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DIFC

Regional outlook for banking and capital markets

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Contents

Message from **DIFC**

Arif Amiri
Chief Executive Officer
DIFC Authority

Following DIFC's record-breaking 2023 performance, Dubai has reaffirmed its status as the financial gateway to the Middle East, Africa, and South Asia (MEASA) while positioning itself to provide optimal support for its clients in the year ahead.

Over the last 20 years, DIFC has grown into the region's largest financial related ecosystem, which today is home to more than 5,500 clients. This includes a swell of banks, law firms, and other professional services advisors that bring their extensive expertise to support the region's activity, including relocating and developing their talent base to meet surging IPO demand.

As outlined in the report, the globally subdued IPO levels of 2022/23 are expected to recover in 2024, with DIFC's community of clients set to benefit, particularly through fee generation.

Driven by the rise in IPOs, capital markets across the MENA region have seen significant growth, with reforms dedicated to improving market infrastructure, attracting even greater foreign investment flows. Further supported by increased regulation and transparency, DIFC’s commitment to innovation and diversification has also accelerated the convergence of new ideas and capital, resulting in new products and systems that positively change the global financial industry.

Based on DIFC's performance and outlook, and the breadth and depth of its clients' activities, capital markets and banking will continue to be a significant contributor to our ecosystem and economy.

Message from **LSEG**

Nadim Najjar
Managing Director,
CEEMA, London Stock
Exchange Group

The past two years have been a period of significant change for global capital markets. The Federal Reserve's multiple rate hikes, which began in 2022 and led to interest rates touching highs last seen in 2001, have had a profound impact on capital markets across the board. The shift in monetary policy has taken a toll on global capital markets, leading to lower company valuations which in turn caused many companies to postpone their IPOs until market conditions improved. The resulting increase in financing costs also discouraged issuers from tapping debt markets.

However, amid these challenges, the MENA IPO market witnessed a surge in activity in 2022, driven by privatisation programmes in the UAE and Saudi Arabia. This development underscores the resilience and dynamism of our region's economies.

The growing trend of both public and private enterprises looking to list publicly has spurred global investment banks to broaden their advisory and underwriting services in the emirate. These emerging investment prospects are consequently drawing a wave of private capital, accompanied by wealth and asset managers to oversee these investments.

Looking ahead, we see signs of a global market rebound on the horizon. With anticipated interest rate cuts later in the year, we expect a revival of postponed IPOs and debt issuances. We also anticipate more public listings from the private sector, which will increase sector representation in equity markets and contribute to deeper capital markets.

The "Regional Outlook for Banking and Capital Markets" report, the fourth in a series covering recent trends in Dubai's financial industry, is a collaborative effort between DIFC and LSEG Data & Analytics. It outlines the landscape and outlook for global capital markets, and provides insights into the development of MENA capital markets, which have positioned them on the radar of foreign investors. Furthermore, the report outlines DIFC's value proposition as a global hub for capital markets that attracts international private wealth as well as world-class investment banks and wealth and asset managers.

Executive summary

Global IPO markets are set for a gradual recovery following a rebound in US and European activity from Q3 2023. A strong pipeline of offerings had begun to build, driven by an anticipated shift from maintaining policy rates to potential rate cuts in 2024, however, the Federal Reserve's unchanged rates and a dovish tone in December have heightened expectations for a market recovery.

Prospective issuers have been gauging investor appetite for new offerings through the post-IPO performances of high-profile companies launched after the third quarter of 2023. Meanwhile, investor demand will be directed towards IPOs of sector-leading companies perceived as reasonably priced, and offer a balance between profitability and growth.

Similarly, a rebound in the MENA IPO market will be supported by a strong pipeline which includes several deals that were postponed to the first half of 2024 on expectations of easing market conditions. The privatisation of state-related entities will continue to drive IPO activity in the near term with the private sector driving the next phase of growth, starting with family-owned companies experiencing a generational shift in leadership and or those aiming to drive business growth, ensure continuity, and raise governance standards. Following several listings of MENA-based FinTech and tech-enabled start-ups that were more than 30 times oversubscribed, a surge in the number of unicorns could lead to more start-ups going public, offering VC investors a viable exit option, while building a strong IPO pipeline.

Global IPOs raised just USD 112.5bn in 2023 after nearly two years of sluggish activity concentrated in larger, more mature equity markets such as the US, Europe, and Hong Kong. A slowdown in IPO activity began in 2022 with IPO proceeds down 64 per cent year-on-year to USD 148bn, as prospective issuers opted to defer their IPOs due to a reset in valuations that followed a series of interest rate hikes.

By the end of 2023, IPOs accounted for only five per cent of global investment banks' fee revenues, a significant decrease from 13 per cent in 2021. The decline was largely due to multiple interest rate hikes, which suppressed market activity. In 2022, IPO fee revenues fell by 70 per cent. The downward trend persisted into 2023 with an additional 18 per cent drop, as major IPOs were delayed until more favourable market conditions emerged.

Global debt issuance is projected to grow by a modest 2.3 per cent in 2024, with interest rates likely to remain at multi-year highs. This growth is mirrored in MENA debt markets, driven by sovereign issuances intended to finance budget deficits and major development projects, and to refinance maturing debt. However, issuers with substantial refinancing requirements in 2024 and 2025 will face high refinancing costs due to 'higher-for-longer' rates.

In 2023, overall global debt issuance reached USD 8.9tn, a 6 per cent increase from 2022. This followed a 19 per cent decrease in 2022 from 2021 as supranational and sovereign issuers reduced funding for Covid measures. MENA debt issuance nearly doubled in 2023, although it was still lower than the total recorded in each of the preceding five years. Sukuk issuance remained resilient, setting a record of USD 214.9bn in 2023, a 9.9 per cent increase from 2022, supported by continued strong demand for these investments.

MENA capital markets have seen significant enhancements over the past decade focused on infrastructure development, private sector participation, and foreign investment attraction. Privatisation initiatives in Dubai and Saudi Arabia have deepened and broadened capital markets while creating additional sovereign liquidity for economic projects. The UAE's DFM IPO Accelerator Programme and Abu Dhabi IPO Fund were launched to increase IPOs from the private sector. Other enhancements include the establishment of parallel markets for SMEs, market maker funds and the GCC Exchanges Committee's issuance of unified ESG Disclosure Metrics in line with global best practices.

The UAE has increasingly attracted international private wealth, with 120 of the world's wealthiest families and individuals based in DIFC, with a total net value of USD 1.208tn. This influx has led to an increasing number of international asset and wealth managers expanding their presence in Dubai as they look to tap growing private wealth and fund inflows from institutional investors across the Middle East, Africa and South Asia (MEASA). DIFC is also becoming a global centre for alternative investments and hedge funds, with more than 65 already registered.

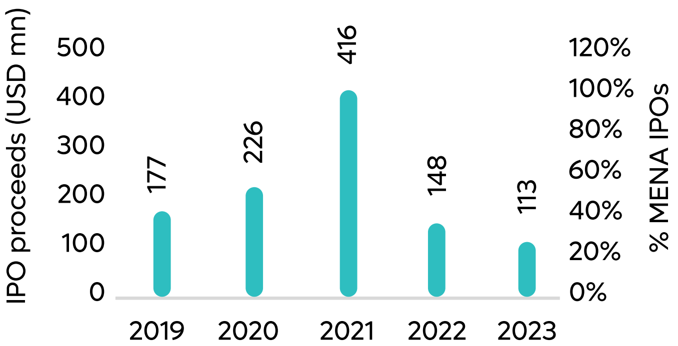
Dubai-based banks have actively participated in MENA capital markets, leveraging their long-standing regional presence and expertise to become the preferred choice for UAE and MENA IPOs. Dubai and DIFC serve as gateways to MEASA growth markets, which has led to the relocation of investment banking and ECM specialists from developed markets to Dubai, spurring hiring activity in the region.

Dubai offers two listing platforms for IPOs: Dubai Financial Market (DFM) and Nasdaq Dubai. DFM, the primary IPO venue, aims to double its market capitalisation to USD 820bn following a recovery in IPO activity in 2022. Nasdaq Dubai, on the other hand, is one of the world's largest centres for sukuk, with USD 74bn currently listed.

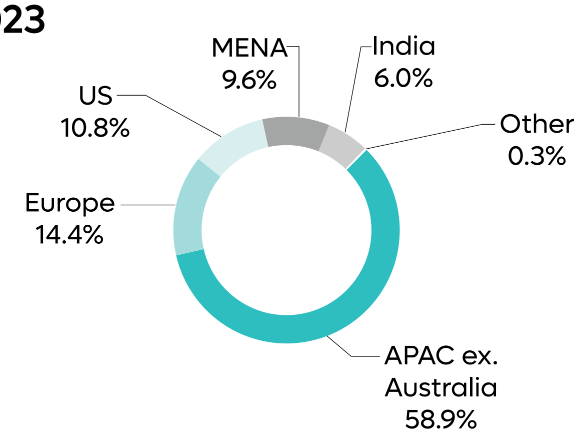
Global capital markets landscape & outlook

EQUITY CAPITAL MARKET

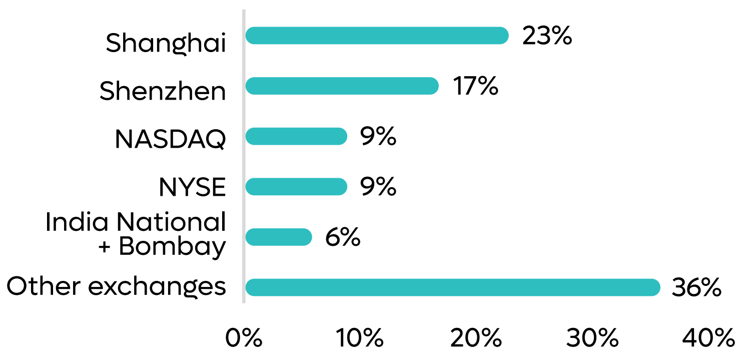
Global IPO activity 2019 – 2023



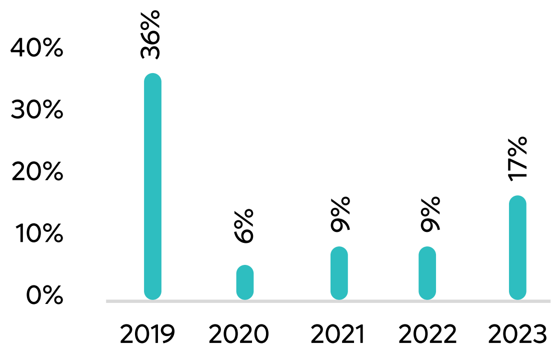
Regional share of IPO proceeds 2023



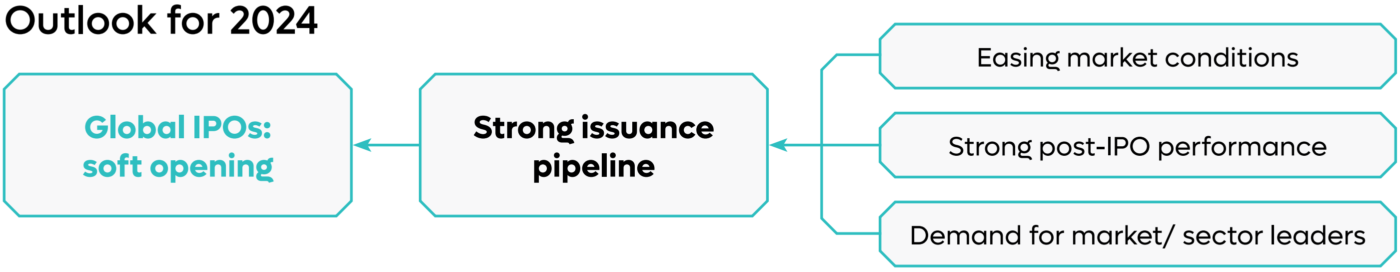
Top global IPO venues by share of proceeds 2023



