DFM GUIDE TO GOING PUBLIC
A step-by-step guide to an IPO and listing on the Dubai Financial Market

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# WELCOME

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**CONTRIBUTORS:**

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Initial Public Offerings (IPOs) play a pivotal role in empowering economic development plans, as they represent an efficient way to raise the necessary funds required to transform companies’ growth strategies into reality, thus enhancing sustainable development efforts. Additionally, listing, and its subsequent requirements of disclosure, transparency, and corporate governance, further enhances companies’ performance and operational effectiveness.

The UAE’s sustained economic growth has had a major impact on the prosperity of businesses across various sectors. The Dubai Financial Market (DFM) continues to build on that reputation to reinforce economic growth by encouraging and facilitating companies to grow and strengthen their positions regionally and internationally. DFM endeavors to further strengthen Dubai’s position as a global financial hub by enhancing its position amongst global financial markets, in line with the vision of His Highness Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai.

Within a few years, DFM has swiftly positioned itself as a leading capital market in the region through its innovative initiatives aimed at developing a fair and transparent world-class regional marketplace,

Going public and listing on DFM offers many benefits, including 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 enhancing operational effectiveness and attracting and retaining exceptional talents, as well as enhancing companies’ presence locally and internationally.

In line with our commitment to encourage IPOs and implement relevant best practices and support family-owned, private and government companies that are potentially looking to go public and list on the market, we are pleased to issue the second edition of the ‘DFM Guide to Going Public’. This Guide is DFM’s most recent contribution aiming to highlight the numerous benefits of going public. It also provides a comprehensive practical guide explaining the stages of this process, and briefs business owners on the relevant regulatory developments and legislative reforms that enhanced the regulatory environment.

This edition of the “DFM Guide to Going Public” provides a comprehensive reference for anyone interested in the IPO sector in the UAE and compliments other DFM guides including the “DFM Guide to Investor Relations”, and the “DFM Guide to IPO Communications”.

As the DFM management, we look forward to meeting you personally as you explore the many benefits of going public and potentially listing on DFM.
WHY GO PUBLIC?

A COMPANY CONSIDERING AN INITIAL PUBLIC OFFERING (IPO) FACES AN EXCITING, YET CHALLENGING, DECISION THAT WILL REPRESENT A SIGNIFICANT KEY MILESTONE IN THE COMPANY’S HISTORY.

Deciding whether to float your company on a stock market is an important decision. Most successful privately owned companies will eventually reach a stage in their development where they consider whether the next natural step is to join a market. Joining a capital market provides the issuing entity with the opportunity to benefit from improved access to capital, increased global profile and access to liquidity. It also incentivizes the company to transform itself into a sustainable business model.

BENEFITS

Going public brings a number of benefits for a company, with the most important as follows:

- **Ongoing access to capital**
  - As a publicly listed company, ongoing access to both equity and debt capital markets is enhanced – the company can access deep and liquid pools of capital for its future funding requirements. It also provides access to a diversified pool of investors, which may not be available to a non-listed company. Follow-on equity offerings can reduce time and expense of future equity capital raises, and the transparency of a company’s financial position as a result of the IPO should improve its access and lower the cost of obtaining debt financing. This enables a company to strengthen its equity base improving leverage ratios.

- **Acquisition currency**
  - A company considering a transformational event such as a major acquisition would be better positioned as a public company. A publicly listed company would typically be valued higher than if it were to stay private, increasing the value of its stock as consideration. Funding a deal using shares is simpler as it significantly reduces its cash needs, and using stock as consideration provides shareholders of the target company with an opportunity to participate in the potential future growth of the combined organization.

- **Monetisation for shareholders**
  - For existing shareholders, an IPO would allow monetisation of their stake, be it a private equity owner, small group of individuals, or an individual/company founders and management. Once public, existing shareholders are able to participate in potential share price appreciation, and have the ability to continue monetising their stake efficiently through follow-on offerings via the public market.

- **Liquid and transparent market for shares**
  - With a wide pool of investors owning a company’s shares, a liquid market unlocks value for the company as a result of an efficient price discovery mechanism. The transparency with which a company can be valued facilitates all capital markets-related transactions that a company may undertake.

- **Corporate identity and enhanced public profile**
  - Being listed on a well-established and internationally recognised stock exchange such as DFM, will enhance the company’s image, visibility and credibility, and on the back of this, its ability to attract new investors, partners and customers. An IPO usually includes a wide media coverage as part of the PR and communications planning, creating brand awareness of the Company’s products and services. Improved profile also enhances relationships with vendors, customers and partners who achieve greater confidence from the diligence that an IPO typically involves. Research coverage from investment banks and financial brokers will add to the company’s status and will increase the company’s visibility in front of investors.

- **Opportunity to transform the business, its strategy and growth plans**
  - The diligence carried out during the IPO process enables a Company to have its business plan evaluated by industry experts, and put in place effective internal processes and controls. Also the Company can select new key management personnel and reform the organizational structure. The overall functioning and efficiency of the business is evaluated vis-à-vis industry norms as well, which helps the company develop a refined growth plan.

- **Retention of personnel and attracting talent**
  - Creation of a liquid market for its securities enables the Company to make Employee Stock Ownership Plans (ESOPs) more attractive and helps a Company retain its key management personnel, and therefore the ability to issue equity-based compensation, would help towards attracting top talent who would benefit alongside the financial success of the company.

- **Succession planning**
  - An IPO of a business allows the transfer of ownership from one party to another. For example, company founders are provided with the option to gradually relinquish control of a business to professional management personnel, a board of directors, and ultimately the company’s shareholders.
KEY CONSIDERATIONS

There are several key decisions that are required to be made when considering an IPO:

1. OFFER STRUCTURE
   a. Primary vs Secondary: Raising new equity for the Issuer vs monetizing value for the shareholders (via sell-off or a combination).
   b. Offer Size: The right size will ensure successful subscriptions, and ensure a healthy aftermarket.
   c. Geographical scope: Choice of geographies to market the IPO will be driven by Offering size, profile of the Issuer and expected demand. Reg-S/144A offerings will have an impact on the IPO process, time, cost and investor base.
   d. Pricing: Fixed price vs Book-building. Choice of approach to pricing the Offering will have an impact on the IPO process and timing.
   e. Capital structure: Any required capitalisation of the company, level of debt to be refinanced and any required pre-IPO dividend payouts.

2. MARKETING AND COMMUNICATIONS STRATEGY
   a. This is driven by the overall Offer Structure and specifically the geographical scope of the offer.
   b. Several rounds of investor meetings to gauge appetite once the company is prepared.
   c. Appoint a bank syndicate suitable for your overall offer structure, size and geographical scope. Multiple banks could be involved depends on the IPO size.
   d. Early engagement to tailor and de-risk the Offering.
   e. Appointing a PR/Communications team to manage the IPO communications and continue with post-listing awareness.
   f. Use several subscription channels: DFM and several banks offer several electronic and online subscription channels to increase investor reach.
   g. Work with DFM to educate investors to manage local messaging leading up to the IPO.
   h. Increase public exposure through media, panel discussions, the DFM website, conferences and DFM publications.
   i. Post listing, the Company should have an ongoing Investor Relations team from the outset of the IPO and participate with DFM’s International Investor Roadshows in London and New York as well as periodic regional MENA Conferences with investment banks.

3. TIMING
   a. Timing of the IPO is critical to its success. Issuer and the advisors will monitor the capital markets throughout the process and advise the Issuer accordingly.
   b. Any company considering an IPO should engage with an IPO advisor to assess IPO readiness as early as possible.
   c. Important to discuss with the Securities and Commodities Authority (SCA) and block a subscription period well in advance of the IPO.
   d. IPO process will include several touch points with potential investors such as early look meetings and pilot fishing meetings. These help provide the Issuer with market feedback on appetite and potential concerns ahead of the IPO.

4. LEGAL STRUCUTURE
   a. Legal structure needs to be evaluated well in advance of the IPO, to ensure conversion requirements are fulfilled and to close any issues with the existing legal structure.
   b. Capital structure of the Issuer will have an impact on the offering price per share and needs to be considered carefully.

5. LIAISING WITH REGULATORS
   a. Engage with the respective regulators such as the Securities and Commodities Authority (SCA), the relevant Economic Departments in the UAE and DFM early on and throughout the process to ensure efficient execution of the listing.

