



RESEARCH REPORT

SUBJECT: SMEs in the UAE

DATE: 06 June 2019

PRODUCED BY: Diligencia for the Gulf Capital SME Awards



Diligencia is a specialist information services provider, focused on company data within the Middle East & Africa.

Established in 2008, we use advanced technology and human insight to extract unstructured data on companies in territories where public domain information is not readily available. From our headquarters in Oxford, UK and offices in Tangier, Morocco and Dubai, UAE we provide the information our clients need to develop the right relationships or opportunities, mitigate risk, comply with regulations and accelerate their decision-making.

ClarifiedBy.com is designed to inspire growth through the clarity it brings to companies and individuals in emerging markets. Available by subscription, pay per view and API.

For further information please visit www.diligenciagroup.com or download a one page PDF overview on ClarifiedBy.com here.

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“At Gulf Capital, we are focused on partnering with and investing in fast growing SMEs in the GCC. Based in the UAE and positioned as a gateway to long-term private investment opportunities in the Gulf, Gulf Capital is very focused on the growth and success of SMEs in the region. Now in its 8th year, the Gulf Capital SME Awards continues to nurture the UAE’s SMEs and applauds their efforts and successes. In this report, our event partner, Diligencia, showcases the importance of the UAE’s vibrant and dynamic SME community and some of the trends in the SME sector over the last 5 years. It is encouraging to see the growth and resilience of SMEs in the UAE, reflecting the national strategy and that the 2018 generation of SMEs are focused on promising industries such as technology, healthcare and education. We very much look forward to the judging stages for the 2019 cohort of entries and wish all entrants the very best of luck at the Gulf Capital SME Awards.”

DR. KARIM EL SOLH
CEO
GULF CAPITAL

INTRODUCTION

As part of a collaboration with MEED and as a key partner in the Gulf Capital SME Awards 2019, Diligencia has been asked to use its database of company information to highlight the key trends amongst small-medium size enterprises (SMEs) in the UAE.

Attracting and encouraging the growth of SMEs is a key objective of the UAE's national economic strategy. According to the Ministry of Economy SMEs already account for 94% of the total number of UAE companies, providing more than 86% of the private sector's workforce. Equivalent figures published by government agency 'Dubai SME' in 2018, show that Dubai SMEs represent over 90% of the total enterprise population in the emirate, employing over half of Dubai's workforce.

METHODOLOGY

We used our database of company information in the UAE and the wider Middle East region, available via our online platform www.ClarifiedBy.com, to look at key trends amongst SMEs over the last 5-10 years. We used a dataset of 111,025 UAE-registered entities established between 2009 and 2019. All our data is sourced from multiple official sources, fact-checked and manually curated by our teams of analysts in Oxford (UK) and Tangier (Morocco). The data is based on information retrieved by from official sources including:

- Dubai Department of Economic Development
- Abu Dhabi Department of Economic Development
- Sharjah Economic Development Department
- Department of Economic Development in Ras Al Khaimah
- Freezone registries (various)

Caveat: it should be noted that the growth of our database is driven primarily by our clients (which include international consultancies, advisory firms, law firms, corporates and banks) as well as companies that are of public interest, either because they have featured in the media or have been part of a sector study that is of interest to our client base. As a result, our dataset of UAE companies is biased to some extent towards those companies in the country that are involved in international transactions or are of interest to international investors.

FINDINGS

STORY 1. STATE OF THE NATION

- The UAE remains a vibrant and dynamic location for SMEs with the rate of growth of new company registrations in 2018 in line with overall growth trends, although not at the levels of growth seen in 2016-17
- UAE companies are becoming more resilient with more entities lasting longer than five years
- The number of limited liability companies relative to other legal forms has increased, which could be attributed to new UAE foreign investment legislation allowing 100% foreign ownership of LLCs

Data from Diligencia's database, ClarifiedBy.com showed a steady increase in the number of newly issued business licences since 2009. Over the last 10 years a total of 34,151 business licences were issued at a growth rate of 30.76%. The data showed that the majority of SMEs established between 2016 and 2018 have survived the competitive market and continue to thrive. The data show that Limited Liability companies remain one of the top legal forms preferred by new enterprises. In 2017, there was a significant drop in this category. However, by 2018, SMEs registered as limited liability companies (LLCs) increased dramatically since introducing UAE legislation permitting 100 per cent foreign ownership of companies in the UAE in the same year.

