

Why float on Nasdaq Dubai?



Significant benefits can result from listing a company's shares on a public market. For the company these include the ability to raise significant capital; the opportunity for more sophisticated methods of returning value to shareholders; turning the company's shares into a more tradable asset that can be used as consideration to fund deals; incentivising management and staff with share options and raising the profile and credibility of the business which, as a result of the increased scrutiny that goes with that, can lead to better terms being offered by third parties for goods and finance. The shareholders, in addition to indirectly benefitting from the advantages to the company, will have the opportunity to sell all or part of their shareholding to raise cash for themselves and, to the extent they do not sell, turn their shares into an asset that can be more readily sold in the future, should they wish to. Of course, the potential benefits a stock market can bring must be balanced with obligations to provide information to that market to keep that updated and to have in place governance systems that ensure all can participate in the market with trust and confidence.

The Nasdaq Dubai approach

Nasdaq Dubai is the international stock market of the Middle East which has been operating from the Dubai International Financial Centre free zone (DIFC) since September 2005. The market is independently regulated by the Dubai Financial Services Authority (DFSA) under principles and practices aligned with international standards which are stated to provide companies and investors alike with appropriate standards of transparency and market conduct whilst at the same time supporting a market approach to valuation. Key benefits of being listed on Nasdaq Dubai include:

Ownership: Nasdaq Dubai, the DIFC and the DFSA do not impose any foreign ownership restrictions (though UAE or other law may in certain circumstances do so).

Free Float: The minimum free float is only 25% (or sometimes lower) allowing existing shareholders to maintain control of their company.

Pricing: A flexible approach is offered such that the IPO share price can be "book-built" to assess the market value of the shares against demand or be set at a fixed price.

Trading: Trading on Nasdaq Dubai is similar to trading on Dubai Financial Market (DFM). Investors can start trading on Nasdaq Dubai by opening an investor account with a brokerage firm that is a Member of the exchange, and obtaining a NIN (National Investor Number) that is equally valid for both DFM and Nasdaq Dubai.

Securities: Not only shares can be listed but also sukuk, depositary receipts, debentures, bonds, REITs, ETFs and other funds and structured products.

Track Record and Size: A three year record of audited accounts will typically be required and the minimum required market capitalisation for a listing of shares is reasonably set at USD10 million.

Brand: The Nasdaq brand supports the international status of a company listed on Nasdaq Dubai.

Key IPO Steps

Advisers: It will be necessary to appoint a team of advisers who, whilst performing distinct expert roles, must work together to ensure a successful IPO. This will include an investment bank, to manage the overall process and communicate with the DFSA; a broker or brokers who will raise money from investors and who may come from within the investment bank; legal advisers, who will provide legal and regulatory advice, conduct legal diligence and document matters and an accountancy firm, who will be required to undertake financial diligence and report, in particular, on the sufficiency of the company's working capital and on the company's financial information generally. In addition, public relations advisers will also advise and assist with media and investor relations.

Diligence: Significant legal, financial and possibly specialist diligence investigation and reports will be required to inform and verify the information required to be publicly disclosed in the prospectus and to identify any other preparatory steps that are necessary or desirable.

Documents: The documents required will comprise those that will remain private, such as the diligence reports; those that will be capable of inspection on IPO for a limited period, such as material contracts and fundraising documents; and those that are published, which includes the prospectus which is the principal IPO document and which the DFSA must approve, which publicly discloses very detailed information on the company to enable investors to determine whether they wish to invest in the IPO and which also informs the market generally.

Governance: Robust governance systems and controls must exist including an effective board to maintain an informed and transparent market and ensure the company will function independently of individual shareholder influence in support of regulatory and investor confidence.

Marketing: The appointed broker(s) may seek feedback from certain investors early in the process and also publish their own research on the company to inform prospective investors. The management, once all IPO preparations are substantially complete, will present to a series of identified professional investors the results of which will inform the share pricing exercise pre launch of the IPO. On launch, it is also possible to offer shares to the public (called “retail” investors) if this will help the IPO.

Admission: Two admission requirements must be successfully applied for: admission to the Official List of the DFSA and admission to trading by Nasdaq Dubai.

Timing: The best IPOs tend to be the best planned and whilst timing and the preparation required will vary at least twenty to twenty-four weeks should be allowed for an IPO.

Post IPO

Once listed, the company and its directors must comply with applicable Nasdaq Dubai continuing obligations which are consistent with international standards.

About Addleshaw Goddard

Addleshaw Goddard is an international law firm that offers a full range of commercial legal services from its offices in Dubai, Doha, Muscat, Hong Kong, Leeds, London, Manchester, Singapore and Tokyo*. Our lawyers offer international expertise gained by working on complex and ground breaking multi-jurisdictional transactions combined with deep-rooted local law experience. Our lawyers are permanently based in the GCC and have been practising in the region for a combined total of over 100 years.

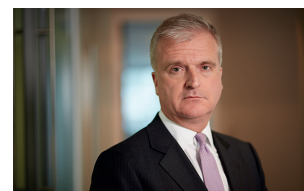
Over the years we have developed strong relationships with the region's key government agencies, corporate entities, financial institutions, regulatory bodies and private individuals across our main operating divisions – corporate and commercial, finance and projects, litigation and arbitration, construction and real estate and employment – as well as in our chosen sectors: Digital, Energy and Utilities, Financial Services, Healthcare, Industrials, Real Estate, Retail and Consumer, and Transport.

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