6. PRICING
   There are two methods used in pricing an IPO in the United Arab Emirates.
   a. Fixed Price IPO Offerings
      When the issuer agrees a valuation with SCA and publishes its valuation (offer price) in the offer document, the transaction is commonly known as a “Fixed Price IPO”, where investors in the IPO have one price for which to submit bids. The basis of the issue price is disclosed in the offer document where the issuer details the qualitative and quantitative factors justifying the issue price. The subscription then occurs at a pre-determined price that is often at par value but can be higher if justified by the nature of the business being listed.
      Fixed price offerings are typically set at a discount to fair market value as there is no requirement for investors to compete on price to secure allocations of shares.
   b. Book-Built IPO Offerings
      When the price of an issue is finalised on the basis of demand raised from the prospective investors at various price levels, it is called “Book-Built IPO Offering”.
      One of the most important steps before an IPO offering is launched is the analyst presentation, at which the company’s management team, present to the IPO banks’ equity research analysts to enable them to understand the business and value it independently. An overview of the company, its operations, strategy, equity story and financials are typically presented to the research analysts. Analysts might also visit the premises of the company. Following the meeting with management and subsequent analysis, the research analysts will publish their report on the issuer and subsequently visit investors globally to introduce the company, its business and their views on valuation. This process is referred to as investor education following which the research analysts will provide feedback which will guide the issuer in setting a price range for the offering with a lower and upper end price.
      Following investor education and the company and its shareholders having set a price range, the management team (typically includes at least the CEO and CFO) embark on a global roadshow meeting with those investors who have been identified as showing the greatest interest in the offering. Throughout this process the book-runner’s syndicate desks maintain a continuous dialogue with investors via the book-runner’s sales teams responding to questions and providing follow-up discussions with the ultimate aim of converting those investors’ queries into orders for shares in the IPO.
      For the book building process, the book-runner (and other banks if they are involved in the transaction) collects orders during the management roadshows from investors and builds a book of demand for the shares that shows the level of demand at different prices.
      The book building-“order collection process typically lasts for two weeks for qualified institutional investors to participate in. Upon completion, this is used to set the final price for the shares which is then determined for the retail investor participation. The management of the issuer and the book-runner typically work together to also allocate the shares to those investors.
      Deriving the correct issue price is an important balance of supply and demand. It needs to be set to achieve a market clearing price and also ensure a healthy aftermarket performance, with a high quality shareholder base for the company.

7. CORPORATE GOVERNANCE
   a. Assess the governance framework of the Company, in terms of control, decision making, Board of Directors (BoD) composition and committees are in line with the SCA requirements and international best practice.
   b. The BoD’s degree of independence and assessment of committees and their responsibilities will be vital in determining the success of the offering.
   c. Appoint board members, independent directors and executives, suitable for the IPO and establish necessary committees in compliance with regulations and norms.
   d. Identify the right senior management team to drive the IPO and the company post-listing. This decision needs to be taken well in advance of the IPO discussions, so key management will have been with the company for a period of time before the IPO.
   e. Consider an Employee Stock Option Programme (ESOP) for senior management, which is generally viewed positively by institutional investors given that it aligns the goals of senior management with those of shareholders, rewards management for their commitment to the newly independent entity and increases levels of loyalty/retention.
WHY LIST ON DFM?

DUBAI FINANCIAL MARKET (DFM) IS ONE OF THE MOST DYNAMIC CAPITAL MARKETS IN THE MIDDLE EAST. BASED IN THE REGION’S FINANCIAL HUB, DUBAI, WHICH OFFERS A WELL-DIVERSIFIED ECONOMY IN INTERNATIONAL TRADE, BANKING AND FINANCE, TOURISM, INFORMATION TECHNOLOGY AND INFRASTRUCTURE.

Established in 2000 as a government-owned exchange, DFM provides investors and market participants the best in class international platform facilitating the ease of listing of a variety of asset classes. In 2007, the DFM was the first exchange to be publicly listed, as well as first exchange regionally to be operating with sharia principles.

In 2010, the DFM consolidated its operations with Nasdaq Dubai to create a dynamic force in the region’s capital markets. The consolidation provides investors an even greater choice of asset classes and easier access to DFM and Nasdaq Dubai listed securities via a single Investor Number (IN) which allows them to trade seamlessly across the two exchanges. As such, the DFM, the parent exchange, attracts the largest pools of investors across the region, creating a dynamic capital market hub for local, regional and international investors, issuers and partners.

DFM aims to become a unique destination for local and international investment, positioning itself as the market of choice in the MENA region for listings. Over the years, the DFM has built a reputation for leading in its market infrastructure, innovative products and services and excellence in capital markets across the region and shared its expertise with other regional exchanges.

Technologically, the DFM has one of the most advanced trading engines globally. Empowered by the Nasdaq X-Stream, DFM’s trading system is capable to handle multiple asset classes listed including equities, fixed income, and derivatives of multiple currencies. The current system capacity can accommodate up to 200 times our average market activity and volume. The DFM is fully automated and continuously evolving through its dynamic working ethos to meet the evolving needs of its investors and market participants. Placing transparency and efficiency - two of DFM’s values - at the heart of its technological capabilities, the DFM utilizes the SMARTS Market Surveillance system, which is acclaimed as one of the best surveillance systems internationally.

The DFM offers the best in class and one of the region’s largest Clearing, Settlement and Depository (CSD) platforms, empowered through EQUATOR, which centrally manages all DFM and Nasdaq Dubai Listed securities’ transactions.

Located at the renowned Dubai World Trade Centre, the DFM Trading Floor was recently upgraded into a state-of-the-art “Smart Trading Floor” to further enhance the various amenities and technology available, including providing offices of many DFM licensed brokers, AGM event facilities and issuer branding opportunities. Investors can trade in person or via an authorized representative on the DFM Trading Floor or trade online through the licensed brokers. Issuers can also interact with investors and brokers, and communicate their equity stories directly.

Renowned for the exceptional exposure DFM provides listed companies to international and institutional investors and intermediaries, each year DFM organises international investor roadshows - locally, regionally and internationally. These roadshows support the investor relations activities of listed companies offering the opportunity for the senior management of listed companies to share their equity stories and growth strategies with leading asset/fund managers. The DFM roadshows have been running since 2007 and have become a formidable platform in raising the corporate profiles of DFM listed companies amongst global investors.

DFM provides listed companies with various opportunities to increase corporate awareness and visibility among global institutional investors as well as local and regional investors from its investor roadshows, website, SMS communications, social media and Company Focus Weeks. See ‘DFM Issuer Support Program’ section (pages 17-21).

DFM provides a number of value added services for companies listing on the market, including issuing electronic shareholder reports as well as customized reports of sharebooks upon request, dividend distribution services, IPO/Rights Issue services through the DFM eIPO platform, AGM and eVOTING services.

DFM is regulated by the UAE Securities and Commodities Authority (SCA), responsible for the supervision and regulation of the capital market and their participants (investors, brokers and parties with listed securities). SCA benchmarks itself against international practices and has continuous dialogue with the market participants including the exchanges. For more information on SCA, please visit www.sca.ae

DFM upgrades its systems on a regular basis and introduces new information technology systems to ensure its customers are secured and enriched with the latest features and technologies including SMARTS Surveillance System, eServices, CRM, Dividends Distribution Systems, Mobile applications development and converged infrastructure.

KEY BENEFITS

DFM provides the following key benefits for a company looking to list in Dubai:

- **Access to a regional, liquid and transparent securities market**
  - DFM offers listed companies advanced trading technology, and extensive market transparency and liquidity.
  - DFM has also implemented strict measures and systems to monitor and control trading.

- **Effective Listing and Trading Rules**
  - Our rules are carefully developed in order to fairly balance the listed companies interests with those of the investors. Our Disclosures team ensures that listed companies are regularly informed of the latest requirements; and relationships with the companies are maintained professionally through a DFM point of contact and issuer affairs executives.

- **Issuer Support Program**
  - A dedicated and experienced DFM IPO team will guide you through the various stages of the listing process with DFM and the Securities and Commodities Authority (SCA); from the pre-IPO stage with prompt processing of documentation, through to a swift process during the IPO subscription with the DFM eIPO platform, and post-IPO support accessing various DFM products and services.

- **High public exposure through media, panel discussions, the DFM website, roadshows and DFM communications**
  - DFM provides listed companies with various opportunities to increase corporate awareness and visibility among global institutional investors as well as local and regional investors from its investor roadshows, website, SMS communications, social media and Company Focus Weeks. See ‘DFM Issuer Support Program’ section (pages 17-21).
BUILDING YOUR IPO TEAM

HAVING THE RIGHT TEAM IN PLACE FROM THE OUTSET IS CRUCIAL TO THE SUCCESS OF THE IPO.

**INTERNAL IPO TEAM**
- SCA IPO team
- Economic Department
- Regulators

**COMPANY (ISSUER)**
- Issuer
- Management

**ADVISORS**
- Independent IPO advisor
- Lead Managers/Book-runners
- Legal Advisors
- Lead Receiving Bank
- Issuer

**REGULATORS AND ECONOMIC DEPARTMENTS**
- Securities and Commodities Authority (SCA)

**DFM IPO TEAM**
- DFM
- IPO team

Building a quality internal team that will manage the IPO process and update the management team at every crucial stage, is more important than ever at this stage of the company’s growth plans. This would include your financial, legal and communications teams, the appointment of an Investor Relations officer as early as possible in the process, and an internal IPO Leader to liaise and coordinate with external parties.

**INTERNAL IPO TEAM**

**COMPANY (ISSUER)**

**ADVISORS**

**REGULATORS AND ECONOMIC DEPARTMENTS**

**DFM IPO TEAM**

**APPENDIX**

**ADVISORS**
Appointing the right advisory team ahead of the IPO preparation is the first step in achieving a successful IPO. Key advisory members include independent IPO advisors, Lead Managers/Book-Runners, Legal Counsels, Lead Receiving Bank, Accounting and PR/Communications firms. The advisory team will depend on the offering structure and marketing strategy.