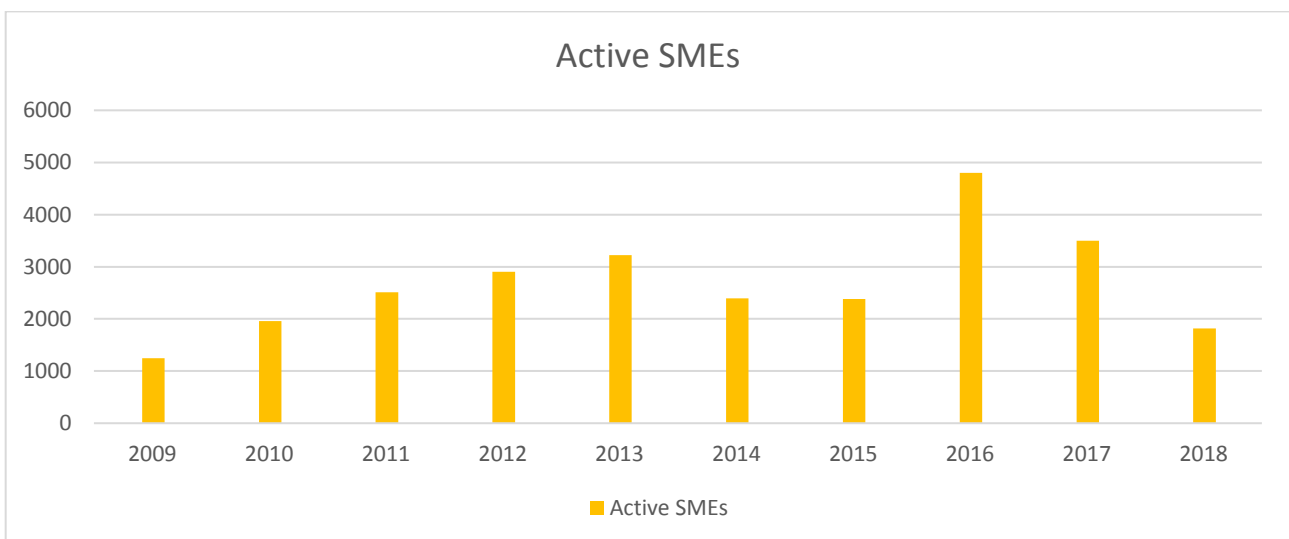


Figure 1 Active SMEs as per year of Incorporation

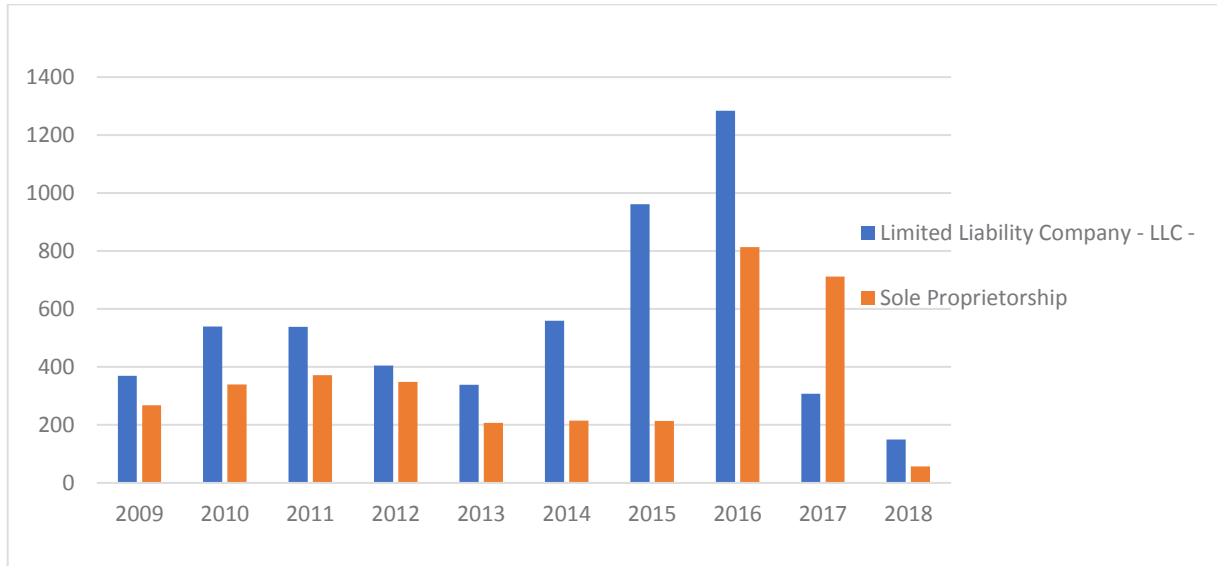


Figure 2 Limited Liability Company and Sole Proprietorship

STORY 2. LOCATION LOCATION LOCATION

Dubai has registered the largest number of SMEs in all but one of the last 10 years. Abu Dhabi's amplified efforts to attract SMEs has paid off with a spike in new registrations in 2017. Data from www.ClarifiedBy.com showed that Abu Dhabi, Dubai and Sharjah recorded a significant growth in the number of business licences registered in the UAE.