Global investment banking fees from IPOs 2019 – 2023

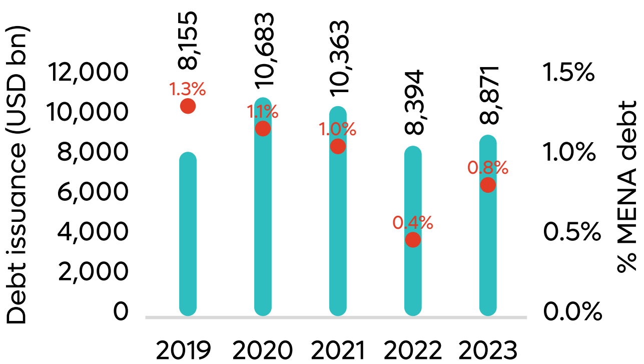


Outlook for 2024

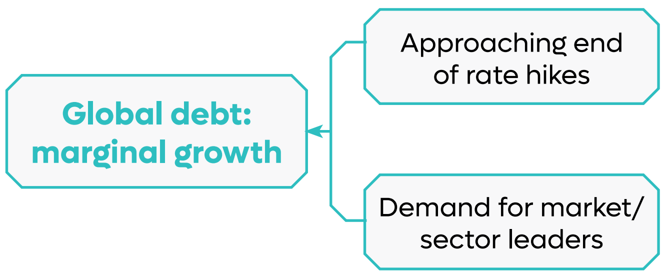


DEBT CAPITAL MARKET

Global and MENA debt issuance 2019 – 2023



Outlook for 2024



MENA CAPITAL MARKET DEVELOPMENT

- **Privatisation of state-owned entities**
- **Driving private sector listings**

Creating deeper capital markets

Aligning market reforms with best practices

- **Market infrastructure enhancements in GCC markets**
- **Parallel markets**
- **Market maker programmes**
- **Unified ESG disclosure metrics**

FUTURE DRIVERS OF THE MENA IPO BOOM

THREE PHASES OF GROWTH

Privatisation of state-related entities

- Economic diversification
- Private sector development
- Sovereign liquidity creation

Listings of family-owned companies

- Driving business growth
- Succession planning
- Better governance and transparency

FinTech and tech-enabled start-up exits

- New industries with high-growth potential
- Strong demand from investors
- Viable exit option for VC investors

DUBAI AS A GLOBAL CAPITAL MARKET HUB

Influx of private wealth and professional investors

- 53 per cent y-o-y increase in registered family business foundation structures in 2023
- International wealth / asset managers and hedge funds strengthening regional presence in Dubai

Dubai's investment banking landscape

- DIFC is home to the largest cluster of banks in MEASA
- International investment banks expanding regional operations in Dubai
- Dubai-based banks top regional ECM league tables

DIFC Ecosystem

- Access to regional markets
- Comprehensive network of partners
- Local and international listing platforms
- Booming IPO market funnelling talent into Dubai

Capital markets outlook and opportunities

Global capital market outlook

Global primary capital markets had begun to show early signs of recovery by the last quarter of 2023, supported by market expectations for more stable economic conditions in 2024. The main variable influencing the pace of growth in these markets will be the trajectory of interest rates. A widespread expectation for `higher-for-longer' interest rates during the year suggests growth in both equity and debt capital markets may be subdued. Nevertheless, growth will likely be supported by a strong pipeline of issuance lined up for 2024.

Soft opening for IPO market as hopes rise for recovery

Global IPO markets are slated for a soft opening following a rebound in activity across the US and Europe that began in the third quarter of 2023. A strong pipeline of offerings had begun to build in the first half of 2023 as central bank rate hikes appeared to be nearing an end and market volatility eased, raising market expectations for a recovery.

The momentum of IPO launches across markets in the MENA region in 2024 will be supported by a promising pipeline after several deals were postponed from 2023 to early and mid-2024 in anticipation of more favourable market conditions. However, tensions in parts of the region could lead to a more cautious market.

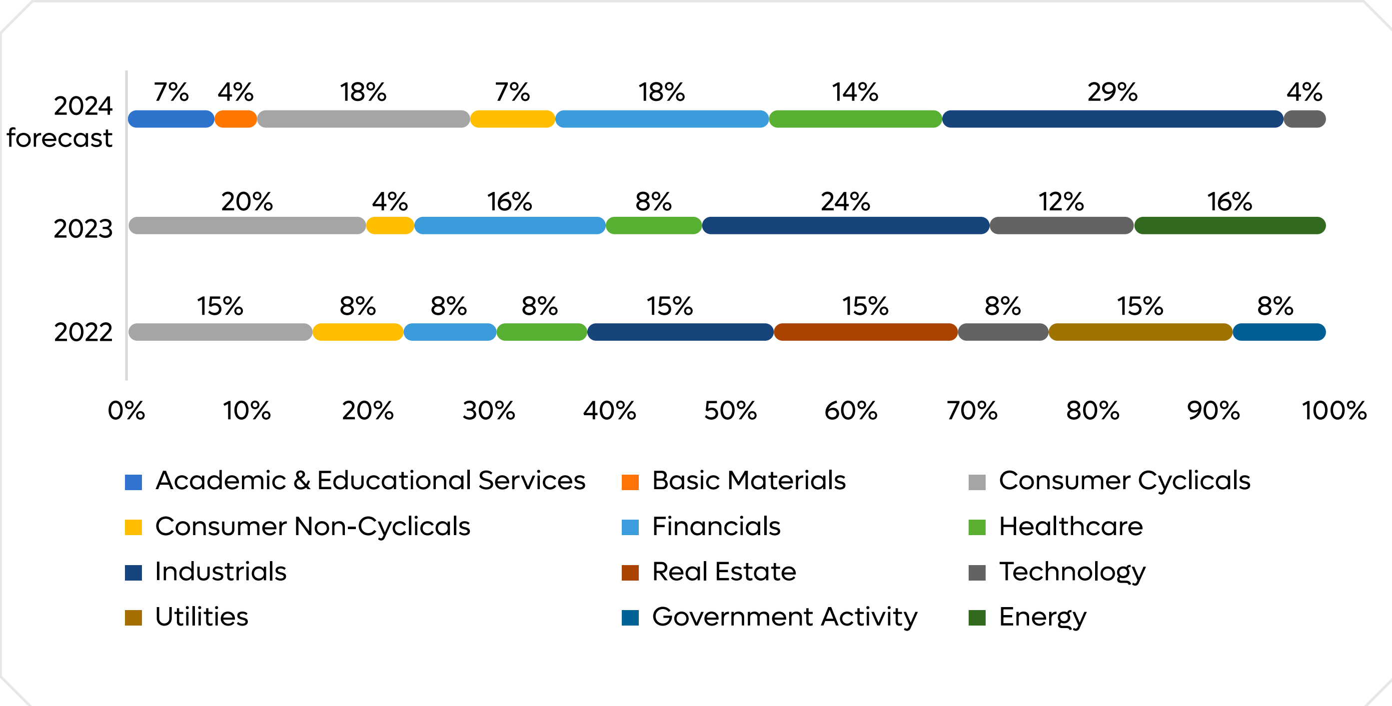
Deals will be driven mainly by Saudi Arabia, where 27 companies have expressed intent to list on the Saudi Exchange (Tadawul), in addition to expected follow-on issuances from Aramco and Savola. Meanwhile, the IPO pipeline in the UAE includes listings from Parkin, Lulu Group and Tabby.

Market experts say IPO activity in 2024 will depend largely on global economic stability and a positive track record for recent post-IPO performances. Improving economic conditions would boost optimism that there will be a revival in the market in 2024, while other variables such as interest rates and market volatility will have a greater influence on market sentiment later in the year.

Issuers will closely monitor the performance of high-profile IPOs launched during the last quarter of 2023 and early 2024 as an indicator of investor appetite for new offerings. The convergence between issuer and investor valuations during this period is likely to improve post-IPO performance and pave the way for more IPOs coming to market in 2024.

Investors will continue to seek reasonably priced IPOs from companies that offer a balance between profitability and growth. Companies considered market leaders in their respective sectors are seen as more likely to attract cornerstone investments, allowing investors to reduce risk and ensure stable ownership. Prospective IPO candidates will have demonstrated a solid financial track record, being either profitable or showing a clear path to profitability. Other key success factors for IPOs include a more established business model, a strong marketing programme, and a price range balanced to attract investor demand.

MENA IPO deals by sector 2022 - 2024



Source: LSEG Workspace | Deals Screener

Issuers face refinancing challenge as rates expected to stay `higher for longer'

Global debt issuance is expected to maintain a marginal pace of growth through 2024 despite market headwinds. Bond issuance is expected to grow by 2.3 per cent in 2024, according to projections from S&P Global Ratings.

Interest rates will be the main determinant of debt issuance growth in 2024, with major central banks approaching the end of their rate hike cycles. However, interest rates will likely remain elevated for longer than markets have been anticipating, thereby keeping markets subdued throughout the year.

`Higher-for-longer' interest rates pose an additional challenge for issuers facing sizeable refinancing requirements in 2024 and 2025. Many debt issuances in 2020 and 2021 had longer maturities as issuers took advantage of ultra-low interest rates, particularly in developed markets. These issuers have so far been able to delay returning to the market for refinancing as the costs of borrowing have grown. However, with interest rates expected to remain high through the next 12 to 24 months, issuers still face the challenge of refinancing a sizeable amount of debt maturing in 2025.