**BOOK-RUNNER/LEAD MANAGER**
A Book-runner/Lead Manager is the bridge between a company and its investors. It is important to have an Investment Bank as your Lead Manager/Book-runner appointed at the outset to help you appoint other advisors and co-ordinate the entire process on your behalf. Lead Managers actively influence your offer structure, advisory team, pricing, roadshow plan – geographies to be targeted, which investors to meet at what stage and allocation of shares – it is important to have a right mix of investors to maintain post-listing price and liquidity.

A Book-runner/Lead Manager actively assists the Issuer in:
- Developing the offering structure
- Overall coordination of process and work streams
- Formulating the equity story and marketing plan
- Drafting presentations to investors and research analysts
- Liaising with the regulator and exchange
- Setting up investor meetings
- Investor education and feedback
- Publication of research
- Advising on pricing
- Collecting orders and managing the book
- Underwriting settlement risk on orders
- Allocations, refund and listing

An ideal syndicate of book-runners would have a balance of:
- Understanding of regional and international investor demands
- Understanding of local and international regulations
- Strong relationships with local regulators
- Deep relationships with investors and solid sales force
- Reputable research capabilities

**LEGAL ADVISOR**
The Legal Advisor’s primary concern is to ensure that all legal requirements are satisfied. The Issuer’s Legal Advisor prepares the Company’s Memorandum and Articles of Association, the Directors’ Contracts and the Binding Agreements, and contributes to the drafting of the Prospectus. A legal advisor assists the Company through:
- Advice on structuring
- Liasing with the regulator
- Corporate and regulatory actions
- Due diligence
- Offering Documentation drafting
- Provide legal opinions

**AUDIT FIRM**
This firm prepares the Financial Report giving the assurance that the Company is suitable for flotation. The Report is a detailed financial and business analysis of the Company, covering its capital structure and forecasts. The Reporting Accountant Firm also audits the Company’s asset valuation.

**LEAD RECEIVING AND RECEIVING BANK**
The Receiving Banks receive the subscription funds for the retail offer and make refunds to Subscribers for unallocated shares in case of over-subscription. The Lead Receiving Bank liaises with the exchange and Issuer on the retail offering, advises on the receiving bank syndicate and marketing/PR, collates all orders and submits the share book to the exchange.

**PR/COMMUNICATIONS AGENCY**
It is extremely important to seek the services of a PR/ communications agency to manage the communications relating to the IPO, within the legal boundaries, working closely with the communications teams of the capital market and banks, co-ordinating communications messages and timings.

**INDEPENDENT FINANCIAL ADVISOR**
The financial advisor could be one of the book-runners or a separately appointed financial advisor as he/she can assist with the preparation of the feasibility study and preparation of the required valuation report.

**INDEPENDENT IPO ADVISOR**
An independent IPO advisor is engaged by the company and its shareholders usually prior to book-runners and other advisors are invited to assess the company’s readiness for an IPO, to give preliminary advice on the offer structure and assist, if required, with the IPO readiness exercise and support in managing the overall IPO process (including appointment of appropriate book-runner, legal advisors, financial advisors etc.).

Companies embarking upon an IPO are more often than not taking these important steps for the first time whilst some may have experience of already being listed in another market. Thus seeking independent advice, setting up your stakeholder team and involving them as early as possible in the process, is key to the successful implementation of an IPO.
The key steps for a company considering going public reflect the mandatory requirements from the Department of Economic Development (DED) and Security and Commodities Authority (SCA). From the initial evaluation of the company meeting the eligibility requirements, to appointing an advisory team and submitting all the required documentation to convert into a PJSC, through to registration and actual listing the PJSC shares on the DFM.

The below summarises the key stages of the IPO process which is explained in steps 1-21 on the following pages.

### Key IPO Stages

#### Pre-IPO
- Meet eligibility requirements
- Company Board and Shareholders take the decision to go public
- Obtain DED Initial Approval on the conversion
  - (Steps 1 – 3)
- Appoint key advisory team to prepare:
  - Feasibility Study
  - Asset Evaluation Report
  - Prospectus
  - (Step 4)
- Ensure founders subscription for shares is not less than 30% and not more than 70% of the share capital
  - (Step 5)
- Submission of all required documentation to DED and SCA for establishment of the PJSC
  - (Step 6)
- Revision of application by DED and SCA, and valuation
  - (Step 7)

#### During IPO
- DED issues a decree approving the conversion of the Company to a PJSC
  - (Step 8)
  - Within 5 days of issuance date
- Subscription period
  - (Step 12)
  - Not less than 15 days and not exceeding 30 days
- Two newspaper announcements on the conversion and notification to all the creditors
  - (Step 9)
- Allocation of shares and refunding
  - (Steps 13 – 14)

#### Post-IPO
- Founders hold a Constitutive General Assembly (CGA)
  - (Step 15)
  - Within 15 days of the subscription closing
- SCA issues a decision announcing the incorporation of the PJSC
  - (Step 17)
  - Within 5 days of filing the application

**Notes:**
- The above is for illustration purposes only.
- Allow approximately 3 months of preparation time for the IPO process, which is subject to the company’s submission of the required documentation and the relevant authorities approval.
COMPANIES CONSIDERING TO TAKE THEIR BUSINESS PUBLIC SHOULD CONVERT THEIR BUSINESS FROM A LIMITED LIABILITY COMPANY ("LLC" OR "COMPANY") OR PRIVATE JOINT STOCK COMPANY ("PSC" OR "COMPANY") TO A PUBLIC JOINT STOCK COMPANY ("PJSC").

The following are the key eligibility requirements (these rules apply on the conversion of LLCs and PJsCs):

- An initial Capital of not less than AED 30 million.
- A minimum operating history of not less than 2 financial years.
- A minimum annual operating and distributable profits of not less than 10% of issued capital of the Company for the two financial years prior to the date of approving the conversion application. Profits are to be generated from the core activities of the Company.
- Adherence to any minimum capital requirements to be held by UAE and/or GCC nationals.
- In the case of a primary offering (i.e. through a capital increase), founders shall hold not less than 30% and not more than 70% of the total issued share capital of the Company.
- There is no minimum number of founders.

21 PRACTICAL STEPS TO AN IPO

**PRE-IPO**

Once the Owner or the Board of Managers ("Board") decides to convert the Company into a Public Company, it is recommended that representatives of the Board, along with the legal counsel, hold discussions with the relevant Economic Development to seek in-principal approval for the conversion.

**01**

The Board 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 shareholders meeting should determine whether the IPO will follow a fixed price valuation or a bookbuilding process, as well as the offer structure (i.e. capital increase or sell-down, or a combination of both, and the percentage of each component). Also, the shareholders shall appoint a founders committee.

**02**

A founders’ committee is to be composed of not less than 3 members, who should represent the founders.

**03**

On fulfilling all the requirements listed above, the Company takes the following steps:

1. **Appointing a Lead Manager**
   - The Lead Manager is appointed to do the preparatory work for going public and to appoint the other Advisors required for the IPO.
   - Usually Investment Banks are appointed as Lead Managers. The key responsibilities of the Lead Manager include the following:
     a. Reviewing the Company’s capital needs;
     b. Advising on the offer structure;
     c. Drawing up a detailed timetable and coordinating the activities of the other professional advisors;
     d. Drafting the offering prospectus, in particular the business description and business risk factors;
     e. Drafting presentations to investors and research analysts;
     f. Advising on market conditions and the potential level of demand from the investment community for the Company’s shares;
     g. Advising the Company’s Directors on the primary and secondary market rules;
     h. Developing the overall marketing strategy and promoting the Company to private and institutional investors, high-net-worth individuals and brokers;
     i. Providing the Company with guidance on a wide range of subjects; the method of distribution, size and terms of an issue, as well as its timing and pricing;
     j. Coordinating between the Company, its Advisors, the concerned authorities and the IPO team at DFM.
     k. Working with the Company after flotation to sustain a liquid and well-informed market for its shares, and
    l. Appointing the following advisors,

2. **Reporting Accountant Firm (Auditing Firm)**
   - This firm prepares the financial reporting to provide assurance that the Company is eligible for an IPO. The Report is a detailed financial and business analysis of the Company, covering its financial record, capital structure and forecasts. The Reporting Accountant Firm also audits the Company’s asset valuation report and conducts an interim audit covering the period from the date of the last financial statement up to the listing date.

3. **Coordination with the independent valuer**
   - The Company will have to appoint an independent valuer to prepare a valuation report of the assets which will constitute the founders’ in-kind contribution in the capital of the PJSC.

4. **Coordination with the preparer of the feasibility study**
   - The Company will have to appoint an advisor who will prepare a feasibility study outlining the viability of the project.

5. **The Legal Advisor**
   - The Legal Advisor’s primary concern is:
     a. Ensuring that all legal requirements are satisfied;
     b. Ensuring that all required legal documents are prepared;
     c. Drafting the legal component of the offering prospectus; and
     d. Liaising with SCA; and

6. **The Financial Advisor**
   - Usually the Lead Manager also acts as the Financial Advisor, advising the Company on all financial matters, and contributes to the drafting of the feasibility study. A Company may appoint a separate financial advisor as it deems appropriate.

7. **The Receiving Banks**
   - The Receiving Banks receive the subscription funds and makes refunds to Subscribers for unallocated shares in case of oversubscription.

8. **The Rating Agency**
   - The Rating Agency assists in the IPO pricing.

9. **The 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 many communication tools that can be utilised through the PR/Communications agency as part of their communications planning.