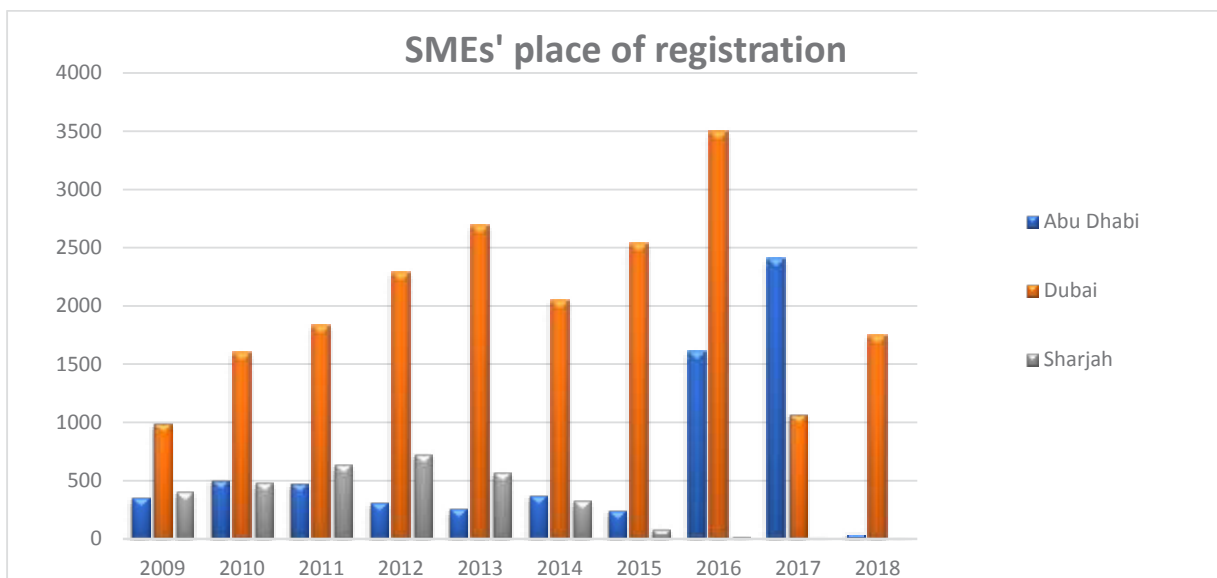


Figure 3 New SMEs in Dubai, Abu Dhabi and Sharjah

STORY 3. SECTOR TRENDS

- Over the last five years, the top five SME business sectors have been Business Services (including technology), General Trading, Construction, Investment Services and Retail
- The number of new companies in the technology sector in 2018 was significantly up year-on-year, while similar numbers for new entrants to oil & gas, show the sector may now be less interesting to SMEs. Education and healthcare companies have also shown growth over the last five years
- More holding companies were established in 2018 than any preceding year, partly down to the growth of family offices

From 2014 to 2018, the services sector accounted for 14% of the active SMEs, followed closely by other trading activities (entities with general trading registered activities) accounting for 13% of active SMEs. During the same period, active SMEs operating in the construction & materials, investment services and retail sectors witnessed a high growth.

The data also shows that the top 10 business sectors for SMEs established in 2018 are business support services, other trading activities, building materials & fixtures, investment services, restaurants & bars, apparel retailers, services, specialised consumer services and heavy construction.

In addition, 2018 also witnessed the establishment for more entities acting as holding companies, indicative of companies maturing in their approach to corporate structuring, as well as the growth of family offices. Establishing a holding company can be a way for groups to streamline their operations and look for efficiencies in a highly competitive market.



