

IN-DEPTH

Technology Mergers & Acquisitions

SAUDI ARABIA



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Technology Mergers & Acquisitions

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In-Depth: Technology Mergers & Acquisitions (formerly The Technology M&A Review) provides an insightful overview of the legal and regulatory frameworks and market climate for technology-driven M&A transactions in major jurisdictions worldwide. With a focus on recent developments, it analyses the intersection of general M&A law and technology in transactions where one or more of the parties is engaged in a technology business.

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Introduction

Over the past few years, the Kingdom of Saudi Arabia has witnessed significant growth in its technology sector, driven by organic development alongside strategic investments. The growth and transactional activity highlight the increasing focus on innovation and digital transformation in Saudi Arabia. Both local and international investors are actively seeking opportunities to expand their presence in the Saudi market, particularly in areas such as cloud services, data centres, artificial intelligence, digital platforms, and enterprise solutions.

The Public Investment Fund (PIF) has been a key figure in driving this expansion, making substantial investments to build world-class technology infrastructure within. For instance, the Saudi Company for Artificial Intelligence was established to accelerate AI-driven solutions, supporting Saudi Arabia's vision of becoming a global artificial intelligence leader. Another PIF initiative, Alat, is advancing Saudi Arabia's digital and industrial capabilities through semiconductors, high-performance chip design, and next-gen infrastructure. Complementing these newer initiatives, long-standing companies like the Saudi Telecom Company (STC), Saudi Information Technology Company (SITE) and Elm play pivotal roles in technology. These companies bring proven expertise and resources, with STC leading in telecommunications and digital services, SITE advancing cybersecurity solutions and Elm specialising in digital government and information security services. Together, these efforts reinforce Saudi Arabia's commitment to creating a robust, future-ready tech ecosystem, and position the nation as a leader in digital transformation.

Year in review

Saudi Arabia has seen significant technology M&A transactions over the past year, notably those listed in the table below.

Parties	Description	Deal value
SiFi and Sanabil Investments	Sanabil Investments, a PIF subsidiary, led a seed round for Simplified Financial Solutions Company (SiFi), an expense management fintech with operations in Saudi Arabia.	US\$10 million
UMX Studio and Jetapult	Jetapult acquired 100% of UMX Studio, a mobile games developer with operations in Saudi Arabia.	US\$4.5 million

Advanced Operations Technology and Osool & Bakheet Investment	Osool & Bakheet Investment acquired 51% of Advanced Operations Technology, a provider of data management and cloud services with operations in Saudi Arabia.	US\$1.36 million
TAWAL and PIF	PIF acquired 51% of Telecommunication Towers Company Limited (TAWAL), the largest telecommunications infrastructure company in Saudi Arabia.	undisclosed
Devoteam Middle East and solutions by stc	Solutions by stc acquired 40% of Devoteam Middle East, a subsidiary of the globally renowned Devoteam Group, a leader in digital consulting with operations in Saudi Arabia.	undisclosed
Drahim and Alrajhi Banking and Investment	Alrajhi Banking and Investment acquired 65% of Drahim, a developer of a financial planning platform with operations in Saudi Arabia.	undisclosed
Expert Solutions SA and Classera	Classera acquired 100% of Expert Solutions SA, a developer of enterprise resource planning systems with operations in Saudi Arabia.	undisclosed
Ezhalha and Careem	Careem acquired 100% of Ezhalha, an operator of a car service platform with operations in Saudi Arabia.	undisclosed
Tweeq and Tabby	Tabby acquired 100% of Tweeq, an operator of a financial management	undisclosed

	platform with operations in Saudi Arabia.	
Velents.ai and Core Vision Investments	Core Vision Investments acquired 100% of Velents.ai, an operator of a data - driven AI - based hiring platform with operations in Saudi Arabia.	undisclosed

Legal and regulatory framework

M&A activity in Saudi Arabia is governed by a comprehensive legal framework that regulates the structure and execution of M&A transactions. Key laws and regulations relevant to M&A activity in Saudi Arabia include the Companies Law,^[1] the Competition Law,^[2] the New Investment Law^[3] (applicable where there is a foreign investment element) and the Capital Market Law^[4] (applicable where there is a public element).