Preparing the Feasibility Study

This is completed via collaboration between the Company and its Advisors. The feasibility study should include, but is not limited to, the following:

- Primary market requirements and conditions;
- The market and relevant circumstances;
- Political and geographical risk factors;
- SWOT analysis;
- Use of IPO proceeds;
- Growth plans;
- An overview of the project;
- Technical feasibility study;
- Social feasibility study;
- Environmental feasibility study; and
- Financial and economical feasibility study.

Preparing the Asset Evaluation Report

A valuation of assets is required to assess the Founders’ contribution in kind, in the PJSC capital.

Preparing the Prospectus

The Prospectus provides a complete overview of the Company, its business, the management, risks, material agreements, and the terms of any fundraising. The objective of the Prospectus is to provide to potential investors all the necessary information to assist investors to take informed investment decisions.

The Prospectus contains the following information:

- A copy of the Memorandum and Articles of Association of the PJSC;
- Confirmation that the Founders have deposited the percentage required to be paid of the value of the shares they subscribed to;
- Clarification of the maximum number of shares that a person can subscribe to;
- The number of shares that are required to be owned, in order to be entitled to nomination for membership on the Board of Directors of the PJSC, if any;
- The subscription date, place and conditions of the IPO, how to subscribe to the IPO, and the mandatory Investor Number (NIN) requirement;
- The percentage of UAE national ownership of shares, and conditions of disposal thereof;
- The number of shares that affect the rights or obligations of the Shareholders;
- Risk factors;
- Legal corporate governance matters required by law; and
- Synopsis of the valuation report.

The founders are jointly responsible for the validity of the information stated in the Prospectus.
Prior to inviting the public to subscribe for the offering, the founders will have to subscribe for shares not less than 30% and not more than 70% of the share capital of the Company at the time of the IPO.

An application is presented to the establishing authority such as the Department of Economic Development (DED), requesting the establishment of a Public Joint Stock Company, along with the following documents:

- Minutes of the special resolution of the shareholders of the Company;
- The amended Memorandum and Articles of Association;
- An undertaking by the Chairman of the Board of Directors, attested by the Auditors, that the nominal value of the shares issued by the Company has been fully paid by the shareholders;
- Audited Financial Statements for the preceding two fiscal years signed by the Chairman of the Board;
- A valuation report of the business of the Company;
- The feasibility study;
- The draft of the Prospectus;
- The trade license of the LLC company;
- All the supporting documents of the shareholders of the LLC;
- A letter signed by all the authorised Directors, confirming that the Prospectus includes all information within their knowledge;
- Acknowledgment from the founders that they have deposited the amount equivalent to the percentage of their share capital (in case of cash contribution) in a bank account.

The same file is also to be submitted to the regulator, the Securities and Commodities Authority (SCA).

The relevant Economic Department reviews the application and the supporting documents. They will then coordinate with SCA to submit an application requesting the declaration of incorporation of the PJSC.

The application form adopted by the SCA (filed in two copies), along with a letter giving the following details:

- Name and type of the PJSC;
- Address of its main office;
- Duration of the PJSC and the commencement date; and
- The amount of Capital and the number, value, type (cash or in-kind) of each share, and the paid-up Capital.

The following documents are submitted along with the application form:

- Original copy of the Memorandum and Articles of Association of the PJSC;
- Copy of the Certificate of Registration in the Commercial Register;
- 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;
- A statement, approved by the Chairman, listing the names of the Shareholders, their nationalities, and the number of shares held by each;
- An acknowledgment, signed by each member of the Board of Directors, confirming that they have not been previously convicted in crimes involving honour or trust bankruptcy;
- An acknowledgment, signed by each concerned member of the Board of Directors, declaring positions held in other Boards of Directors of other joint stock companies operating in the UAE, and the commencement date of each;
- The name and address of the Auditors appointed for the PJSC; and
- The addresses of the offices of the PJSC, in the UAE or outside (if any).

Immediately upon the Registration of the PJSC in the Register of the SCA, the effects of all the actions performed by the Founders, on behalf of the PJSC prior to its registration, are transferred to the PJSC, and all disbursements incurred by the Founders in connection therewith are assumed by the PJSC.

On satisfying all of the above requirements the SCA issues a Completion Certificate to the PJSC.

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.

Once SCA and the relevant Economic Department finish and approve the feasibility study and approve the valuation report, SCA and the Economic Department will meet and issue a decree approving the conversion of the Company to a PJSC (“Joint Decision”). The Joint Decision will need to be published in two newspapers, one of them to be in Arabic, within 5 days from the date of its issuance.

A notice to all the creditors of the Company will have to be published with the Joint Decision, giving the creditors 30 days to raise any objection they may have to the conversion of the Company to a PJSC.

SCA will approve the final draft of the prospectus and printing of the same shall start.

The Company will publish a public announcement (“Public Announcement”) in a form approved by SCA indicating the date on which the subscription period will start. The Public Announcement must be published at least five days prior to opening of the subscription period.

The Offering Period is not less than ten (10) working days and does not exceed thirty (30) days, with one extension period of not more than 10 days; the trend in the market is to leave the subscription period open for 10 to 15 days.

The subscription period opens for 10 to 15 days.

Allocation of shares amongst the successful subscribers and transferred / deposited the corresponding amounts with the Receiving Banks.

All subscribers are notified of the offer shares allocated to them; and any additional amount not allocated is refunded via the DFM eIPO platform.

The meeting is presided over by the person elected by the CGA and the DED may send one or more representatives to attend the meeting of the General Assembly as Observers without the right to vote, and their presence shall be recorded in the minutes of the CGA.

The CGA specifically considers the following matters:

a. The report of the founders on the formalities of the incorporation of the PJSC and the expenses incurred in relation thereto;

b. The election of the members of the first Board of Directors and the appointment of the Auditors;

c. The declaration of the completion of the incorporation of the PJSC.

Within ten (10) days of the meeting of the CGA, the Founders submit to the SCA an application requesting the declaration of incorporation of the PJSC. The following documents are submitted with the application:

- A declaration that the capital has been fully subscribed to, the value of shares paid up by the subscribers, and a list of the Subscribers’ names and the number of shares subscribed to by each of them;

- The minutes of the meeting of the CGA;

- Articles of Association as approved by the CGA; and

- The documents evidencing the validity of the incorporation procedures.

The Chairman of SCA issues a decision announcing the incorporation of the PJSC within five (5) days from the date of filing the Application.

The relevant Economic Department will register the PJSC and issue its trade license.

The same file is also to be submitted to the regulator, the Securities and Commodities Authority (SCA).

The relevant Economic Department reviews the application and the supporting documents. They will then coordinate with SCA to submit an application requesting the declaration of incorporation of the PJSC.

The application form adopted by the SCA (filed in two copies), along with a letter giving the following details:

- Name and type of the PJSC;
- Address of its main office;
- Duration of the PJSC and the commencement date; and
- The amount of Capital and the number, value, type (cash or in-kind) of each share, and the paid-up Capital.

The following documents are submitted along with the application form:

- Original copy of the Memorandum and Articles of Association of the PJSC;
- Copy of the Certificate of Registration in the Commercial Register;
- 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;
- A statement, approved by the Chairman, listing the names of the Shareholders, their nationalities, and the number of shares held by each;
- An acknowledgment, signed by each member of the Board of Directors, confirming that they have not been previously convicted in crimes involving honour or trust bankruptcy;
- An acknowledgment, signed by each concerned member of the Board of Directors, declaring positions held in other Boards of Directors of other joint stock companies operating in the UAE, and the commencement date of each;

The meeting is presided over by the person elected by the CGA from amongst the founders. SCA and the DED may send one or more representatives to attend the meeting of the General Assembly as Observers without the right to vote, and their presence shall be recorded in the minutes of the CGA.

The CGA specifically considers the following matters:

a. The report of the founders on the formalities of the incorporation of the PJSC and the expenses incurred in relation thereto;

b. The election of the members of the first Board of Directors and the appointment of the Auditors; and

c. The declaration of the completion of the incorporation of the PJSC.

Within ten (10) days of the meeting of the CGA, the Founders submit to the SCA an application requesting the declaration of incorporation of the PJSC. The following documents are submitted with the application:

- A declaration that the capital has been fully subscribed to, the value of shares paid up by the subscribers, and a list of the Subscribers’ names and the number of shares subscribed to by each of them;

- The minutes of the meeting of the CGA;

- Articles of Association as approved by the CGA; and

- The documents evidencing the validity of the incorporation procedures.

The Chairman of SCA issues a decision announcing the incorporation of the PJSC within five (5) days from the date of filing the Application.

The relevant Economic Department will register the PJSC and issue its trade license.
DFM ISSUER SUPPORT PROGRAM

DUBAI FINANCIAL MARKET (DFM) HAS AN EXPERIENCED DEDICATED IPO TEAM INCLUDING LISTING AND DISCLOSURE TEAM, CLEARING, SETTLEMENT AND DEPOSITORY TEAM, CORPORATE SOLUTIONS AND IPO SUBSCRIPTION TEAM, AND IPO AND ISSUER COMMUNICATIONS TEAM. THE TEAM DEVELOP A DEDICATED PROGRAM OF SUPPORT FOR THE COMPANY’S IPO FROM THE PRE-LISTING STAGE, DURING THE IPO, POST- IPO AND ONWARDS AS A LISTED COMPANY ON THE DFM. THE SUPPORT PROVIDED BY THE DFM HAS BEEN RECOGNIZED AS THE BEST IN THE REGION IN TERMS OF THE VALUE-ADDED SERVICES OFFERED AND PROFESSIONAL CARE TAKEN TO ENSURE THE LISTING MEETS THE COMPANY’S OBJECTIVES.