Similarly, MENA debt markets are expected to experience subdued growth in the coming year as interest rates remain high, with high costs of refinancing. Governments will continue to drive issuance in the region to cover expected budget deficits from lower oil prices, to refinance maturing debt, and to fund major development projects. Meanwhile, corporate debt issuance is expected to slow as the cost of borrowing remains high.

Future drivers of the MENA IPO boom

The pipeline for this year's MENA IPO market includes several sizeable listings from both government-related and private companies. The privatisation of state-related entities will continue to drive IPO activity in the region over the next couple of years, especially in the UAE, and generate significant interest from international investors. In addition, an increasing number of private sector companies is expected to go public over the next five years.

As the pace of privatisation eases, market participants expect the next phase of growth in IPO activity will be driven by family-owned companies undergoing a generational shift in their leadership and management. The region's burgeoning start-up landscape, mainly in the FinTech and e-commerce sectors, is poised to produce a significant number of unicorns that could make IPOs a feasible exit option for venture capital (VC) investors.

Family businesses reconsider IPOs amid generational shift

IPO markets in the GCC are moving into a `second phase' of listings led by the private sector, which is largely comprised of family-owned companies. These businesses account for 90 per cent of private companies, according to the UAE Ministry of Economy.

The landscape for family-owned businesses in the UAE is undergoing a transformation with the introduction of new government initiatives, regulations and market reforms intended to facilitate deeper and more liquid capital markets. As part of these initiatives, policymakers are encouraging more family-owned businesses to go public, adjusting regulations to make it easier to list on local exchanges.

Although several companies have considered listing, most have hesitated to pursue this option for raising capital. This reluctance has been mainly due to cheaper and more accessible bank financing, in addition to concerns about conceding ownership and control over company assets and the disclosures that would be required for external shareholders. However, the economic repercussions of the pandemic put further pressure on companies that had already been struggling with rising costs and subdued growth, prompting some to reconsider IPOs as an alternative financing option.

The series of public-sector IPOs launched in Dubai and Abu Dhabi over the past two years have also encouraged family-owned companies to consider public listings to achieve strategic objectives such as driving business growth, ensuring continuity, and raising governance standards.

Al Ansari Financial Services' listing on DFM in March 2023 laid the ground for more family-owned companies to follow suit. The UAE's largest exchange house chain, Al Ansari was one of the first family-owned companies to go public in the country, and the first to list on DFM. The offering was oversubscribed by around 22 times and showed strong post-IPO performance, highlighting the company's strong brand recognition and indicating robust demand from regional and international investors for high-quality, family-owned companies.

Other incentives to pursue IPOs include succession planning and smooth management transition. IPOs can be instrumental in succession planning for family-owned companies. It is estimated that 70 per cent of wealthy families will lose their wealth by the second generation and 90 per cent by the third. Leadership for many of the region's largest family-owned companies is passing to the second or third generation, and they stand to benefit from transforming into more institutionalised entities that are more competitive and resistent to family succession disruptions.

One of the main benefits of going public in succession planning is facilitating the transition of ownership and leadership through a structured approach, offering a clear framework for ownership rights and governance, reducing the potential for conflicts, and ensuring a smoother handover of responsibilities to the next generation. An IPO also offers an exit mechanism for family members who wish to no longer be part of the family business.

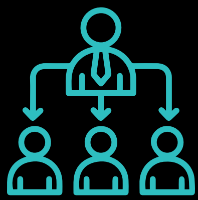
The reporting and disclosure requirements from publicly listed companies increase the transparency around the company's audited financial data. This enables a fair valuation and distribution of ownership, which in turn allows easier inheritance valuation and planning.

In addition, newer generations taking charge of their families' companies have developed a broader understanding of modern financial matters and the benefits of IPOs. As a company transitions to the next generation, it may require additional investment in new technologies, expanding into new markets, or pursuing strategic acquisitions. Going public opens avenues to access a broader pool of investors and raise the funds needed for ambitious growth plans.

THE LISTING OF A FAMILY-OWNED COMPANY IS A POWERFUL TOOL

Driving business growth

- Increased focus on enhancing shareholder value
- Proceeds can be used to invest in research and development, expand operations and enter new markets
- Access to new avenues of funding often at much better rates offered to private companies
- Optimised capital structure, improved financial reporting and governance, access to cornerstone investors and addressing relevant legal and regulatory compliance matters.



Succession-planning

- Continuity and sustainability of the business
- Support the smooth transfer of ownership between generations
- Easy exit route for family members through the public market (opportunity to buy out disinterested shareholders)
- Help to mitigate familial conflict
- Attract a wider pool of talent, including experienced executives

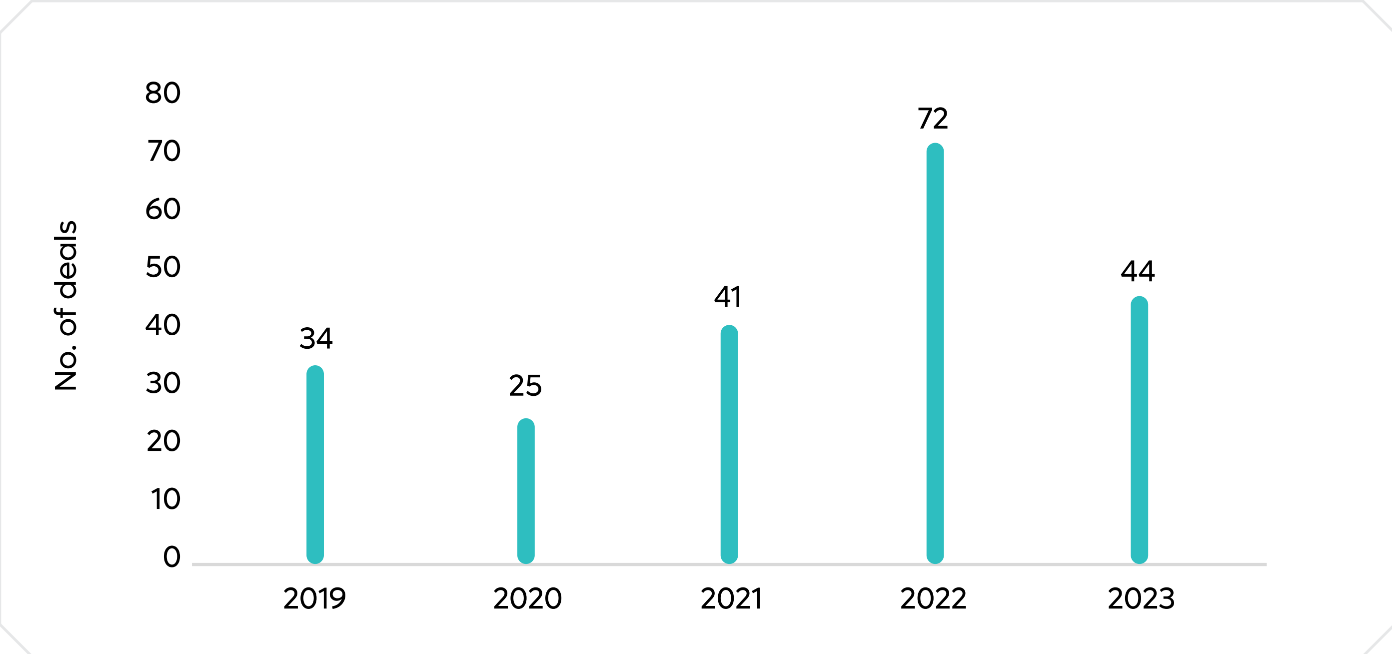
Better governance and transparency

- Alignment of reporting practices with global standards
- Transform family business into more institutionalised entity
- More rigorous governance framework
- Help to build trust with stakeholders

FinTech and tech-enabled start-up exits will drive third wave of IPO growth

In the first nine months of 2023, 60 per cent of exits in the region were recorded by UAE-based start-ups.

MENA start-up exits 2019 - 2023



Source: MAGNiTT

In the MENA region, mergers and acquisitions (M&A) have been the most common form of exit, and while the IPO route can be challenging, several MENA-based FinTech and tech-enabled start-ups have succeeded in going public. In 2019, digital payments company Fawry was listed on the Egyptian Exchange (EGX). In Saudi Arabia, online food delivery platform Jahez completed its IPO on Tadawul's parallel market, Nomu, in 2022, becoming the first Saudi start-up to list publicly. These IPOs attracted bids worth more than 30 times the offered shares, indicating overwhelming demand from institutional and retail investors for exposure to new industries with high growth potential. In the VC space, the FinTech, e-commerce, and health sectors accounted for 50 per cent of exits in the MENA region during 2023 in terms of capital deployed, according to MAGNiTT.

The MENA region has emerged as one of the most attractive markets for the development of technology ventures, with potential for substantial growth. The region's digital economy is expected to exceed USD 500bn in value by 2030, supported by the emergence of more than 300 unicorns and `soonicorns'[1] , according to a report by Redseer Strategy Consultants. The anticipated surge in the number of unicorns could lead to more tech-enabled start-ups going public, offering VC investors a viable exit option and building a strong IPO pipeline for the region in the near future.

Meanwhile, in November, Tabby, a `shop now, pay later' platform, became the first MENA FinTech start-up to achieve unicorn status after it secured USD 200mn in a Series D funding round before its upcoming listing on Tadawul. Accelerating late-stage investments creates a USD 100bn+ market capitalisation opportunity for MENA exchanges while raising late-stage VC funding would increase the equity value of VC investors' initial investments upon exit, thereby increasing the market capitalisation for a potential IPO.

1. A 'soonicorn' is a start-up that is soon expected to reach the USD 1bn unicorn mark in the near future. They are often in a high-growth phase and have already gained significant market share and are expected to grow exponentially.


2024
2021
2022
2023
+9.86
+9.86
-34.53
+48.87
-34.5
+9.86
+9.86
-34.53
+48.87
-34.5

Global capital markets landscape

Following a boom in issuance fuelled mainly by near-zero interest rates, deal activity in primary equity and debt capital markets slowed significantly in 2022 and into 2023, particularly in more mature capital markets such as London, Hong Kong and New York. Historic increases in interest rates, high inflation, and tensions in some markets characterised volatility in these markets.

While IPO activity in many emerging markets followed a similar trajectory, those in the GCC experienced a boom during 2022. However, deal momentum slowed in 2023 as issuers held off until favourable conditions materialised.