The most relevant regulators for technology M&A in Saudi Arabia are the Ministry of Commerce (MOC), the General Authority for Competition (GAC), the Ministry of Investment (MISA) (applicable where there is a foreign investment element), the Capital Market Authority (CMA) (applicable where there is a public element) and, depending on the nature of the target's operations, potentially the Saudi Data and Artificial Intelligence Authority (SDAIA), the Ministry of Communications and Information Technology (MCIT), the Communications, Space and Technology Commission and the Saudi Central Bank (SAMA).

Companies Law

The Companies Law and its implementing regulations form the bedrock for M&A activity. Key provisions include:

1. Flexible corporate structure: the recent introduction of a 'Simplified Joint Stock Company' (SJSC) offers a streamlined corporate form tailored specifically to attract a broad range of investors, from early-stage start-ups to established enterprises. With fewer procedural requirements and malleable governance options, an SJSC is an attractive vehicle for tech companies and related M&A structuring.
2. Recognition of shareholders' agreements (SHAs): the law formally recognises the existence and enforceability of SHAs, enabling shareholders to set tailored governance arrangements that are statutorily enforceable under Saudi law. Technology M&A in particular, benefits as parties often seek to implement customised control rights, governance structures, and exit strategies to accommodate rapid growth and dynamic market changes.
3. Preferred equity and multiple-class structure: JSCs and SJSCs can now issue preferred equity or multiple classes of shares, each offering specific rights related to voting, rights, and returns. This flexibility is particularly advantageous for tech

companies aiming to attract a broad spectrum of investors – from venture capital firms to strategic partners – who routinely seek customised rights that reflect their level of involvement and return expectations.

Competition Law

The Competition Law, enforced by the GAC, plays a critical role in Saudi M&A transactions, particularly for large-scale deals that could impact market competition. Previously, the threshold for merger approval filings was set relatively low, capturing almost all transactions (including joint ventures) and resulting in extensive compliance obligations. This approach ensured comprehensive oversight but often added significant procedural requirements for even smaller-scale deals.

Recent updates to the Competition Law and the behaviour of the GAC, both detailed below, have made the framework significantly more user-friendly.

The GAC recently introduced new merger control thresholds to reduce unnecessary filings. Under the new rules, a filing is required only if:

1. the combined worldwide turnover of the parties exceeds 200 million Saudi riyals;
2. the target's worldwide turnover exceeds 40 million Saudi riyals; and
3. the parties' domestic turnover in Saudi Arabia exceeds 40 million Saudi riyals.

These changes aim to streamline the merger review process and focus on transactions with a significant impact on the Saudi market. This shift reduces the need for GAC filings for smaller, early-stage ventures, reducing regulatory burdens for emerging companies and facilitating their growth.

1. **Conditional approval:** the GAC has begun imposing behavioural and structural controls to address competitive concerns, and thus allowing deals to proceed without being blocked. In 2023, the GAC issued its first conditional approval, with two more following, highlighting its focus on tailored solutions rather than outright rejections. This approach by the GAC reflects a shift towards balancing market growth with competitive fairness, particularly in tech sectors where monopolistic behaviour could hinder innovation and consumer choice.
2. **Non-compliance:** non-compliance with the Competition Law's economic concentration requirements, including the failure to file or adhere to the GAC's conditional approvals, may lead to substantial financial penalties, reputational harm through public disclosure of violations, or, in severe cases, unwinding of the non-compliant transaction.

New Investment Law

The New Investment Law supersedes the existing foreign investment law and its implementing regulations, bringing a more streamlined and regulated framework. The

New Investment Law applies to both domestic and foreign investors, outlining their rights, obligations, and eligibility for incentives.

While the previous law required foreign investors to obtain an investment licence, the New Investment Law removed this requirement, instead mandating registration with MISA to engage in investment activities. Additionally, it replaces the concept of prohibited activities with the concept of restricted activities, which require prior approval from the relevant government authority before participation.