PRE-IPO SUPPORT

DFM IPO FORUMS

DEDICATED DFM IPO TEAM

DFM organizes regular educational IPO workshops and forums to share understanding of the IPO process and how to list on the DFM. The high-level DFM IPO Forums demonstrate our commitment to enrich dialogue amongst various stakeholders on opportunities, challenges and best practices in this sector. The forum provides an effective platform to discuss recent market developments, update companies on the latest regulations and hear from IPO advisors as well as senior officials of companies that have successfully implemented IPOs and listed on DFM.

DURING THE IPO SUPPORT

DFM eIPO PLATFORM

DEDICATED CALL CENTRE

IPO COMMUNICATIONS SUPPORT

The DFM IPO team are available to have a meeting with the company and its corporate advisors/appointed banks at any convenient time. The meeting will involve the DFM senior management IPO team who will provide the relevant information on the listing, IPO subscription and IPO communications, working closely with all advisors and stakeholders involved throughout the whole IPO process.

At the pre-IPO stage for example, the DFM provides support on the completion and processing of the necessary documentation required by SCA and guides the company on the information requirements, making the process of application much quicker and easier for the company. The dedicated Listing and Disclosure team are experts in the regulatory requirements and provide support on the listing form application through to actually successfully listing the company on the market.

POST-IPO SUPPORT

DISCLOSURE AND REPORTING SERVICES

CORPORATE ACTIONS SERVICES

DFM EDUCATION PROGRAMMES

DFM COMMUNICATION TOOLS

Moreover, once the company has made the decision to go public, building brand awareness and a good public profile in the run up to the IPO can support confidence and trust in the brand with key stakeholders and target audiences. Usually about three months before the IPO communications should begin to adapt and increase disseminating generic brand awareness messages through their internal communications/investor relations teams and/or public relations firm. (See DFM Communications Tools on page 21 and DFM’s full guide on IPO Communications at www.dfm.ae).

The DFM also offers an Investor Number (NIN) validation platform which enables the processing and verification of NIN information during the IPO for global book-runners and coordinators through the DFM Corporate Solutions team. This is line with the NIN being a mandatory requirement for any IPO subscriptions in the UAE.

The DFM eIPO platform supports the investor throughout the entire IPO subscription process, offering a seamless experience for the investor and issuer.

DEDICATED CALL CENTRE

A first-of-its-kind dedicated investor call centre service in the GCC, supporting investor inquiries such as IPOs, trading, stock portfolio, dividends and corporate actions. The award-winning DFM Call Centre also provides training to the company’s call centres or third party call centres appointed to handle enquiries during the company’s IPO.

Software

The DFM eIPO Platform provides instant listing and trading:

a. Issuer requirements can be customized through the eIPO platform according to the offering structure and branches.

b. Lead managers and Receiving Banks have full integration in real-time with DFM CSD to retrieve subscriber details.

c. All UAE banks active in IPOs/RIs are connected and have access to the DFM eIPO platform.

d. International and regional banks are also provided with a direct link with the receiving banks for subscriptions and pay the due amounts through ATMs, Smart Apps, online banking services and the DFM iVESTOR Card.

e. The DFM eIPO platform facilitates short-time scales for allocation and listings.

f. Allows investors to subscribe through the DFM website with the iVESTOR Card, ATMs, Smart Apps, Online banking, and traditional channels such as bank branches.

g. Enables receiving banks to fast track reconciliation, shares allocation and refund processes.

During the IPO, the DFM communications team supports the company’s communications/investor relations/PR teams in the implementation of their IPO integrated communications plan which was developed at the pre-IPO stage. This includes and is not limited to:

• Company IPO Frequently Asked Questions (FAQs) development support

• Cross-linking company and DFM website pages on IPO information

• Company specific banner online service linking company website and information to the DFM website

• Press release coordination

• Social media communications

• SMS campaigns support for targeted investor communications

• Company Focus Weeks - a dedicated week of customized activities at DFM

• Broker engagement, meetings and workshops support

• Company event support at the DFM “Smart Trading Floor”

View all DFM communications tools and support available in the DFM Guide to IPO Communications.

Once the IPO subscription process is completed, the allocation and refunds processed, and all regulatory requirements are met, the company is then officially listed on the DFM on a specified date. The DFM hosts a bell-ringing listing ceremony with senior officials of the company and distributes an official press release of the listing ceremony. Additionally the company has opportunities of live TV coverage and TV interviews on the listing day at the DFM Smart Trading Floor.
Most importantly once the company has gone public, it must focus on regular market updates and follow the rules of maintaining regular communications with investors, analysts, and the financial media through a well-established Investor Relations unit. A dedicated company Investor Relations Officer (Arabic and English speaking) should be appointed by the time of the listing and an Investor Relations programme of activities planned to continue communicating the company’s equity and growth strategy of the company. (More information is available in the Investor Relations section page 27, DFM Guide to Investor Relations and the DFM Guide to IPO Communications – post-IPO section.)

Connectivity to DFM disclosure systems, market data and shareholder information is critical from the outset of the company’s listing on the market to support their investor relations activities and programme. There are number of DFM tools, products, services and training programmes outlined below available for the listed company. The list is not exhaustive as DFM is continuously developing innovative products and services to meet the evolving needs of its market participants.

## DISCLOSURE AND REPORTING SERVICES

a. **EFSAH**

The DFM online disclosure system ‘EFSAH’ (which means ‘Disclosure’ in Arabic) reflects DFM’s commitment to achieving the highest level of disclosure and transparency as one of the main pillars of any financial market to protect investors interests, provide a safe environment for investments, and disseminate information swiftly and efficiently.

The automated, straight-through online disclosure system, enables listed companies (issuers) to submit disclosures to the DFM instantly, securely and without any third party involvement via a web interface. This requires the issuer to disclose to the market details of any price sensitive or material information and supporting documentation relating to their business including Board of Directors Meetings (BODs), Annual General Meetings (AGMs), press releases and financial reports. Upon approval by DFM, the disclosure is instantly disseminated through the DFM website, RSS feeds and social media channels. The company recipients are also added to the Market Announcement Distribution List to receive disclosures.

The DFM Listing and Disclosure team will ensure the company is connected in advance and ready to use the EFSAH disclosure system, and will conduct an EFSAH training workshop for the dedicated company users.

b. **XBRL**

DFM provides the international financial reporting standard for listed companies through the Extensible Business Reporting Language – XBRL which is the electronic communication of business and financial data, and is revolutionizing business reporting around the world.

XBRL provides companies a mechanism for releasing all types of information, including financial statements and corporate disclosures, which saves time and efforts, and further increases accuracy and authenticity of data for all concerned parties, including issuers, investors and financial analysts who use XBRL globally to quickly and accurately analyze data for high quality and accurate in-depth analysis of listed securities.

Once the company is listed, XBRL training is provided by DFM to dedicated company users.

c. **Market Data Feed**

Once listed, a direct market feed of real-time data and the ticker can be set up to the listed company investor relations webpages and company mobile applications.

d. **Sharebook Intelligence Reports**

All DFM listed companies have the opportunity to request for a sharebook pertaining to the details of their investors. Listed companies request this service for various reasons including for upcoming AGM meetings and dividend distributions. The sharebook is considered confidential as it includes personal information therefore, in order to process this request DFM Clearing, Settlement and Depository (CSD) would require an official request from the authorized signatory mentioning the trading and settlement dates. Periodic full Sharebook Reports, Electronic Sharebook Connection, online eReports, Customized Reports are all available upon request via DFM eServices.

e. **ESAR**

Once listed, understanding investor activity of your stocks, monitoring and reporting on the data is an important part of the investor relations activities. The DFM Electronic Shareholder Analysis Reporting (ESAR) web-based interactive tool enables listed companies to measure, manage and analyze corporate performance in terms of investor behavior and share price index to maximize its effectiveness and optimize the returns. Supporting the company’s investor relations activities, the user can extract analytical charts and data for management or Board reports.

f. **Customized Reports**

DFM offers various reports to the companies such as pledge reports, movement reports or any customized report as per the issuers request.

## CORPORATE ACTIONS SERVICES

DFM has a central Clearing, Settlement and Depository (CSD) division and Registry, and currently provides a Single sharebook service for all listed companies. The CSD division is set up to handle a seamless corporate actions service concerning the distribution of dividends, bonus shares and splitting of shares, investor and custodian services. Once the listed company takes the decision to distribute benefits to its shareholders in the Annual General Meeting, and communicates the decision to the market, the CSD division will carry out the corporate action on behalf of the company.

a. **Dividend Distribution**

Payment of dividends or distributions without the appropriate skills and resources can be a time-consuming process for listed companies. DFM provides swift and secure payment of dividends to company shareholders through the DFM iVESTOR Card or Bank Transfer. Each year the DFM Registry Services calculate, distribute and reconcile dividend payment for clients and provide dividend distribution and payment reports upon completion. Successful delivery is ensured through our robust registry management system, payment processes and experienced staff that reduce costs and maintain accuracy for our clients.