Global IPOs headed for a soft opening after two-year dry spell

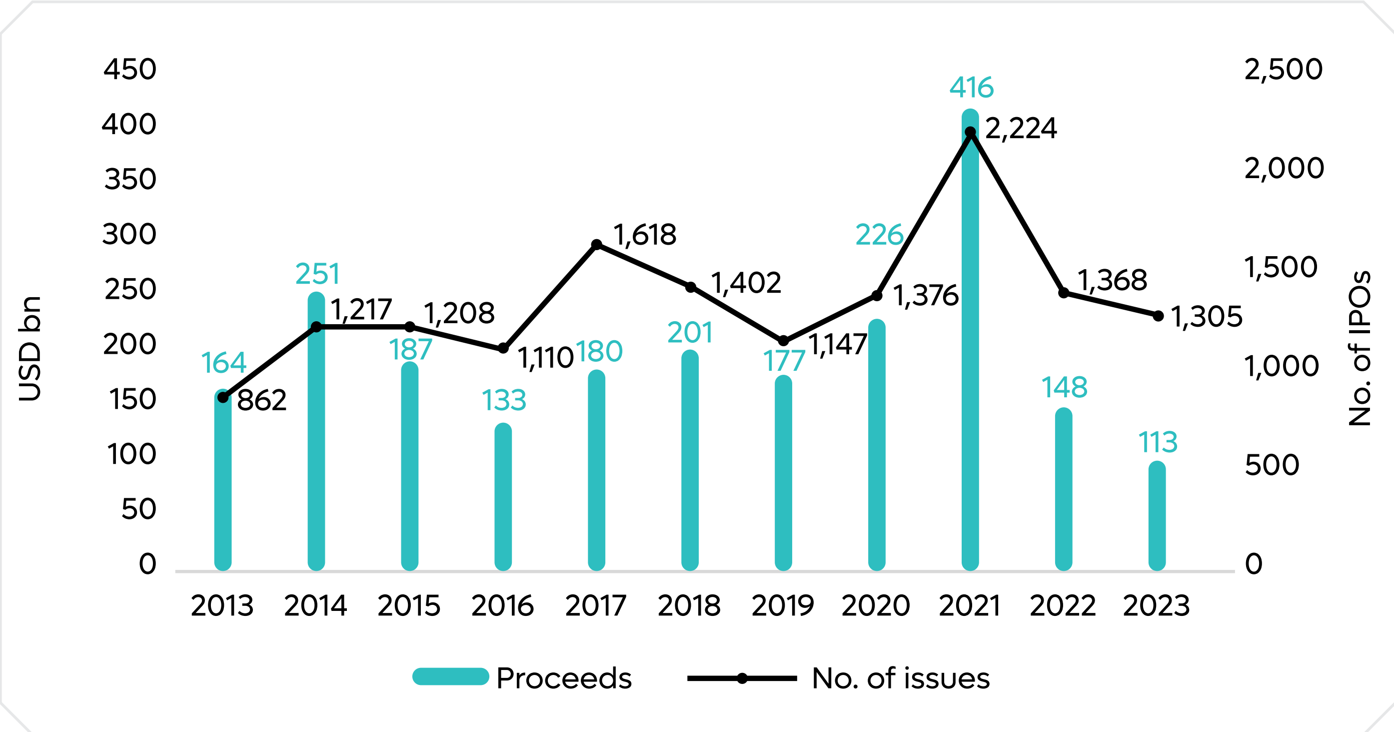
Globally, 2021 was a record year for IPOs, both by number of deals and total proceeds, as issuers capitalised on near-zero interest rates, a rebound in global economies, and greater liquidity in the market as a result of government stimulus programmes.

The slowdown in IPO activity[2] began in 2022, when deals raised a total of just USD 148bn globally, down 64 per cent from USD 416bn in 2021. This reflected companies' hesitation to come to market as economic growth slowed amid heightened tensions in certain markets. Meanwhile, some prospective IPOs were held back due to a reset in company valuations following a series of interest rate hikes.

Rising interest rates also impacted demand, with investor interest diverting towards fixed-income investments that offered more appealing risk-return profiles.

Global IPOs raised just USD 112.5bn in 2023. However, after nearly two years of stagnant activity, the market began to show signs of recovery in September 2023 after the Federal Reserve announced it would hold rates steady. Market dynamics changed towards the end of the year amid improving sentiment in major western economies, prospects for high-profile IPOs in the US, robust emerging markets, and a cooling China IPO market.

Global IPO historical activity 2019 – 2023

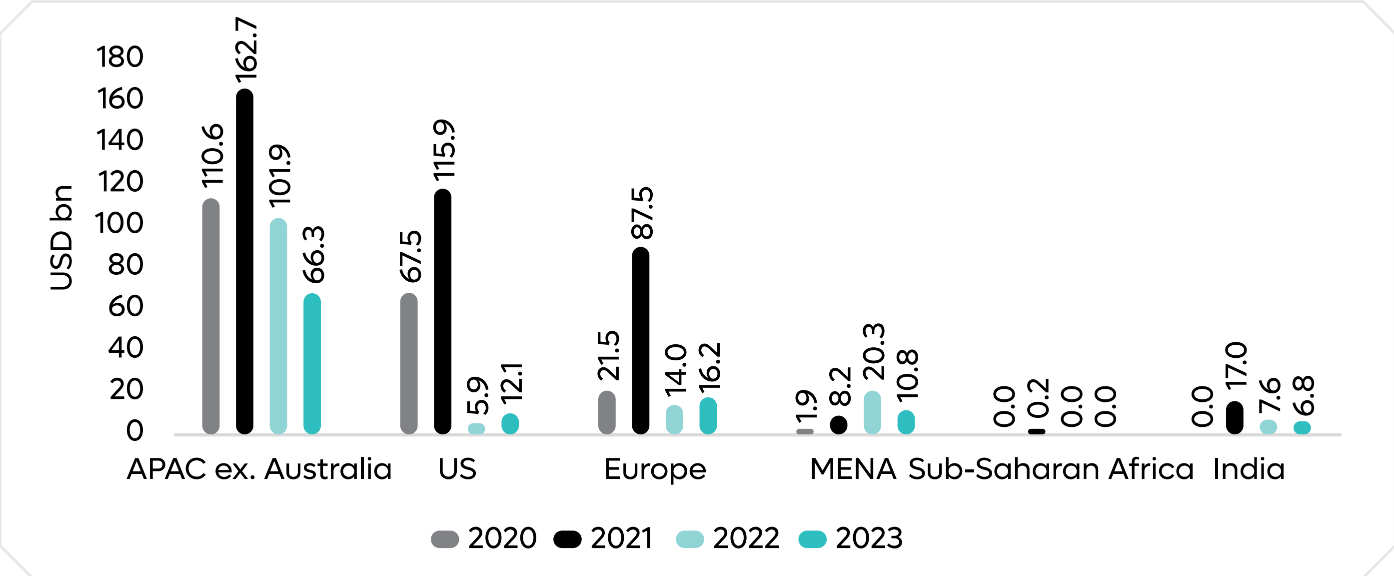


Source: LSEG Deals Intelligence

2. Excluding special purpose acquisition company (SPAC) issuance

The slowdown in IPO activity was concentrated in larger, more mature equity markets such as the US, Europe, and Hong Kong as investor appetite shifted to less risky assets such as sovereign bonds. However, deal activity picked up in the US in the third quarter of 2023 as the market welcomed several long-awaited, high-profile IPOs. Proceeds during 2023 reached USD 12.1bn, double the full-year proceeds of 2022. This has encouraged some global optimism among investors and issuers, with a strong pipeline building in the US market for the listing of high-profile companies with strong financial performances.

Regional IPO proceeds 2019 – 2023



*This chart does not represent a full regional breakdown of IPO proceeds, rather it is a comparison of IPO growth across selected markets.

Source: LSEG Deals Intelligence

Asia-Pacific (ex-Australia) is the largest regional market for IPOs, accounting for 59 per cent of global IPO proceeds in 2023.

The onshore IPO market in China remained relatively resilient, with the Shanghai and Shenzhen stock exchanges leading global IPO venues by proceeds in 2022 and 2023 as higher interest rates weighed on key markets such as the US and Hong Kong. However, IPO activity in China began to slow in 2023 due to government efforts to balance the country's financing and investment activities. Companies planning to go public are now likely to undergo more rigorous vetting processes and lengthier registration procedures.

Top global IPO venues by proceeds 2023

Rank Exchange	Share of global proceeds
1. Shanghai (Main Board and STAR market)	23%
2. Shenzhen (Main Board and ChiNext)	17%
3. US (NASDAQ)	9%
4. US (NYSE)	9%
5. India National (NSE and SME) and Bombay (BSE and SME)	6%
Other exchanges	36%

*2023 refers to the full calendar year and covers completed IPOs from 1 January 2023 to 4 December 2023, plus expected IPOs by 31 December 2023 (forecast as of 4 December 2023).

Source: Dealogic, EY Global IPO Trends Q3 2023

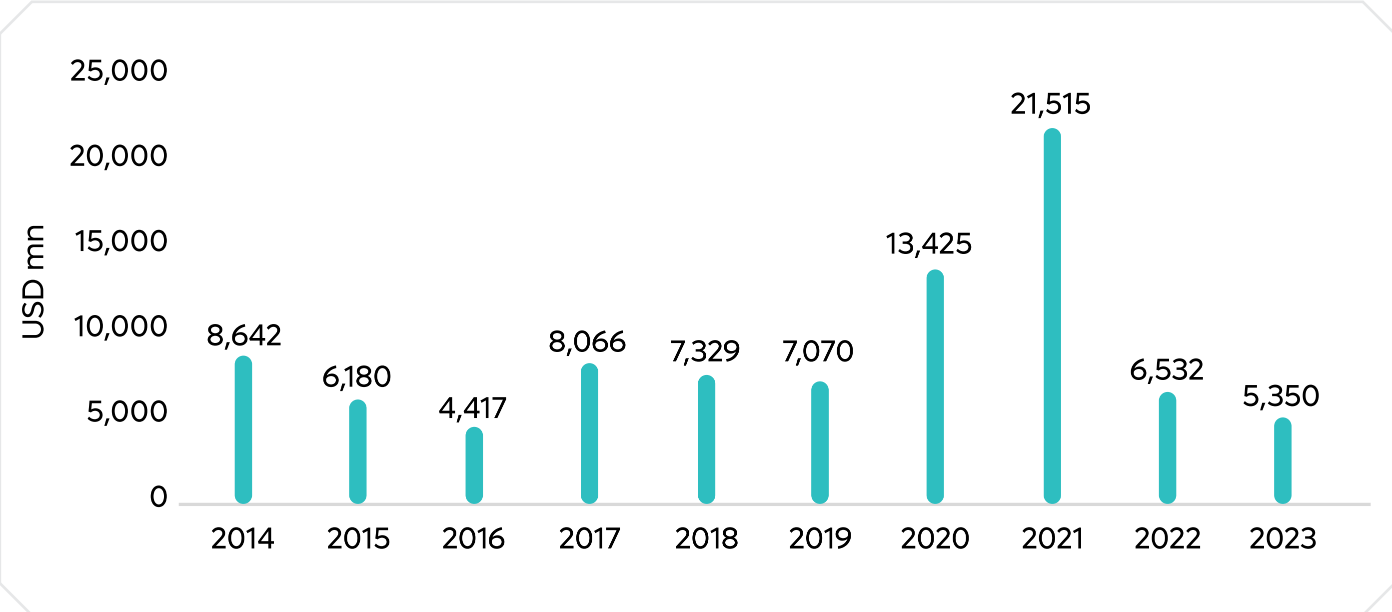
Investment banks remain in a strong position, despite declining fees

2023 saw investment banking fees plunge to their lowest level in nearly a decade due to a slowdown in deal activity as increasing concern around monetary policy and a potential recession dampened hopes for a near-term rebound.

