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## **Kamco Invest: The Role of Growth Capital and Regulatory Reforms are Key in Unlocking IPO Opportunities**

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In today's fast-paced venture capital (VC) ecosystem, the availability of capital to support growth and late-stage investments is not just a competitive advantage, it is a critical enabler of growth. As companies scale and markets evolve, sufficient funding is vital for sustaining momentum, unlocking exit opportunities, and fueling strategic acquisitions. This is particularly true in an era where larger corporations are increasingly acquiring smaller firms to integrate innovative technologies and expand their capabilities. In today's VC landscape, capital availability is the engine that drives growth, unlocks exit windows, and fuels strategic acquisitions.

Dalal J. Al Shaye, CFA, Senior Vice President - Alternative Investments, said: "By having capital on hand, promising startups can be transferred into acquisition targets or IPO-ready businesses, securing the future of innovation and creating value across the ecosystem. For startups, early-stage funding helps build products and achieve market entry, but growth-stage capital is required to scale operations, grow revenues, improve valuations, and prepare for IPOs or acquisitions. Without this critical funding, even promising companies risk stagnation, falling behind competitors, or failing to reach their full potential."

The MENA region has undergone a significant transformation in its VC landscape. Historically, funding gaps limited the growth of startups, but recent years have seen institutional investors and sovereign wealth funds actively inject capital into the ecosystem. Gulf-based Sovereign Wealth Funds and investors, in particular, have played a pivotal role in accelerating growth by targeting later-stage funding rounds.

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Saudi Arabia and the UAE have led this transformation, positioning technology ecosystems as central to their economic diversification strategies. Saudi Arabia, for example, has experienced five consecutive years of growth in VC funding, supported by government reforms, increased investor confidence, and a wave of startups relocating to the Kingdom. Similarly, the UAE's focus on entrepreneurship and digital transformation has further strengthened its tech ecosystem.

This momentum has attracted international investors, with foreign capital accounting for 37% of total VC funding in MENA during the first nine months of 2024, up from 17% in the same period in 2023. As per Magnitt, the number of investors in the region grew from 116 to 196 over this time.

Since 2021, reforms and increased investment have fueled a surge in growth-stage funding, marking the start of the region's growth capital funding era. Growth-stage funding increased from 14% in 2020 to 31% in 2021 reaching 41% in 2023.

However, growth has slowed over the past nine quarters due to global economic challenges and higher interest rates. Despite this, Q4 in 2024 is expected to show strong performance, continuing its historical trend as the region's most active quarter for funding and deals.

### The Rise of Tech Exits and IPOs

The number of exits in the region's technology sector has steadily increased, with M&A dominating the landscape, primarily due to public markets being less aligned with the tech companies' unique characteristics. Kuwait's tech sector, for example, has seen several notable acquisitions in 2024, such as the partial acquisition of Upayments by the National Bank of Kuwait and Forta Advisors' acquisition of Shasha, in addition to the standout acquisition of Dabdoob by Jadwa Investment in 2022.

While M&A remains a major exit route, IPOs have started gaining traction, particularly in Saudi Arabia and the UAE, where regulatory reforms have created a more favorable environment for public listings. Technology companies are now able to access growth capital locally, scale their operations, and meet IPO requirements, allowing founders to retain control and focus on achieving higher value creation instead of rushing into exits through acquisitions. This marks an important shift in the region as founders are now declining offers from international acquirers in the hope of going public.

This shift marks a major milestone for the region's venture ecosystem, enabling tech startups to achieve successful IPOs, as illustrated by the oversubscribed listings of Rasan and Talabat.

### Delivery Hero's in Talabat's Journey: From M&A to IPO

The successful exit of Delivery Hero from Talabat represents a significant milestone in the region's startup ecosystem,

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highlighting the potential for high value exits in the market. Talabat, a Kuwaiti startup founded in 2004, was acquired by Delivery Hero, a global leader in online food delivery, in 2015 for around \$170 million.

In 2024, Delivery Hero further capitalized on its investment through an IPO offering on the Dubai Financial Market, selling 20% of its stake at a market capitalization of \$10.6 billion at listing. The IPO attracted strong interest from international, regional, and local investors, achieving double-digit oversubscription level. It marked the largest global technology IPO of 2024 and the largest IPO in the MENA region this year, ranking among the top ten global IPOs in 2024.

It is undeniable that the 2015 acquisition of Talabat stood as a benchmark success story in the region and served as a catalyst for the launch of Jahez, a Saudi online food delivery platform. Jahez then became the first Saudi tech startup to go public, listing on Nomu, the Saudi Exchange's parallel market, in January 2022.

### Saudi Arabia's IPO Reforms: Unlocking New Opportunities

Jahez's IPO highlighted the challenges faced by startups in accessing main public markets. At the time, Saudi Arabia's main exchange, Tadawul, required companies to demonstrate three years of profitability, limiting access for high-growth startups. At the time of Jahez's IPO, the company did not meet the requirements to list on Tadawul, Saudi Arabia's main exchange. As a result, they listed on Nomu, the Saudi Exchange's parallel market.

In response, the Saudi Capital Market Authority introduced regulatory reforms, replacing profitability requirements with a focus on sufficient working capital for the 12 months post-listing. Additional changes included removing the requirement for companies to be headquartered in Saudi Arabia for at least three years, demonstrating a minimum of three years under substantially the same operations and investors.

### Rasan's IPO: a regional success story

Rasan IPO has been a regional success as well. The company illustrates the evolution of the region's Venture Industry as Rasan was able to grow through subsequent funding rounds from Pre-seed to growth capital funding and was able to provide a successful exit to investors through a successful IPO on the Saudi Arabia's main exchange, Tadawul.

Founded in 2016, Rasan is a Saudi fintech startup which operates Tameeni, the largest online insurance aggregator in Saudi Arabia. The company initiated its IPO process in May 2024. The offering was a resounding success, oversubscribed 129 times, attracting \$29 billion in orders for just \$224 million in shares. The stock debuted at SAR 40.7 on Tadawul at first date of listing, eventually surging to SAR 83.6, a 100% increase, reaching a market cap of more than \$1 billion.

### Nice One's IPO: another regional success story

Nice One Beauty Digital Marketing Company, a Saudi e-commerce firm established in 2017, successfully listed its shares

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on the Saudi Main Market (Tadawul) on January 8, 2025.

In December 2024, the company completed a public offering, selling a 30% stake at an implied valuation exceeding 4.0 billion riyal (\$1.0 billion). Upon debut, its shares surged by 30% to 45 riyals, the maximum daily limit, rising from the offering price of 35 riyals per share. The share price then ranged at 49 riyals, signifying a 40% increase in the span of a week.

### The Road Ahead: Enabling the Next Wave of IPOs

As seen in the success stories of Rasan, Nice One and Talabat, the right combination of funding and regulatory support can transform startups into regional champions and global contenders. By addressing gaps and promoting regulatory agility, the region can unlock its full potential as a hub for innovation and capital formation, paving the way for the next generation of tech IPOs.

Al Shaye concluded: “The region’s startup ecosystem has reached a turning point. With stronger access to growth capital and regulatory reforms that support IPOs, the region is well-positioned to sustain momentum and attract international investment. It has fostered an ecosystem poised to see over 13 companies announced plans to pursue an IPO within the next two years. However, policymakers must continue fostering an environment where startups can scale efficiently and access public markets without unnecessary hurdles.”

To read the full report, [click here](#).

Kamco Invest issued its report on the region’s tech ecosystem. The report emphasizes the critical role of growth capital and regulatory reforms in advancing the industry and unlocking IPO opportunities.