Shareholders benefit through faster payment and increased security, and save on costs through using our combined Registrar and Financial services. DFM supports two dividend distribution modes of payment as follows:

1. **iVESTOR**

   The DFM iVESTOR card is a first-of-its-kind dividend payment card which enables investors to receive their dividends instantly through their electronic card, withdraw cash from anywhere in the world and make retail and online purchases. Additionally, the investor can view all their iVESTOR transactions and dividend payments anytime online via DFM eServices, the DFM Smart Services mobile application or contact the dedicated call agents 24/7 for iVESTOR cardholders.

2. **Bank Account Transfer**

   Direct transfer of dividends to the shareholder’s bank account globally. Cancellation/replacement of cheques service is provided as and when required.

A premium service is also available for companies if they require the DFM to manage their top shareholders and high-net worth (HNW) investors separately with priority. The DFM has active resources in place to encourage shareholders to mandate their payments directly to their iVESTOR cards or bank accounts for swift dividend payment.

b. **AGM Management**

One of the most important corporate actions for an organization is its Annual General Meeting (AGM), and Constitutional General Assembly (CGA). The AGM provides shareholders and the public an overview of the organization’s current direction, financial health and confirms its purpose, whereas the CGA is held only once at the beginning of the company’s establishment. The DFM Corporate Solutions team provide general assembly meeting management services which includes, Invitations, Registration, eVOTING System, event management, and Resolutions drafting.

c. **SMS & Email Services**

In order to support market and listed communications with shareholders registered at DFM, the DFM provides an SMS and emails distribution service which can be utilized for a number of corporate actions and communication needs, including but not limited to:

1. Communicating the General Assembly’s date and time
2. Notifying shareholders of dividend distribution amount
3. Communicating the IPO/Rights Issue dates
4. Distribution of investor’s statement of accounts upon request

d. **Issuer eServices**

Listed companies can easily submit requests directly to DFM online and track the progress of their requests 24/7. Online requests include access to daily and customized reports of the company share information, access to financial statements with DFM and more.
In addition to the DFM IPO Forums and workshops supporting companies before listing, the DFM provides a number of educational programmes and initiatives to support the development of international best practices in investor relations and corporate governance as part of its ongoing commitment and support once listed on the DFM.

a. Investor Relations (IR) Excellence Programme
   As part of DFM’s efforts to drive excellence in Investor Relations practices amongst listed companies, the DFM has developed an IR Excellence Programme which includes IR Workshops, a series of Investor Relations best practices guides, and offers support on developing company IR websites and IR mobile applications. The DFM’s IR Graduate Programme (Certified UAE Investor Relations Officers) was established to develop UAE national Investor Relations Officers to support listed companies seeking IR professionals. The DFM also actively connects listed companies to global and regional investment bank’s Corporate Access Teams, Sell-side Analysts and Advisors.

b. Corporate Governance Programme
   The DFM holds regular Corporate Governance Workshops and Board training sessions in association with the Hawkamah Institute for Corporate Governance and supports “Women on Boards” with the Dubai Women Establishment through a series of initiatives to provide listed companies with a database of UAE women of Board level calibre amongst others.

Along with the official disclosure channels, SMS and email communications, the listed company has a number of communication tools available to continue to enhance their corporate profile as well as the profile of the senior management amongst brokers and investors.

The company can develop long-term communication strategies to increase and maintain a high level of profile amongst DFM investors through ongoing web-marketing on DFM’s website to increase visibility and drive traffic to their investor relations webpages or company information.

Furthermore, the DFM Company Focus Weeks have been created to provide companies a dedicated week of activities at the DFM to share their equity stories, business model, new strategy or sector highlights amongst brokers and investors.

The DFM also provides event/exhibition areas within its premises for companies to host events and distribute information on the DFM Smart Trading Floor.

The section on DFM Communication tools within the IPO Communications chapter explains the tools and communication channels available in more detail.
OWNERSHIP & CONTROL

FAMILY BUSINESS GOVERNANCE

At some point during the life of a business in particular a family business, what is in the best interest of the owners may not be what is in the best interest of the business. However, it is important to make sure that the interests of both maintain their strength, without compromising the other. This is when formal governance becomes extremely important.

Good governance is the support system for the family business. Without governance – practices that are carefully conceived and planned – your business may topple due to poor practices, family misunderstandings and feuding.

Family businesses that do not practice good governance have the potential to spend time engaging in conflict and resolving conflict, and rectifying differing values or objectives. When these organizations then focus on governance, precious time is freed up to focus on the things that really matter to the business-servicing stakeholders, maximizing profit, developing strategy, and creating jobs and opportunities.

In family businesses, there are two very important, yet very separate domains: the family, and the business.

OWNERSHIP AND CONTROL

Governance practices will vary and change as a business grows. Most family businesses start out very modestly with just a couple of family members and eventually their children and cousins. In the early stages, governance is often accomplished informally amongst family gatherings and settings. Early advisory groups may consist of other family members, such as a parent, trusted friends, or business mentors and colleagues.

As the company grows and evolves, smart business owners may add those with specialized experience or knowledge to their list of advisors. At some point during an organization’s growth, a family business should leave less formal governance practices behind in order to develop an independent Board of Directors.

Why can’t the owners do this? When there are many different owners from many different family branches, as there are bound to be as the business survives from generation to generation, the needs of these owners, on a personal level, may vary significantly. For example, the needs of a family owner who is not at all involved in the business, but who has a significant stake in it, may vary widely from the needs of an owner who serves a leadership role at the organization.

An Independent Board allows ownership to become separate from, but still work in tandem with, control. This ensures that the best decisions are made for the company first, not solely for certain individuals behind it.

This does not mean the introduction of an Advisory Board is from, but still work in tandem with, control. This ensures that the best decisions are made for the company first, not solely for certain individuals behind it.

ROLE OF THE BOARD

Evaluating the business
• Approving the long-term strategy
• Evaluating leadership, and initiating changes if needed
• Assessing the progress and success of the business strategy
• Approving and assessing employment policy
• Approving accounting policies and overseeing financial reporting
• Ensuring ethical practices and legal compliance

ROLE OF THE FAMILY

• Determine long-term goals for both the business and the family
• Develop business strategy and set strategic direction
• Establish ownership policies
• Establish employment policies
• Elected and overseeing the Board of Directors or Advisory Board

OWNERSHIP POLICIES

In addition to setting guidelines and standards for the board, the family is also responsible for developing ownership policies. Without these policies conflict is possible, especially as these organizations grow beyond the second generation.

These policies should cover, in writing:
• Terms of ownership succession
• Terms of leadership succession
• Rules regarding how owners can liquidate their shares through buy-back provisions
• How pre-nuptial agreements, divorce, and retirement should be handled
• Estate planning needs and asset protection
• Guardianships and conservatorships
• Gifting, foundations, and charitable trusts

RECTIFYING BUSINESS NEEDS VERSUS OWNER NEEDS

It is not uncommon that at a time when a family business needs capital to keep growing, owners need income or some liquidity for their estate. If you have a multi-family or multi-generational business where there are lots of owners, some of whom are active, some of who are not, this task becomes even more important. Active and passive owners will have different philosophies when it comes to capitalization, control, and ownership. Active owners, for example, are often willing to experience personal sacrifice for the long-term health of the company. Hence, it is extremely important to have strong policies in place that spell out the goals of the business first, then tell family members what they can reasonably expect from the business given those goals.
WHEN THERE IS CONFLICT OF INTEREST?
What happens when the capital needs of the business and the liquidity needs of shareholders remain in conflict? There are two potential ways to solve this dilemma:

1. Sell the business.
2. Go public.

In some situations, where conflicting interests simply cannot be resolved, one or the other of these options may be the best option. In either situation the business is being sold.

WHY TRANSFER OF OWNERSHIP IS CHALLENGING?
When it comes to ownership structure, there is no “right” way to do it. The ownership of the family business may become increasingly complex as the business is transferred from generation to generation, and it is important for owners to keep an open mind and realize that the ownership structure that worked for the previous generation simply may not work for the next. Hence for this reason selling the business in part or full or going public may be a viable solution for the entire family, owners and stakeholders.

FAMILY GOVERNANCE FRAMEWORK
A good family governance framework helps to tackle the many concerns and questions raised during the life-span of the business, including:

- Who owns the organization?
- Who controls the organization?
- What are the rights of the owner?
- How are important decisions made?
- Who is accountable for decisions made at the organization?
- Who reviews important decisions made at the organization?
- Who are the stakeholders in the organization?
- What is the relationship of the stakeholders in the organization?
- What are the rights of shareholders?
- How are corporate officers and board members chosen?
- What are the roles and responsibilities of officers and board members?
- How does the organization ensure that business practices are ethical and honest?
- How will we ensure we adhere to applicable legal and regulatory compliance?
- How are personal funds differentiated from business funds?