IPO fee revenues plummeted by 70 per cent in 2022 as the economic fallout of the conflict in Ukraine and rate hikes from major central banks stifled market activity. Moreover, with most major IPO deals being postponed until market conditions improved, IPO fee revenues fell a further 18 per cent in 2023.

The share of IPOs in investment banking fees was also down, with IPO fees accounting for just 6 per cent and 5 per cent of investment banks' fee revenues in 2022 and 2023, respectively, compared to a high of 13 per cent in 2021.

Global investment banking fees from IPOs 2014 – 2023



Source: LSEG Deals Intelligence

While the decline in IPO fee revenues stemmed mainly from the slowdown in IPO activity, investment banks also face challenges that could divert potential issuers towards alternative capital-raising channels or exert downward pressure on IPO fees. Still, investment banks continue to play a significant role in ensuring the success of IPOs, particularly for smaller corporates and in developing and emerging equity markets.

Investor confidence and strong performance
One of the main advantages investment banks bring to an IPO is credibility. Having a prestigious investment bank[3] underwrite an IPO can strengthen investor confidence in the issuer and boost demand. Investors rely on an investment bank's track record regarding the quality of the IPOs it has supported when assessing its credibility. Banks leverage their wealth of data and expertise during the book-building process to ensure the IPO share is priced as close as possible to its intrinsic value and to minimise the risk of under-pricing.

Access to huge pools of investors and liquidity
Investment banks also provide issuers access to a large pool of institutional investors such as asset managers, pension funds, insurers, and hedge funds, which is particularly critical for less-prominent issuers. Well-known investment banks work with strong distribution syndicates,

3. An investment bank's prestige is determined by its market share. The larger the market share, the more prestigious the bank.

allowing them to sell IPO shares to a broader range of investors or, in some cases, to a very specific investor base. This enables the banks to underwrite multiple IPOs simultaneously and to take on large offerings while minimising inventory and increasing the speed and efficiency of the sales process.

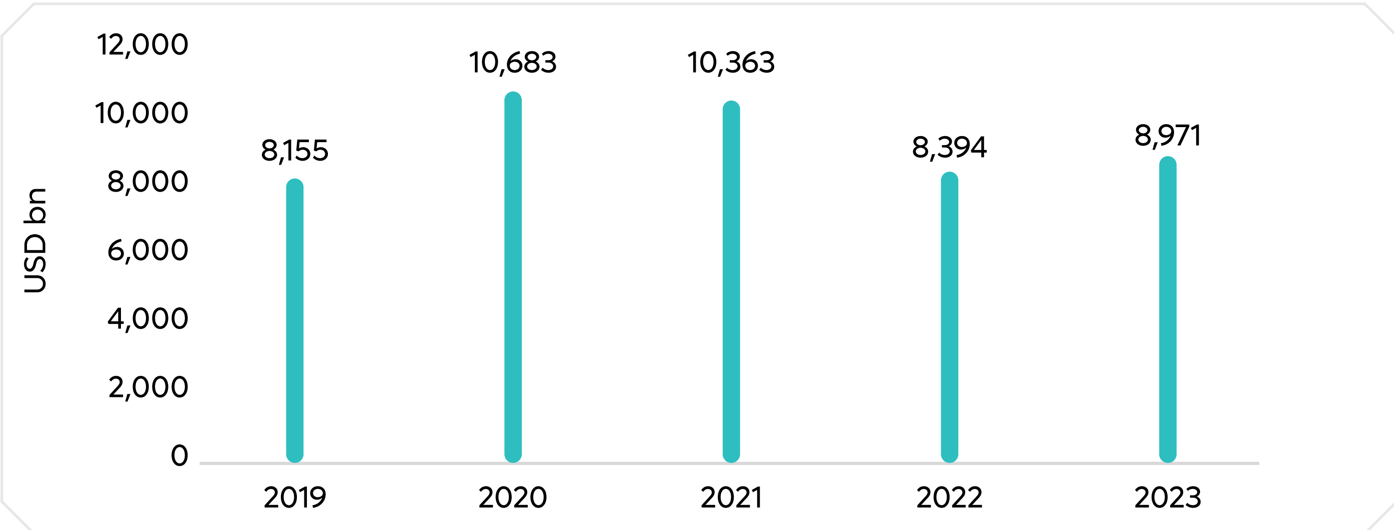
Building depth in developing and emerging markets

Liquidity across most exchanges in developing and emerging equity markets remains a primary barrier to deepening and developing domestic capital markets. The presence of prominent international investment banks in these markets can support the introduction of new IPOs for high-performing companies by offering legitimacy by association, more favourable pricing, and access to both domestic and foreign capital through their wide-reaching syndicates. As these banks become more active in smaller domestic markets, greater liquidity will be available to support successful IPOs. In turn, this will attract new issuers to the market and encourage currently listed companies to increase their levels of free float, which will further deepen equity markets.

Global debt market activity rebounds

Overall global debt capital markets (DCM) issuance totalled USD 8.9tn in 2023, up 6 per cent from 2022 despite a slow start to the year.

Global debt capital markets 2019 – 2023



Source: LSEG Deals Intelligence

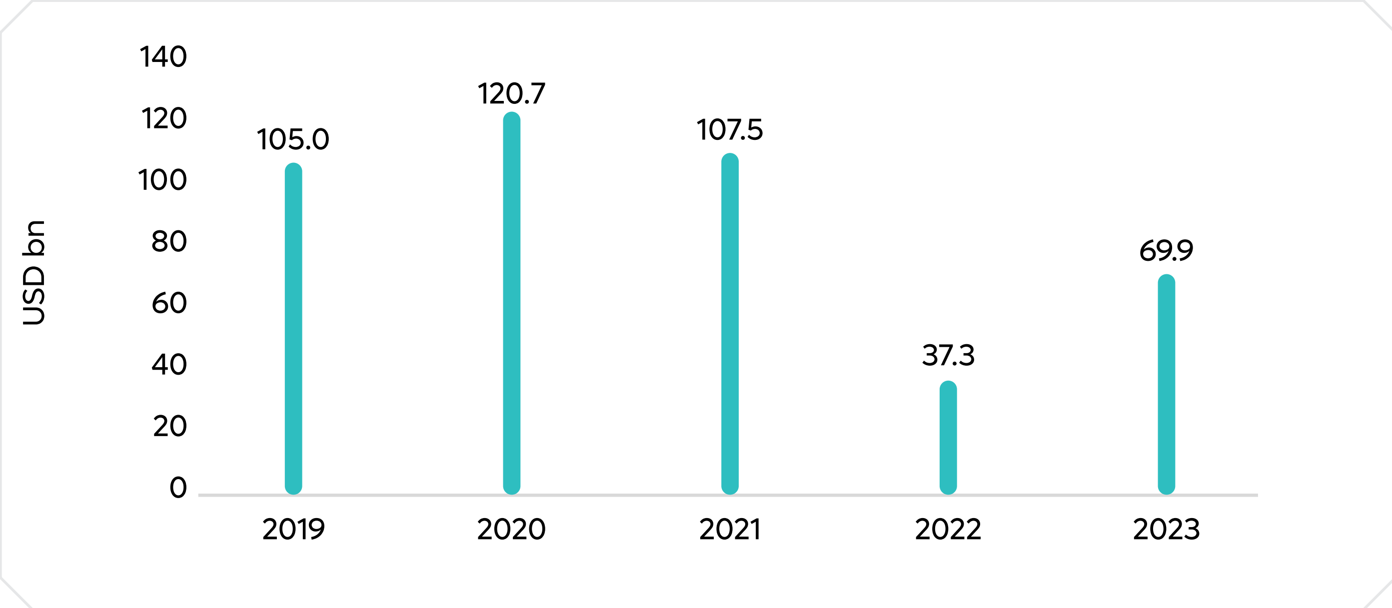
In line with the downturn in the IPO market, the global primary debt market hit a three-year low in 2022. Overall primary debt issuance totalled USD 8.3tn in 2022, down 19 per cent from 2021, as supranational, sovereign and quasi-sovereign borrowers wound back issuance in the aftermath of Covid measures. Sukuk issuance was relatively resilient; however, dropping just 1 per cent in 2022 to USD 193.9bn from USD 196.4bn in 2021, supported by continued strong demand for these investments. In 2023, sukuk issuance reached a new record of USD 214.9bn, up 9.9 per cent from 2022.

MENA debt issuance driven by sovereigns and state-owned companies

Total MENA debt issuance nearly doubled the value recorded during 2022. However, this was still lower than the total recorded in each of the previous five years. MENA debt issuance had fallen by 65 per cent in 2022 to USD 37.3bn, its lowest level since 2011.

Saudi Arabia was the most active debt issuer during 2023, accounting for 49 per cent of total bond proceeds, followed by the UAE with 33 per cent and Bahrain with 6 per cent.

MENA debt issuance 2019 – 2023



Source: LSEG Deals Intelligence

MENA-based issuers raised USD 87bn from sukuk in 2023, up 24.3 per cent from the same period a year before, largely driven by a more than doubling of issuance from the UAE. UAE-based corporates issued a record USD 4.4bn in green and sustainability sukuk, making the country the most extensive issuance base for ESG sukuk in 2023.

MENA capital market development

MENA capital markets during the past decade have seen the implementation of significant reforms focused on developing domestic market infrastructure through raising private sector participation in capital markets and attracting foreign investment. The reforms, which GCC jurisdictions have led, resulted in upgrading the UAE, Saudi Arabia, Qatar and Kuwait to emerging market status in equity indices such as those provided by MSCI, FTSE Russell, and S&P Dow Jones. This, in turn, raised the inclusion of their equities in foreign investor portfolios, which has attracted substantial foreign capital to the region.