Figure 4 Top 5 Business Sectors for SMEs incorporated between 2014 and 2018

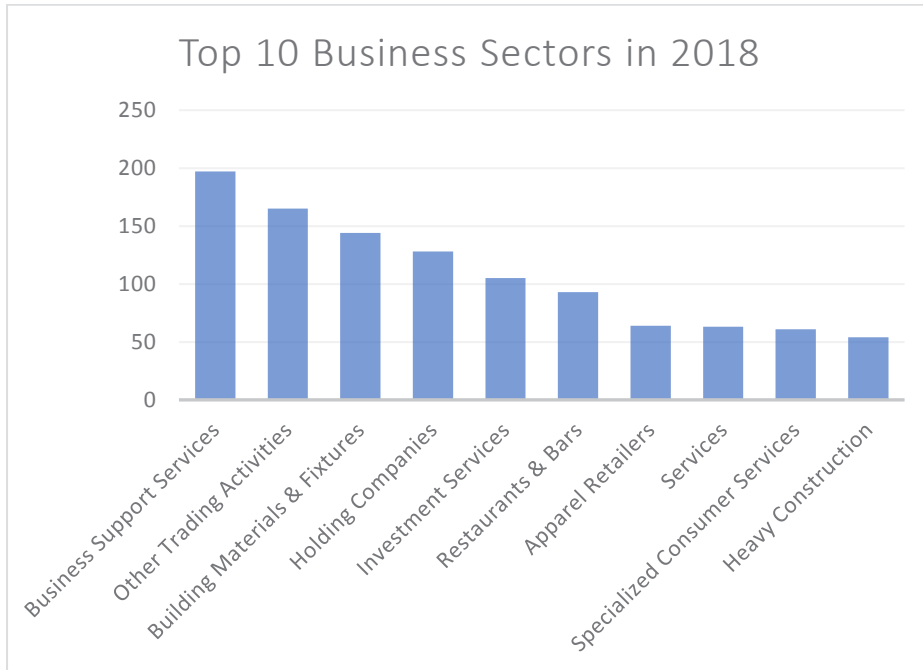


Figure 5 Top 10 Sectors for SMEs incorporated in 2018

The 2018 generation of SMEs are more likely to enter the technology, healthcare and education sectors, in an apparent move away from oil and gas. The technology sector in particular witnessed the highest growth in SMEs since 2015. Likewise, the education sector accounted for a high proportion of new SMEs in 2018 compared to 2017.

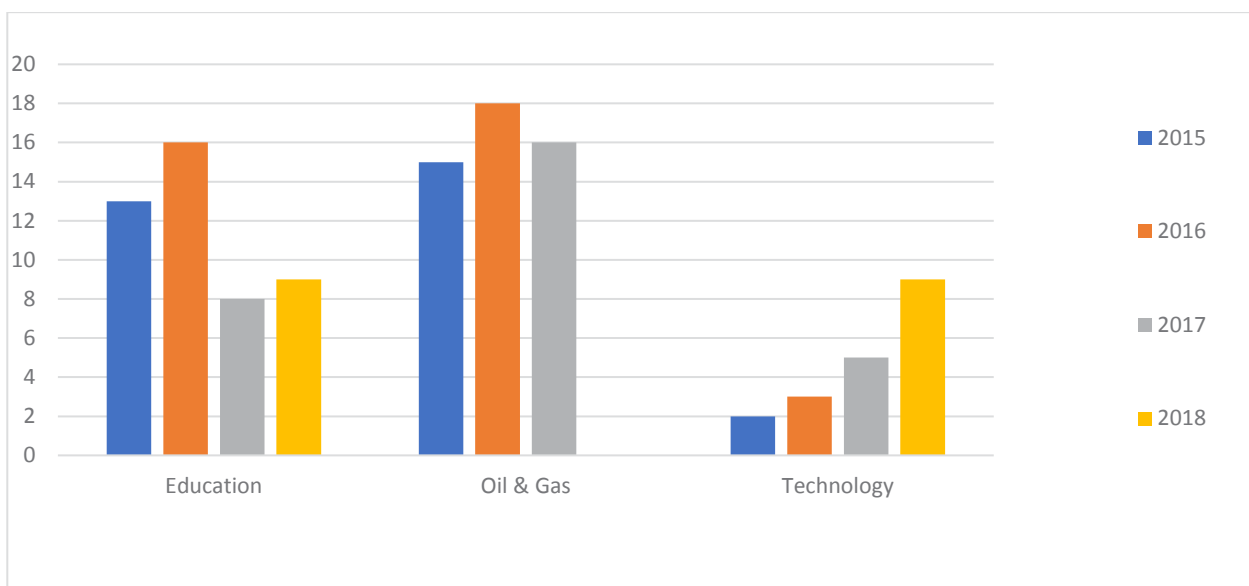


Figure 6 SMEs in the Education, Oil & Gas and Technology

STORY 4: SECTORS

- The UAE healthcare scene has grown consistently over the last 10 years, with the pharmaceutical and biotech industry a key engine of growth
- The UAE is clearly an attractive location for healthcare start-ups
- Growth is underpinned by pharmaceutical and biotechnology start-ups
- The education sector has boomed over the last five years
- The growth of SMEs in the UAE oil & gas sector has softened

Data from ClarifiedBy.com showed that the number of SMEs in the healthcare industry has grown consistently over the last 10 years, with a significant spike in 2018.