The importance of corporate governance for any business, its benefits, and what the Corporate Governance framework consists of is covered in more detail in the next chapter, ‘Corporate Governance’. 
THE FOLLOWING SECTIONS OF THE GUIDE PROVIDE INFORMATION AND GUIDANCE ON THREE KEY FUNCTIONS A COMPANY SHOULD CONSIDER WHEN GOING PUBLIC: (A) GOOD CORPORATE GOVERNANCE PRACTICES, (B) AN INVESTOR RELATIONS FUNCTION SET UP AND RUNNING, AND (C) INTEGRATED IPO COMMUNICATIONS PLANNING FOR THE PRE, DURING AND POST STAGES OF THE IPO, AND BEYOND AS A LISTED COMPANY.

CORPORATE GOVERNANCE

Corporate governance is the system by which companies are directed and controlled. It is the way in which the affairs of corporations are handled by their Corporate Boards and officers. Although Shareholders were the original focus of Corporate Governance, current thinking recognizes a corporation’s obligations to society generally in the form of Stakeholders. Corporate Governance is therefore concerned with issues such as:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with laws and regulations
- Safeguarding of assets

In May 2007, the Securities and Commodities Authority (SCA) issued its Chairperson’s Decision No. “(R/32) of 2007 on Corporate Governance Code” for joint stock companies and institutional discipline criteria. The decision defines Corporate Governance as, “A set of regulations, criteria and procedures that ensure institutional discipline in managing companies in accordance with international criteria and practices by determining the responsibilities and obligations of the directors and executive management of a company, taking into consideration the protection of Shareholders’ rights and other stakeholders’ interests.”

The SCA issued an agenda to be followed by the companies to implement the Corporate Governance rules in full by April 2010. The agenda states that Corporate Governance policies and controls (codes & guidelines) intend to emphasize transparency, fairness and management accountability. It provides all Stakeholders with protection against the management’s undue use of the power granted to them. Consequently, the Corporate Governance system is expected to enhance the economic efficiency, increase investment, promote capital inflow, and generate more job opportunities within the economy.

Corporate Governance guidelines highlight the importance of the organization’s compliance with laws and regulations, the revision of key financial performance indicators and the existence of a mechanism that ensures management accountability in front of Stakeholders. An independent Audit Committee with members not of executives should be formed, and assigned a variety of responsibilities and authorities, to assure an independent review.

THE BENEFITS OF CORPORATE GOVERNANCE

1. Initiation of internal controls in the listed companies, which will enhance stock market effectiveness and efficiency;
2. Rationalising the company’s management through transparency, management accountability, and fairness;
3. Increased investor trust in stock market, attraction of new investments, and helping the local companies compete globally; and
4. Addressing the minorities’ interests, and encouraging their attendance and voting in the company’s general assembly meetings.

The Corporate Governance framework and its most important issues:

- Clear determination of the duties, responsibilities and authorities of all the Company’s stakeholders:
  1. The company’s Board of Directors;
  2. The Chairperson;
  3. Board members; and
  4. Board committees.
- Organizing debates on varied issues such as Board and committee formation and their members’ independence; Board of Directors’ remunerations; internal controls; internal audit committees; authority assignment and responsibility delegation; stock holders’ rights; code of professional conduct etc.

Also within the purview of Corporate Governance are:

1. Follow up reports
2. Board of Directors trading in the Company’s Securities
3. External auditors’ fees
4. Any information that may help investors in taking their decisions, and
5. Issuing of fines and penalties for non-compliance with the Corporate Governance code.

For companies seeking guidance on developing their governance practices further, the Hawkamah Institute for Corporate Governance is a good source of information, corporate advisors and the DFM Listing and Disclosure team also provide support for listed companies in their pursuit to drive good governance practices particularly with reporting and disclosures.
INVESTOR RELATIONS

Investor Relations (IR) plays a pivotal role in providing details about the health of an organization. The key information disseminated by a well-defined IR Program not only promotes the financial position of the organization, as a whole, but also bridges Company vision, mission, strategy with investors, analysts and markets. The subsequent increase in stakeholders’ interest driven by optimal investor relations program will then automatically result in an increase in the market value of the organization as long as the Company delivers on its strategy.

While a private Company often does not require a dedicated IR function, it recognizes that investors’ support and trust that came along with those investments are valuable commodities that will continue to pay dividends over time. Within this context, the need for an Investor Relations function emanates, despite being in a pre-mature stage.

The emergence of an IR function then continues as the Company moves on with its Initial Public Offering (IPO) journey. At each stage of pre, during and post IPO, IR becomes the voice speaking on behalf of management and the investment community alike.

PRE-IPO: SETTING THE STAGE

As part of setting the stage for the IPO process, IR is often sorted early on. It can assist with the selection of lead managers and advisors in relation to coordinating with the top management, analysts, investment community and bank syndicates. Investor Relations officers are usually called IROs; professionals in this field might step up from within the Company. Developing an investment story, and communicating it effectively, is crucial for the IPO journey. An IRO needs to be well-prepared to speak to the public.


DURING IPO: ROLL-OUT PREPARATIONS

As a private Company transitions into becoming public, it enters a new era of corporate growth incorporating disclosure and securities law compliance. The Middle East Investor Relations Association (MEIRA), National Investor Relations Institute (NIRI) in the US, and the IR society in the UK are some of the renowned organizations that offer training and IR certifications to name a few. As an alternative to an internal promotion, companies can hire IROs externally particularly emerging from disciplines such as Finance, Banking, Communications and PR.

At the Pre-IPO stage, the audience of the IRO is generally limited to management and IPO advisors.

DURING IPO: ROLL-OUT PREPARATIONS

As a private Company transitions into becoming public, it enters a new era of corporate growth incorporating disclosure and governance, as well as regulatory duties. The objective of this fiduciary set up is to fairly communicate the Company’s messages to the relevant audiences.

Not only does IR assist in developing the Company’s messaging and investment proposition, it builds an effective, well-designed roadmap showing that aims at attracting investors as well. During the IPO roadmap, a Company seeks the interest of institutional investors, whose interest requires detailed information. Here, IR comes into play to clearly portray the investment story, incorporating the investor messaging into a roadmap video, manage the production of the video, and prepare management for the roadshow by coaching on presentation delivery, and questions and answers (Q&A).

Managing the content and delivery of messaging externally is one side to the coin. The other role IR plays at this stage onwards is to advise on communicating this corporate milestone to employees and help draft internal messaging. Audience of the IPO at this stage onwards becomes full fledged; equity sales companies, analysts, advisors, exchanges, suppliers, and even Company own employees.

Once the Company obtains all listing regulatory approvals, IR establishes further relations with the exchange through the Listing and Disclosure department (at DFM) for ongoing obligations and disclosure services connectivity. The IRO can also be involved in corporate communications and media relations dependent on the Company’s organizational structure.

For further details regarding relationship between investor relations and public relations; please refer to the DFM Guide on Investor Relations; entitled ‘The Similarities and Differences between Investor Relations and Public Relations’, page 9.

POST IPO: LIFE AS A PUBLIC COMPANY

Once the company is listed on the market, the new public Company is obliged to communicate effectively with the investment community. Utilizing all previously set of IR tools (developed in the IPO roadmap during its IPO journey), the Company is ready to speak to the public.

Maintaining the IR function on an ongoing basis is of paramount importance particularly post-IPO. Investor protection acts around the world – such as the Sarbanes-Oxley Act in the US and Mi FID II in Europe – aim at strengthening the protection of investors through the introduction of new requirements on governance. Against this backdrop, and to abide by these acts, companies needed to be more transparent realizing that effective investor relations at all stages can build confidence in an organization, increase its base of long-term investors, save management time, and reduce its overall cost of capital.

While not an exhaustive list, the following captures some of the key elements that undergo IR responsibilities post-IPO:

• Building strong relationships with investors and analysts has always been renowned for being a critical success factor to effective IR.
• Maintaining and tailoring the investment story.
• Content delivery and ongoing outreach directed at the most relevant investors and analysts; quarterly results disclosures and post disclosures communications (presentations, earnings and press release, webcasts, conference scripts or audio).
• Meeting up with shareholders and targeting potential investors to reach an optimal shareholder mix.
• Managing AGMs, EGMs, and participation in productive investment conferences.
• Running a smooth IR intelligence system; reporting to management on perceptions and sentiment.
• Managing various IR tools: website, mobile applications, social media, and email responses.

For further details regarding IR responsibilities; please refer to the DFM Guide on Investor Relations; entitled ‘What Does Investor Relations Cover’, page 11.

Ensuring the IR intelligence system is in place

As a listed Company exposes itself to the wider public, it can benefit from pools of information that can promote its strategy and direct it to success. This is where IR acts as an ear to management; to provide a profound understanding of the Company’s surrounding, in particular that of the investment community.

Investor Relations can put in place an intelligence system that captures feedback from stakeholders, analyze shareholders behavior, investor perception and market sentiments. Being able to speak “management”, IR articulates feedback to executive management and Board members. Whether feedback occurs on a timely or ad-hoc basis, the intelligence system should consider the needs and expectations of stakeholders providing this feedback.

It is worth mentioning that if they handle book registry, exchanges can provide companies with intelligence systems that allow analyzing shareholders behavior, trading trends, and comprehending market sentiment.

After all, Company management seeks to measure how far investors believed it has delivered on the investment story and IR can help achieve that.

For further information on best practices on IR, please refer to the full DFM Guide on Investor Relations at www.dfm.ae
IPO COMMUNICATIONS

An IPO is a significant milestone in the life of any organization. It is a challenging process but the potential rewards for all stakeholders are significant. A well-formulated communications team should be established at the beginning of the IPO journey, and be seen as a key advisor to management. By not communicating the equity story correctly, a company runs the risk of leaving investors in the dark.