As part of their economic development plans, both the UAE and Saudi Arabia have undertaken ambitious diversification initiatives to reduce the dependence of their economies on oil-related activities and to stimulate growth in non-oil sectors. Another strategic goal is to increase foreign investment flows into their economies. Creating deeper capital markets has been central to realising these aims.

Creating deeper capital markets

Privatising state-owned entities emerged as a pivotal strategy in developing the private sector as part of the region's various economic diversification initiatives. Governments recognised that privatisation could fund these initiatives, buffer against oil price volatility, and enhance economic resilience. As a result, they embarked on a series of privatisations of state-owned companies. This also enhanced the depth and breadth of capital markets and created sufficient sovereign liquidity for funding other economic projects.

Dubai and Saudi Arabia have been prominent players in the privatisation wave. Dubai's government announced in 2021 plans to list 10 state-owned entities publicly. The emirate's privatisation drive has gathered pace since early 2022, with DFM hosting five successful IPOs that year, raising a total of USD 8.5bn.

As a result, interest from global investors has grown, with foreign direct investment (FDI) inflows into the UAE growing at a CAGR of 21.6 per cent, from USD 10.3bn in 2018 to USD 22.7bn in 2022.

The most recent listing of Dubai Taxi Co., a unit of Dubai's Roads & Transport Authority (RTA), in November 2023 raised USD 315mn and was 130 times oversubscribed – the highest oversubscription level ever for a Dubai IPO.

In 2021, Saudi Arabia announced its plans to privatise USD 55bn in assets by 2025. With aspirations to increase its private sector's contribution to GDP to 65 per cent, Saudi Arabia identified 200 projects across 17 sectors for privatisation and public-private partnerships (PPPs). The completion of 30 projects in the last five years underscores the seriousness of the government's privatisation goals.

The latest country to join the privatisation drive is Oman. In 2022, the Oman Investment Authority (OIA) announced its intention to privatise 30 state-owned companies by 2025. Two of these IPOs were launched in 2023 despite challenging market conditions, with 49 per cent stakes sold in Abraj Energy Services and OQ Gas Networks. Each offering was met with overwhelming demand, being oversubscribed 8.7 times and 23.2 times, respectively.

The major IPOs highlight the diversity of the sectors and industries contributing to the region's economic growth and investment opportunities.

The oversubscribed offerings show that investors are interested in a broad range of industries. Increased equity market involvement highlights the region's developing investment environment and its efforts to attract both domestic and foreign investors.

Moreover, the increased IPO activity in the past two years has also served as a catalyst for a significant increase in foreign ownership of UAE-based equities since the pandemic lows. The huge increase in FDI inflows into the UAE and Saudi Arabia also demonstrates the growing appeal of these countries to global investors. Restrictions on foreign ownership of local companies in these markets have been eased, moving towards allowing 100 per cent ownership in companies from certain sectors.

Driving private sector listings

As the IPO pipeline of state-owned companies builds, regulators and exchanges have started to focus more on encouraging private sector companies to go public, especially from economic sectors that are under-represented on local exchanges.

In the UAE, both DFM and Abu Dhabi Securities Exchange (ADX) have undertaken initiatives to deepen capital markets by facilitating an increase of IPOs from the private sector, including family businesses and SMEs. The launches of the DFM IPO Accelerator Programme and Abu Dhabi IPO Fund will strengthen DFM and ADX's positions as leading exchanges in the region.

DFM IPO Accelerator Programme

In March 2023, the Dubai Financial Market (DFM) and Dubai Chamber of Commerce, in partnership with 20 regional and global advisors, launched the IPO Accelerator Programme as part of the Dubai Economic Agenda (D33). The programme was set up in response to growing interest from Dubai's private sector in tapping capital markets to implement their growth strategies.

The programme is aimed at family businesses, large private companies, and businesses from sectors that can benefit from Dubai's capital markets. It is aimed at creating opportunities for growth and strengthening Dubai's position as a global commercial and financial hub by increasing the growth momentum of the emirate's capital markets.

As part of the programme, DFM and Dubai Chamber along with advisory firms will conduct workshops and offer one-on-one meetings with key prospective IPO candidates to create a customised route towards an IPO and to identify and resolve any challenges along the way.

Aligning GCC market reforms with best practices

Market infrastructure enhancements

Parallel markets

A parallel market is an equity market with lighter listing requirements that serves as an alternative platform for companies to go public. Such platforms typically target SMEs, although they would also be a suitable option for family-owned companies and other smaller corporates.

The growth markets on both DFM and ADX serve as parallel markets that offer SMEs expedited access to capital. Nomu acts as a similar parallel market for the Tadawul exchange in Saudi Arabia.

Market maker programmes

Market makers are key market participants that facilitate trading activity and ensure liquidity in a securities exchange, thus instilling greater confidence in the market and attracting greater order flows and listings. As a result, equity prices become more efficient, volumes increase as the average spread narrows, and overall transaction costs are reduced. This, in turn, provides a credible platform for companies to raise capital and expand and diversify their shareholder bases.

In 2021, the Dubai government announced plans to establish a market-maker fund of AED 2bn (USD 545mn) to support IPOs and promote secondary trading on DFM. In the following year, the government launched xCube, a new FinTech established to organise and facilitate the activities of market makers in DFM. xCube will develop and adopt state-of-the-art algorithms and technology to perform market-making activities and high-frequency trading in both equities and derivatives listed on local markets. In Saudi Arabia, Tadawul launched a market-making framework for its equity and derivatives markets in 2022 to help ensure liquidity and increase price-determination efficiency. Entities acting as market makers must be members of the equity or derivatives exchange.

In May 2023, the Qatar Investment Authority (QIA) established a QAR 1bn market-making programme at the Qatar Stock Exchange (QSE). This is set to run for five years and will cover 90 per cent of the QSE's market capitalisation.

Unified set of ESG disclosure metrics by GCC Exchanges Committee

In the leadup to the 28th UN Climate Change Conference (COP28) in 2023, the Egyptian Exchange (EGX), Bahrain Bourse, DFM and ADX each mandated their listed companies to report on ESG performance. The Muscat Stock Exchange (MSX) also encouraged voluntary ESG reporting for 2023 activities and mandatory ESG reporting to start from 2024, while several other exchanges, including the Tadawul, have published guidance on ESG reporting.

In January 2023, the GCC Exchanges Committee released a unified set of ESG disclosure metrics, including 29 standards aligned with the World Federation of Exchanges and the Sustainable Stock Exchanges Initiative. These standards include categories across greenhouse gas emissions, energy usage, water usage, gender pay, employee turnover, gender diversity, data privacy, and ethics. The metrics are voluntary, however, and do not replace existing ESG disclosure guidelines for GCC stock exchanges.

Dubai as a global capital market hub

Dubai attracting private wealth and professional investors

Dubai has emerged as a favoured destination for global investment companies, hedge funds, and financial institutions due to its ease of doing business and friendly tax policies.

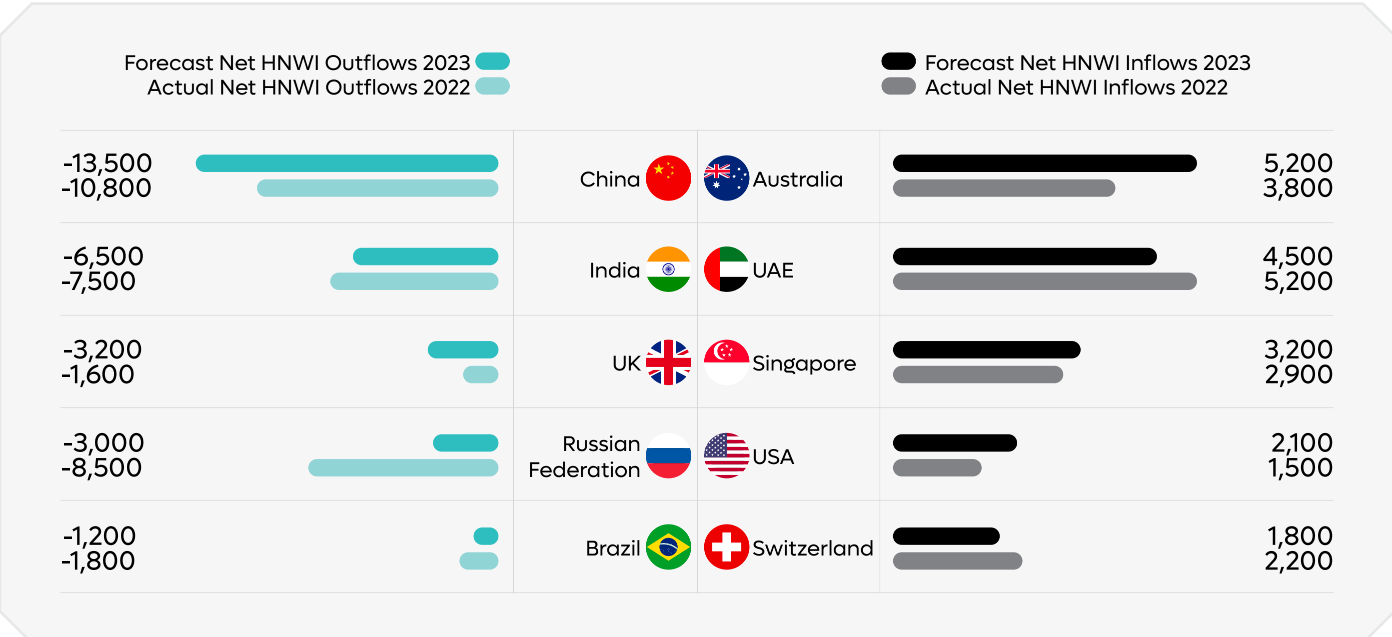
Dubai International Financial Centre (DIFC) grew at a record pace last year. Annual revenue exceeded AED 1.3bn, 23 per cent higher than 2022's record-breaking performance, while active registered companies climbed 26 per cent to 5,523. The Centre also achieved its highest annual registrations with 1,451 new entities, up 34 per cent year-on-year.

Private wealth influx into the UAE

The UAE is becoming an increasingly popular destination for high-net-worth individuals (HNWIs). The country was forecast to have seen a net inflow of 4,500 millionaires[4] in 2023, according to the Henley Private Wealth Dashboard. Most of the incoming wealthy individuals are from the Middle East, Africa and India.

There are now a total of 109,900 resident HNWIs in the UAE, including 298 centi-millionaires and 20 billionaires. Henley had initially estimated the net inflow of millionaires to the UAE at 4,000 in 2022, with around 92,600 resident HNWIs, of whom 251 are centi-millionaires and 14 are billionaires.

