for listed companies issued by the CMA. The corporate guideline was published in June 2013 and incorporates comprehensive provisions on corporate governance.



*If you dream and you believe, you can do it.*  
- Sean Combst



## 9. Initial Public Offerings in Bahrain

### 9.1 Introduction

The Bahrain Stock Exchange (BSE) presents investors with the opportunity to raise equity financing, provided that the listing conditions are satisfied. The Central Bank of Bahrain (CBB) regulates and supervises Bahrain's capital markets with its chief priority being to maintain transparency, fair and orderly market by upholding and enforcing international standard and protecting the thereby safeguard Bahrain's respectability and notoriety as the locale's money related center point. The CBB manages and directs all applications for the posting of securities and some other instruments offered to the overall population, endorsing demands on the satisfaction of prerequisites and divulgences.

The predecessor of Bahrain Stock Exchange is Bahrain Bourse which is a self-regulated multi-asset marketplace. Bahrain Bourse intends to offer to its speculators, backers, and mediators a thorough suite of trade-related offices including providing posting, exchanging settlement, and vault administrations for different budgetary instruments.

### 9.2 Listing requirements and process on Bahrain Bourse

The listing requirements and process on Bahrain Bourse are:

**I. Appoint Advisors** - professional advisors are appointed for preparation of the prospectus, participate in due diligence process for the IPO, price the offering, market the offering to investors and be available to the company for other advice where necessary throughout the IPO process.

**II. Auditors** duties are as follows:

- i. Conduct Financial due diligence.
- ii. Prepare financial statements.
- iii. Review financials to assess company's readiness for IPO.
- iv. Ensure that the economic data is compliant and meets legal and regulatory obligations.

meets legal and regulatory obligations.

v. Conduct valuation of assets.

**III. PR Agent** duties are as follows:

- i. Develop a communication strategy to support pre-IPO process.
- ii. IPO coverage supervision.
- iii. Organize investor roadshow.
- iv. Enhance market perceptions to develop liquidity and promote the share price.
- v. Pre and post-IPO press releases.

**IV. Bahrain Bourse** functions as follows:

- i. Listing and securities trading.
- ii. Corporate governance requirement's supervision.

**V. Legal Counsel** duties are as follows:

- i. Legal due diligence.
- ii. Information Memorandum preparation.
- iii. Corporate restructuring.
- iv. Provide legal opinions.
- v. Draft legal documentation and provide legal advice.
- vi. Manage the listing applications.

**VI. Investment Banks** functions as follows:

- i. Project coordination with the CBB.
- ii. Analyze the company and industry to determine the level of investor demand.
- iii. Provide advice on the structure, size, and timing of the IPO.
- iv. Provide information on the offer price and some shares in IPO.
- v. Conduct company valuation.
- vi. Typically lead or joint underwriter.
- vii. Market the IPO using existing channels and contracts.

**VII. Others** – Share Registrar.



*"In a world that changing really quickly,  
the only strategy that is guaranteed to fail is  
not taking risks."*

**Mark Zuckerberg**

### 9.3 Public Scrutiny Post IPO

Once company publicly listed it requires to comply with a host of required disclosures and financial reporting as per the process mentioned below:

- I. **Board** of Directors and Executive Management's full disclosure of shareholding in the company and exposure of crucial personal dealings.
- II. **Disclosure** of Board of meetings and AGM and EGM, and critical resolutions.
- III. **Public** disclosure of Material event upon its occurrence.
- IV. **Set up** an investor's relation department.
- V. **Set up** an audit committee within Board with at least two independent board members.
- VI. **Appoint** compliance officer to be the point of contact with Bahrain Bourse.
- VII. **Corporate** governance compliance.

### 10. Conclusion

Most of the prominent private companies are going public through Initial Public Offerings (IPOs). When the private companies issue its very first sale of stock to a public or invest its shares in an individual investor or institution that is when it is said to be IPO. Most of the

companies go public through investment banks or financial stock market institutions. There numerous advantages for IPO companies can list its shares on more than one stock exchange markets, and it opens a path to capital market. IPO plays a vital role in the empowerment of economy with sustainable development. For example, in Dubai, there is DFM and Nasdaq Dubai which is regulated by Securities and Commodities Authorities (SCA) whereas Dubai Financial Securities Authority (DFSA) regulates DIFC. Similarly, in Abu Dhabi, it is Abu Dhabi Global Market which is the financial institution authorized to monitor IPOs in Abu Dhabi. In Oman IPO stock is listed on Muscat Securities Exchange and in Saudi, it is Saudi Stock Market(SSM). In Kuwait, the modification of Kuwait Stock Exchange Market into Capital Market Authority (CMA) on which stock listed of public companies. In Bahrain, Bahrain Stock Exchange (BSE) provides an opportunity to the investor to raise equity financing supplied that listing conditions are satisfied, and Central Bank of Bahrain (CBB) regulates and supervises Bahrain's capital market. This legal guide demonstrates different financial institution governing listing of IPO in different areas of UAE and provides detail procedure along with advantages of IPOs.

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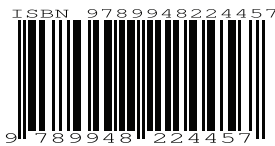
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