The same data suggests that pharmaceutical and biotechnology start-ups in particular are promoting innovation in the delivery of healthcare services. The number of SMEs registered to operate in the pharmaceutical and biotechnology industries peaked during the same period. The latest decision by the UAE Cabinet to make this sector eligible for up to 100 percent foreign ownership will provide more opportunities and pave the way for these businesses to develop and flourish.

The number of new companies in the tech sector has increased dramatically over the last five years from 11% of new SMEs in the UAE during 2015 to 47% during 2018 in support of the UAE's aims to be at the forefront of global technology innovation (Figure 7).

The last five years has seen a boom in the number of companies active in the education sector; the number of SMEs registered in Dubai and Abu Dhabi between 2014-2018 was 55% higher than the previous five-year period. Numbers from 2018 however suggest that the trend may be going into reverse.

ClarifiedBy.com data suggests that 2013 saw the peak of new entrants to the oil & gas market in the UAE. Dubai and Abu Dhabi accounted for the majority of the SMEs within this industry, but the numbers show that the proportion of oil & gas companies across all SMEs fell from 67% in 2009-13 to 32% during 2014-18 (Figure 7).

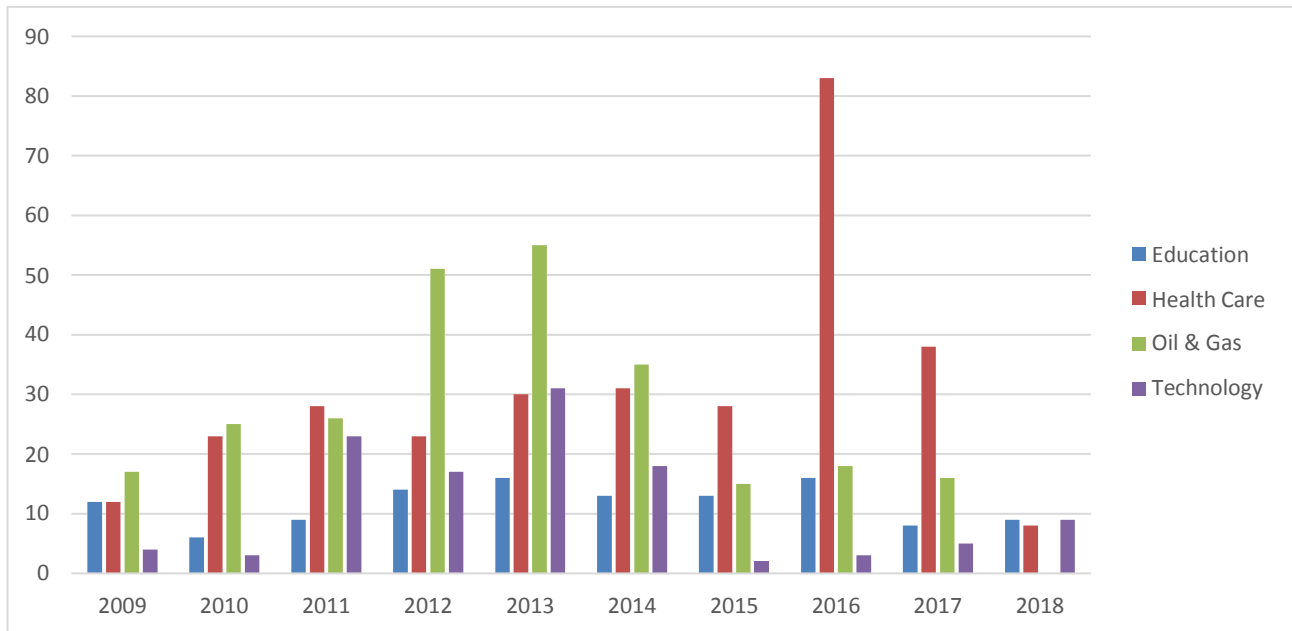


Figure 7 UAE SMEs in the Education, Health care, Oil & Gas and Technology sectors between 2009-2018

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