Top five countries by net inflows and outflows of HNWIs 2022-2023



UAE private wealth

Key figures 2022-23

HNWIs (USD 1M+)	Centi-millionaires (USD 100M+)	Billionaires (USD 1BN+)
109,900	298	20

Source: Henley Private Wealth Migration Dashboard 2023

4. 'Millionaires' or 'high-net-worth individuals' or 'HNWIs' refer to individuals with investable wealth of USD 1mn or more.

Dubai’s many attractions for HNWIs include its status as a high-income economy and international business hub, with strengths in several key sectors, including oil, real estate, financial services, and tourism. Moreover, the emirate caters to the wealthy through a wide offering of luxury residence options and an array of entertainment attractions.

The recently launched DIFC Family Wealth Centre is slated to play a significant role in Dubai's investment migration, as it aims to provide HNWIs and UHNWIs with comprehensive advice on investment migration options and assistance in navigating the various residence and citizenship-by-investment programmes available.

Family groups are significant players in the UAE's asset management industry, both on the manager and investor side, and are widely expected to be highly active investors over the coming year.

Asset managers strengthen presence in Dubai, targeting regional wealth

Local banks dominate the mutual funds industry in the UAE, targeting retail investors. The funds invest mainly in equities listed in the UAE and other GCC exchanges, as well as rated debt and other fixed-income products. Other regional and international asset managers that have set up in Dubai tend to target institutional investors and family offices.

Dubai has seen an increase in the number of international asset and wealth managers looking to strengthen their presence in the region by tapping into its growing private wealth and fund inflows from institutional investors across the Middle East, Africa and South Asia (MEASA). Another driver of this expansion is rising demand from clients across MEASA markets for world-class wealth management services and complete financial solutions. As a result, DIFC has become home to more than 350 wealth and asset managers representing an industry size of USD 500bn, reinforcing the Centre’s position as the region’s largest hub for wealth and asset management.

DIFC is also becoming a global centre for alternative investments, with hedge funds from traditional hubs showing a growing interest in expanding into the region, using DIFC as a base. With over 65 already registered or in the pipeline, hedge funds looking to expand their horizons are turning to Dubai as operating environments in more established markets are increasingly challenging. DIFC has successfully attracted many of these hedge funds as it offers a comprehensive range of ecosystem benefits such as operational convenience, supportive regulation, enabling innovation, a vast network of supporting businesses, and lifestyle options that appeal to high-calibre talent.

Dubai's investment banking landscape

Dubai has emerged as a global financial hub, supported by a robust financial sector including more than 22 local and foreign banks. DIFC is home to the largest cluster of banks in the MEASA region, including 17 of the world's top 20 banks and 27 of the world's top 29 global systemically important banks. The Centre's total banking assets were valued at USD 199bn as of the first half of 2023. Banks manage global deals and structure financial transactions in a DIFC market approaching USD 1tn in activity.

Changing landscape over the last decade

GCC capital markets experienced low deal flows for more than a decade following the global financial crisis of 2008. Investment banking activity in the region peaked just prior to this in 2007 when total fees reached USD 5.5bn as several local and regional banks formed investment banking teams to capitalise on a boom in equity markets.

Despite a slight improvement in capital market dealmaking after 2008, overall activity remained muted, leading international investment banks to downsize or relocate their GCC-focused staff to London, Singapore or Hong Kong. This was followed by a downsizing of smaller local investment banks. Larger and better-funded wholesale banks stepped in to fill the space, recruiting teams that would be able to boost their investment banking capabilities amid a broader strategy to branch out into new operations.

In 2019, Saudi Aramco's USD 25.6bn IPO marked the beginning of a new era in the region's equity markets, with a raft of privatisations driving new deal activity. With GCC IPO activity booming while more established markets slumped, several international banks have expanded into the market and are building up their investment banking offerings and Dubai-based teams.

Dubai-based banks top regional ECM league tables

Dubai-based banks have been playing an active role in MENA capital markets both in terms of advisory and deal arranging. They have led several landmark transactions regarding value and deal volume across debt and equity capital markets and loan syndications.

The following investment banking league tables for the MENA region show a number of Dubai-based investment banks placing in the top 10 positions during the first nine months of 2023 in terms of investment banking fees and market share of equity deals.

MENA investment banking league tables 2023

MENA INVESTMENT BANKING FEES				
Bank	**Rank 2023**	**Rank 2022**	**Wallet share**	**Fees USD mn**
First Abu Dhabi Bank	1	5	7.4%	89.4
JP Morgan	2	3	7.2%	86.2
HSBC Holdings	3	2	6.3%	75.7
Standard Chartered	4	6	5.9%	70.5
Citi	5	1	4.9%	59.4
Abu Dhabi Commercial Bank	6	9	3.8%	45.6
Saudi National Bank	7	8	3.1%	37.4
BofA Securities	8	7	2.9%	34.7
Emirates NBD	9	12	2.8%	33.5
Goldan Sachs	10	4	2.6%	31.7
Industry total			**100%**	**1,200.3**

MENA EQUITY & EQUITY-RELATED DEALS					
Bank	**Rank 2023**	**Rank 2022**	**Market share**	**Proceeds USD mn**	**No. of issues**
First Abu Dhabi Bank	1	7	19.6 %	2,604.6	7
HSBC Holdings	2	1	10.4%	1,381.2	6
EFG Hermes	3	3	8.7%	1,155.9	8
Saudi National Bank	4	2	5.1%	670.4	4
Dubai Islamic Bank	5	13	3.7%	496.1	1
Banque Saudi Fransi	6	11	3.5%	465.5	5
Abu Dhabi Commercial Bank	7	0	3.4%	456.6	3
Al Rajhi Capital	8	10	3.3%	442.2	3
JP Morgan	9	0	3.1%	415.2	4
Arqaam Capital	10*	16*	2.9%	386.5	2
Industry total			**100%**	**13,286.6**	**62**

Source: LSEG Deals Intelligence

Some of these banks' long-established presence in the region, combined with their demonstrable expertise and capabilities as regional and global coordinators for large-scale transactions, has seen them become leading choices for UAE and MENA IPOs in the past two years.

Book / Co-managers of the largest 20 MENA IPO deals 2019 - 2023

Issue Date	Issuer	Country	Proceeds (USD mn)	Exchange	Book Or Co-Managers
2019	Saudi Arabian Oil Co (Aramco)	Saudi Arabia	29 442	Tadawul	Citigroup Global Markets Ltd|Credit Suisse Securities (Europe) Ltd|Goldman Sachs International|HSBC Saudi Arabia Ltd|JP Morgan Securities Plc|Merrill Lynch Kingdom Of Saudi Arabia|Morgan Stanley & Co. International plc|NCB Capital Co|Samba Capital & Investment Management Co|Al Rajhi Capital|Banco Santander SA|BNP Paribas SA|BOCI Asia Ltd|Credit Agricole Corporate & Investment Bank|Deutsche Bank AG (London)|EFG Hermes KSA|First Abu Dhabi Bank PJSC|GIB Capital|Mizuho International PLC|RBC Europe Ltd|Riyad Capital|Saudi Fransi Capital|SMBC Nikko Capital Markets Ltd|Societe Generale SA|UBS AG London
2022	Dubai Electricity & Water Authority (DEWA)	UAE	6 077	DFM	First Abu Dhabi Bank PJSC|Credit Suisse International|Goldman Sachs International|Citigroup Global Markets Inc|HSBC Bank Middle East Ltd|EFG-Hermes UAE Ltd | Emirates NBD Capital Ltd
2023	ADNOC Gas PLC	UAE	2 476	ADX	First Abu Dhabi Bank PJSC|HSBC Bank Middle East Ltd|EFG-Hermes UAE Ltd|Abu Dhabi Commercial Bank PJSC|Arqaam Capital Ltd|BNP Paribas SA|Deutsche Bank AG (London)|International Securities LLC
2022	Nahdi Medical Co	Saudi Arabia	1 362	Tadawul	HSBC Saudi Arabia Ltd|SNB Capital Co
2023	Ades Holding Co	Saudi Arabia	1 219	Tadawul	EFG Hermes KSA|Goldman Sachs Saudi Arabia Co|JP Morgan Saudi Arabia Co|SNB Capital Co|GIB Capital|Al Rajhi Capital|HSBC Saudi Arabia Ltd|Saudi Fransi Capital
2021	ACWA Power International Co	Saudi Arabia	1 212	Tadawul	JP Morgan Saudi Arabia Co|Natixis Saudi Arabia Investment Co|Riyad Capital|EFG Hermes|Emirates NBD PJSC|Citigroup Saudi Arabia|First Abu Dhabi Bank PJSC
2019	Al Manar Financing & Leasing Co	Kuwait	1 021	Boursa Kuwait	Kuwait Financial Centre
2022	Salik Co	UAE	1 017	DFM	Goldman Sachs International|Citigroup Global Markets Ltd|EFG-Hermes UAE Ltd|HSBC Bank Middle East Ltd|Merrill Lynch International Ltd | Emirates NBD Capital PSC
2023	Pure Health Holding	UAE	986	ADX	First Abu Dhabi Bank PJSC|International Securities LLC
2022	Marafiq Power & Water Utility Co for Jubail & Yanbu	Saudi Arabia	895	Tadawul	HSBC Saudi Arabia Ltd|Riyad Capital
2022	Elm Information Security Co	Saudi Arabia	819	Tadawul	Riyad Capital
2023	OQ Gas Networks	Oman	772	MSX	Bank Muscat SAOG|EFG-Hermes UAE Ltd|BofA Securities Inc
2023	ADNOC Logistics & Services PLC	UAE	770	ADX	Citigroup Global Markets Ltd|First Abu Dhabi Bank PJSC|HSBC Bank Middle East Ltd|JP Morgan Securities Plc|Abu Dhabi Commercial Bank PJSC|Arqaam Capital Ltd|Credit Agricole Corporate & Investment Bank|EFG-Hermes UAE Ltd|International Securities LLC|Societe Generale SA|Abu Dhabi Islamic Bank PSJC
2023	SAL Saudi Logistics Services Co	Saudi Arabia	678	Tadawul	HSBC Saudi Arabia Ltd
2022	Al Dawaa Medical Services Co Ltd	Saudi Arabia	496	Tadawul	GIB Capital
2023	Presight AI Holding PLC	UAE	496	ADX	Dubai Islamic Bank PJSC|International Securities LLC
2023	Investcorp Capital Plc	UAE	451	ADX	Emirates NBD Capital PSC|First Abu Dhabi Bank PJSC|HSBC Bank Middle East Ltd|Citigroup Global Markets Inc|Goldman Sachs International
2021	Arabian Contracting Services Co	Saudi Arabia	400	Tadawul	GIB Capital
2019	Baladna Food Industries Co	Qatar	396	QSE	QNB Capital Llc
2022	Retal Urban Development Co	Saudi Arabia	384	Tadawul	SNB Capital Co

Source: LSEG Workspace | Deals Screener

Role of investment banks in the IPO process

Investment banks, which are synonymous with the underwriting function, play a critical role in facilitating IPOs. The success of the issuance process depends mainly on the selection of its underwriters, who are chosen for their reputation, quality of research, and industry expertise.