SHAPING THE RIGHT EQUITY STORY

Shaping an equity story from reams of company information, management projections and financial data is a daunting challenge that must be prioritised early on in the IPO process. A powerful equity story needs to go further than simply outlining the financial proposition. It needs to convince investors of the vision, the business model, the strength of the management team and most importantly the potential to create value.

Once agreed and cleared by the legal team, the equity story should become a common language for all communications around the IPO. For further details on what the equity story should cover, please refer to the DFM IPO Communications Guide entitled ‘Shaping the Right Equity Story and Messages’, page 5.

IMPORTANCE OF AN INTEGRATED COMMUNICATIONS STRATEGY

Becoming a publicly listed company is a major transition for any company. Regulatory, transparency and governance requirements; along with cultural and language considerations and a heightened interest from a variety of stakeholders all add to the importance of an integrated IPO communications strategy.

Issuer need to have a good understanding of the stakeholders involved and utilise a range of communication channels available to effectively reach each stakeholder group, from the institutional, high-net-worth (HNW) and retail investors it is trying to attract to the offer, to the wider investment community, such as stockbrokers and media, who will be forming opinions.

DFM COMMUNICATION TOOLS

As part of the IPO communications planning, Companies are advised to consider direct marketing tactics that specifically target investors, brokers and others within the traditional investment community. The most efficient method for doing this is to consider the support you can receive as an issuer from the exchange you have chosen to list on. Here in Dubai, the DFM has a number of options that issuers can consider to help raise the profile of their IPO, some of these options are highlighted below:

1. SMS Communications
   Issuers can utilise the DFM SMS distribution service which offers a unique opportunity to communicate short messages to targeted investors based on IPO subscription demographics by investor-type. With this data, issuers can plan a campaign to support their official announcements or invitations by designing SMS messages that go to a targeted pool of investors.

2. DFM Company Focus Weeks
   The trading floor of the DFM is one of the most vibrant rooms in Dubai. Often packed with journalists, brokers and investors, it’s a noisy beehive of market sentiment. The DFM offers options for companies to take over a section of the floor with branded signage, company representatives can be on site to relay key messages and hand out information about the IPO, or other investment material.

3. Broker Relations
   The DFM team have terrific relationships with the exchange’s brokers. Many of whom have offices within the trading floor. Through these relationships, issuers can target brokers through leaflet drops, presentations and workshops at the DFM.

4. Call Centre Training
   For bigger offers with a large retail element, much of the communications efforts need to be in education and information provision on how to subscribe to the IPO for investors. A call centre is one effective way to address this. The DFM can assist in training the respective company’s Call Centre (whether in-house or outsourced) on DFM investor related queries such as the logistics of obtaining a DFM Investor Number which is mandatory for any IPO on the DFM.

5. Web and Mobile Marketing
   A portion of the IPO marketing budget should be spent online. At the very least a detailed IPO website must be prepared as it will be one of the first things an aspiring investor will look for. One way of driving traffic to the website, as well as raising awareness of an IPO is seeking advertising space on the DFM’s website and mobile applications, or through push notifications.

6. Social Media Channels
   The DFM social media channels including #DFMalerts on Twitter and ‘Dubai Financial Market’ at LinkedIn which post the official company disclosures, as well as the Youtube and Instagram platforms, attract many investors and market participants who are following daily market news and announcements.

These direct marketing initiatives will never replace a PR and advertising programme for an IPO, but they can add a considerable amount. Whether its page views of the IPO website, or text messages going direct to the biggest investors on the exchange, or getting your senior management in front of brokers, the DFM team is there to help.

POST LISTING-COMMUNICATIONS

Beyond the minimum market disclosure requirements, a Company should use its listing to communicate regularly with the investment community to ensure the shares are appropriately valued. It should continue the momentum from the IPO to build brand loyalty and relationships amongst investors, media and the wider financial community going forward, and participate actively with the exchange, whether it’s through the DFM International Investor Roadshows, holding regular broker presentations or active online presence, company visibility and transparency is paramount.

Remember the IPO is just the beginning of the process. The ‘after-market’, when shares begin to trade as is important as the IPO itself. Key to a company’s success, as a listed business, will be its financial performance in addition to how it’s on-going performance is understood and perceived by both investors and the media. A communications strategy therefore should be agreed upon at the outset as a public company and continued in order to provide the market with consistent news flow and market updates.

For further information on best practices on IPO Communications please refer to the DFM Guide on IPO Communications at www.dfm.ae
FREQUENTLY ASKED QUESTIONS

IPO PROCESS

1. How long does the IPO process take?
The time it takes for a company to go public depends on the readiness of the company, the level of due diligence required by the advisors and any legal or corporate restructuring required before the IPO. On average, the process takes a minimum of six months to complete.

2. Who is involved in an IPO?
Going public requires retaining the appropriate external advisors. A company planning an IPO will require appointing a team of advisors which will typically include:

- A lead manager / financial advisor to advise the company on the execution of the IPO process and source demand for shares being sold or issued;
- A legal advisor to advise the company on the legal aspects of the IPO process and undertake the customary legal due diligence process;
- A reporting accountant to issue reports on the company’s financial position and carry out the customary financial due diligence;
- A lead receiving bank to collect the subscriptions from retail investors;
- A financial PR/Communications company to advise on the public relation aspects involved in the IPO process; and
- An IPO Auditor to conduct an audit once the subscription period closes.

3. What type of documents are typically required to apply for an IPO on the DFM?
The company looking to go public must provide the following documents need to be detailed enough for an investor to be able to make an informed assessment on the company, its financial position and its prospects. Typically, the prospectus will include an overview of the company, its business, financial statements and management. The prospectus will also include a description on the key terms of the share offering.

4. Do the financial statements need to comply with the International Financial Reporting Standards (IFRS)?
Yes.

5. What is the latest reporting period for financial statements?
The company looking to go public must provide the following financial disclosures:
- The company's annual report for the last two financial years at the time of submission of the listing application; and
- The interim financial statements (reviewed by the auditors), which cover the period from the end of the financial year prior to the listing application until the end of the last quarter prior to the application date, where applicable.

6. Are lead managers required to underwrite IPOs on the DFM?
No. IPOs on the DFM are typically done on a “best efforts” basis.

7. What are the lock-up requirements on the DFM?
As per the UAE Commercial Companies Law, the lock-up period on shares held by the founders is set at two financial years. This period may be increased to three years pursuant to a decision issued by the SCAs Board of Directors. View the latest information at www.sca.ae

8. Can the company’s founders sell their shares during an IPO?
Yes. The UAE Commercial Companies Law enables companies to structure an IPO as a primary offering (capital increase) and/or a secondary offering (sell down). The extent of the sell down is subject to approval by the SCA.

9. Can the company use an IPO to give shares to its employees?
Yes. The UAE Commercial Companies Law permits companies to issue shares pursuant to an employee share incentive scheme based on terms approved by the company’s Board of Directors. The SCA is expected to issue regulations governing this matter. Visit www.sca.ae for the latest information on regulations.

10. How is the share price determined for an IPO?
There are two methodologies to determine the IPO pricing, Fixed Price Offering and Book-building, explained in detail within the “Pricing” section, pages 5-6.

GENERAL

11. Do I have to give up control of my company to go public?
No. As per the UAE Commercial Companies Law, the minimum free float requirement is 30% of the company’s total equity.

12. Do companies have to be incorporated in the UAE to undertake an IPO on the DFM?
Yes. The company will have to be incorporated in the UAE under the UAE Commercial Companies Law for it to be able to undertake an IPO on the DFM.

13. How much capital should be raised on an IPO?
As per the UAE Commercial Companies Law, the maximum free float is set at a maximum 70% of the company’s capital.

14. Does a public company have to pay dividends every year?
Not necessarily. Typically, the payment of dividends will be decided by the company’s Board of Directors based on the company’s performance for a given year as well as the funding requirements for the business.

15. What are the alternatives to going public?
Instead of going public, a company might consider seeking capital from a number of private financing sources, such as financial investors, strategic investors and/or commercial banks.

16. Are public companies more vulnerable to fluctuations in macroeconomic factors and capital market events?
Possibly. Fluctuations in overall global or regional macroeconomic factors or capital market events might have an impact on the share price or the trading value of a public company, irrespective of its operational performance.

17. What fees are charged by the DFM?
The list of fees charged by DFM is available at www.dfm.ae

18. Can the company use an IPO to give employees shares?
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GOING PUBLIC: THE JOURNEY TO SUSTAINABLE GROWTH

Over the past years, DFM has always been committed to playing a pivotal role in supporting private and family groups to further understand the requirements of going public by organizing IPO Forums and workshops, explaining the pre-, during and post-IPO stages, as well as maintaining constant dialogue with company owners and senior executives.

The DFM IPO Forums are the UAE’s most significant IPO forums addressing the latest developments in Dubai’s capital markets for companies considering an IPO, the strategic decision of going public, the timing of the IPO, the listing process and how to increase your company attractiveness for investment.

Formation
Establishment of the company as a fully operational business

Growth
Continuous business growth with sound corporate governance

Exposure
Going public and increasing company visibility

Transformation
Preparation of the company for the IPO journey