Selecting an IPO underwriter
The issuing company chooses a reputable investment bank to underwrite on the IPO.

Conducting due diligence
Underwriters and legal counsel investigate the company to evaluate potential risk.

Submitting IPO regulatory filings
The IPO team compiles information required for IPO documentation.

IPO roadshow
The issuing company and underwriters market the shares to institutional investors during the IPO roadshow in order to generate interest and estimate the demand for shares.

Setting the IPO price
After regulatory approval, the IPO team finalises the initial offer price and the amount of shares issued based on investor demand and company financials.

Going public on the stock exchange
On the day of the IPO, the underwriter releases the initial shares to the public market.

Using after-market stabilisation tools
- Following the IPO, underwriters can trade and influence pricing for a specific quiet period.
- Stabilisation strategies include the greenshoe option and lock-up periods.

Beginning transition to market competition
- Once out of the quiet period, the company's stock is entirely subjected to market conditions.
- The underwriter can evaluate the post-IPO valuation and earnings but ultimately transitions to an advisory role.

Source: Pitchbook

DIFC Ecosystem

Access to regional markets

Dubai and DIFC are regarded as a gateway to growth markets in the MEASA region, leveraging the emirate's strategic location to connect banks and other financial institutions from traditional hubs with opportunities in surrounding emerging markets.

DIFC has attracted a new wave of international financial institutions tapping into growth enablers such as DIFC's ecosystem, access to USD 8tn of UAE-based wealth, and unrivalled market access.

Dubai's location also offers operational convenience, with working and trading hours overlapping with both the Asia and US markets. This gives DIFC firms a significant competitive advantage when it comes to serving their clients.

Comprehensive network of partners

As the region's leading global financial centre and the largest ecosystem of financial services-related companies, DIFC remains a driver for IPO activity. The Centre is home to the region's most prominent banking clusters, capital markets, wealth and asset management, and professional services.

DIFC provides a supportive ecosystem of more than 5,500 registered companies, including some of the world's leading commercial and investment banks, asset managers, hedge funds, private equity, venture capital, legal, advisory and consulting firms.

Supporting services for IPOs within DIFC ecosystem

Type of institution	Licensed activity	No. of firms
Deal arrangers / book runners	Arranging deals in investment	439
	Arranging credit and advising on credit	314
Advisory	Advising on financial products	442
Asset managers	Managing assets	161
Exchange	Operating an Exchange	2
Clearing	Operating a clearing house	1
Custody	Arranging custody	194
	Providing custody	34
Professional services	Accounting firm, audit firm or insolvency firm	3
	Law firm, notary, or other independent legal business	4
	Law, notary, or other independent legal business	54
	Providing trust services	11

Source: DFSA

In addition to investment banks and asset managers, the IPO boom in Dubai and the rest of the region will continue to attract other supporting service providers, including capital market advisories and securities custody services.

Local and international listing platforms

Two listing platforms are available to IPO candidates in Dubai: DFM and DIFC-based Nasdaq Dubai.

DFM has been the main venue for IPOs in the emirate, having hosted most local listings since it acquired Nasdaq Dubai in 2009. DFM saw a recovery in IPO activity as the government's privatisation plans began in 2022, with the emirate looking to double the exchange's market capitalisation to USD 820bn. The IPOs will also broaden the range of economic sectors represented on the exchange.

Issuers on DFM can access an investor base of more than 1mn local and international investors.

DFM key figures 2023

Listed Companies	Market Cap for equities	IPOs	Market Cap	Investors	Total Trade Value
66	AED 688bn	AED 1.97 bn	18%	1mn	12%
Listed equities, ETFs and REITs	Market cap of listed equities	Capital raised through 2 IPOs	Increase in market cap	62,676 new investors onboarded	Increase in total trade value

Source: Dubai Financial Market

DFM is consolidated with Nasdaq Dubai, and together, they provide a greater selection of asset classes and easier access to listed securities on both exchanges with a single Investor Number.

Nasdaq Dubai is an international exchange where regional and international issuers can access investment from across the region through primary or dual listings. Its regional coverage includes the UAE, the wider MENA region, Türkiye, and India.

2023 was a record year for Nasdaq Dubai debt listings, during which it welcomed notable sovereign and corporate issuers, including the Republic of Türkiye, the Republic of Philippines and prominent real estate developers like Arada Developments, Sobha Realty and FIVE Holdings. This helped to reinforce Dubai's position as one of the leading listing venues for fixed income instruments with a total value of USD 26.7 billion, including USD 9.5bn of bonds and USD 17.2bn of sukuk during the year. This also coincided with the exchange's drive to attract additional sukuk listings in a push towards expanding its role as a global centre for sukuk issuances, while amplifying its strategic significance to the Islamic finance market.

Booming IPO market funnelling talent into Dubai

The thriving IPO market in the UAE and the broader region is encouraging an increasing number of leading banks to establish or expand their regional investment banking operations in Dubai, where they have chosen DIFC as a base of operations. This has resulted in them relocating investment banking and ECM specialists to Dubai from slowing, developed markets. The expansion has also spurred new hiring activity at investment banks, which now seek to attract top-tier talent to meet the region's new demand for ECM expertise.

Executive insights

John Wilkinson
Head of Emerging Markets Equity Capital Markets and Managing Director at Goldman Sachs

The author of this article is John Wilkinson, Head of Emerging Markets Equity Capital Markets and Managing Director at Goldman Sachs. Goldman Sachs has been a client of Dubai International Financial Centre (DIFC) since 2006. DIFC companies have played pivotal roles in IPO transactions, and we have invited John Wilkinson to share his views on the current market boom.

The Middle East's IPO boom is set to continue as the pipeline of company listings deepens. In the first half of 2023, there were 23 regional initial public offerings, according to EY.

Those numbers are driven by listings coming out of Saudi Arabia and the United Arab Emirates.

In 2021, the government of Dubai announced plans to list 10 state-owned companies in order to boost the size of its financial market and position as the UAE's capital for financial services, targeting a value of AED 3tn (USD 8.17bn). That push continued towards the end of 2023, with the Dubai government announcing it would sell a 25 per cent stake in Dubai Taxi Co. in an IPO that raised around USD 315mn.

To discuss the origins of this IPO push, the impact on Dubai's equity market, and DIFC's role in encouraging future listings, Investment Monitor sat down with John Wilkinson, head of emerging markets equity capital markets and managing director at Goldman Sachs.

The Gulf's IPO boom has made a lot of headlines over the last year or so and looks set to continue. What is driving this?
At the moment, it is clearly a strategic objective of the UAE government to bring assets to market and to help diversify and grow their exchanges. Much of this has come from initial public offerings (IPOs), and these are good companies with predictable, stable cash flows.

Consequently, the government has taken a reasonable approach to pricing and the prioritisation of aftermarket dynamics. For investors, this has created a virtuous circle of participation interest and investor trust. That has fostered further interest, and every deal we see coming to market has brought an expanding universe of investors and a willingness to learn about the companies and the opportunities presented.

Do you expect to see this trend continue? And if so, for how long?
We absolutely expect it to continue. We are probably halfway through the advertised 10 companies Dubai wanted to bring to market so that flow will continue.

But, importantly, this push to list companies was meant to stimulate participation from UAE-based private companies, family-owned businesses, and potentially private equity-owned businesses.

The other segment of the economy that we are starting to see mature is the high-growth technology sector where, Dubai has become a real regional hub for these businesses. That sector may take a little longer to come through, but there is a growing number of companies that are large enough to come to market that will be interesting investment opportunities.

Over the next 12 to 18 months, there will be a broadening of the supply and diversification of the types of businesses that come to market beyond the initial IPO boom that came from the government. That is currently happening in Saudi Arabia, and I believe we'll see that in the UAE as well.

With more IPOs expected in the pipeline, what does that mean for local and regional markets?
The Dubai equity market, historically, was a relatively small collection of companies when compared to other global exchanges. But it is going to meaningfully diversify and grow.

Both diversification and growth are important in terms of giving the market more critical mass, more liquidity, and a bigger representation in the major global indices (such as MSCI Emerging Markets).

The traditional sectors represented in the Dubai market were real estate, banks, and telcos. Now we are seeing opportunities to invest in different themes of the economy. Now they are really working to tell the country's, and Dubai's underlying story and educate the global investor base about what is going on here. We are seeing the impacts of that as well.

You mentioned technology earlier. Are there any other sectors to be looking out for over the next 12 to 24 months?
The government has also been active in trying to stimulate activity from family holding companies and family-owned assets. Many of the highest quality businesses in Dubai have been owned by some of the big families and have been key to the emirate's success over the years. There is a desire for the market to be represented by those companies as well.

We have already talked a lot about the effects this IPO boom is having on the market. Are there any other effects that we should be on the lookout for?
One of the dynamics we have noticed is that this boom has happened at a time of bust everywhere else, so it is exaggerated in terms of relevance to the global market. It has been very prominent, which means two things. First, it commands a disproportionate share of investor attention because it is the only activity of size that is happening. In late 2022 and 2023, the share of Middle Eastern IPO activity was at an all-time high versus volumes across Europe, the Middle East, and Africa (EMEA). It has meant there is more focus on the region, the UAE and the universe of investors who care about investing it its rapidly expanding markets.

Second, on the issuer side, we have seen a growing number of companies asking about the relevance of the Dubai Financial Market as a listing venue for them. These might be companies that are incorporated in other markets, regional businesses, or they may even be global firms, but they are asking the question about listing because the UAE seems to be a good place to do business at the moment.

That of course will not apply to everyone, but there are some unique cases that we have seen that could apply, and Dubai could become a destination for other companies and other markets to come.

How is DIFC helping accelerate this trend?
There are two ways this is happening. First, it is an attractive jurisdiction for incorporation as a free zone within the UAE. It is very business friendly in the way the law functions, and it is similar to many western jurisdictions. There is a degree of familiarity and comfort for companies incorporating in DIFC, and they can use that as a gateway to the DFM.

Secondly, we have seen DIFC really grow as a venue for global investors to come and base themselves. That is true not only of investors who focus on the DFM and the region, but also global firms who are relocating, and investors who run global portfolios and invest in assets around the world. It is just a very good place to do business.

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