The New Investment Law is expected to take effect in early 2025 and its implementing regulations are expected to be issued beforehand. Although details remain pending, it is anticipated that these implementing regulations will further facilitate foreign investment, particularly in the technology sector, where prevailing market trends suggest a generally open approach with limited restrictions.

Capital Market Law

The Capital Market Law and its implementing regulations provide the legal framework for certain public M&A activity, ensuring transparency, fairness and investor protection in transactions involving a public component.

1. Rules on the Offer of Securities and Continuing Obligations (ROSCOs):^[5] these establish requirements for public offerings, disclosure obligations and ongoing compliance for listed companies, aiming to enhance market transparency and safeguard investor interests.
2. M&A Regulations:^[6] these establish a framework for public M&A transactions, setting rules for voluntary and mandatory offers, disclosure obligations, and CMA approval requirements to ensure transparency and protect shareholder interests.

Together, the ROSCOs and the M&A Regulations create a robust framework for M&A activity involving public companies, fostering transparency, regulatory compliance and orderly market operations.

Sector-specific regulations (technology)

Saudi Arabia has made significant progress in issuing sector-specific regulations across the tech landscape, supporting the nation's Vision 2030 goal of diversifying the economy and enhancing its regulatory framework.

For instance, SAMA has introduced multiple new regulatory frameworks to accommodate RegTech solutions. These frameworks, including the Regulatory Sandbox and Open Banking Framework, provide a coherent structure that strengthens the credibility of operators in the financial technology space. By establishing clear regulatory oversight, SAMA's initiatives not only boost confidence in the compliance landscape but also provide a solid foundation for associated M&A activities, allowing companies to navigate transactions with greater assurance and aligning innovative solutions with market stability goals.

Additionally, SDAIA has established AI principles that emphasise transparency, security, and ethical AI use, fostering responsible innovation in RegTech and ensuring alignment with national regulatory standards across industries. These guidelines encourage the cautious use of AI, particularly with sensitive data, and reinforce best practices in privacy, security, and compliance. By setting these principles, SDAIA supports ethical AI development, providing a stable regulatory environment that enhances confidence in tech companies' operations and facilitates M&A activities within the industry in Saudi Arabia.

Key transactional issues

Company structures

The previous (now replaced) companies law in Saudi Arabia imposed certain limitations on Saudi companies, particularly in comparison to practices common in the US, Europe, and other offshore jurisdictions.

For example, the lack of provision for different classes of shares and employee stock ownership plans (ESOPs) made it challenging for tech companies to implement structures that are common in the sector. Consequently, many tech operators opted to set up offshore holding companies in jurisdictions such as the Cayman Islands, the British Virgin Islands and the Abu Dhabi Global Market, which then owned operating companies in Saudi Arabia.

In contrast, the Companies Law aims to overcome these challenges by updating the existing framework. It includes safeguards for business interests, enhances flexibility in operations, and empowers the private sector while aligning with international standards. This reform creates an attractive environment for carrying out business in Saudi Arabia, allowing complex company structures to be established directly in Saudi Arabia without needing offshore entities. While some aspects are still untested, the new Companies Law is gaining traction among investors and businesses.

In Saudi Arabia, investors have several options for corporate structures when engaging in M&A activities within the technology sector.

The most commonly used corporate forms for M&A in Saudi Arabia include limited liability companies (LLCs), joint stock companies (JSCs) and the previously mentioned SJSCs. Each corporate form has its own nuances, advantages, and challenges, making it essential for stakeholders to choose the most suitable option based on the underlying transaction.

LLCs

LLCs are often preferred by small to medium-sized enterprises due to their flexibility and simplified management. An LLC can be formed by one or more natural or legal persons without a fixed minimum capital requirement unless otherwise specified by sector-specific regulations. This makes the LLC an accessible option for startups looking to establish their operations.

LLCs cannot issue different classes of shares, limiting their ability to attract diverse investment and shareholder participation.

Management of an LLC can be conducted by one or more managers, or shareholders may appoint a board of managers if multiple individuals are involved. The governance framework is generally flexible, allowing for customised management roles and decision-making processes. Additionally, LLCs are permitted to issue non-convertible negotiable instruments, sukuk, or other financing instruments in accordance with the Capital Market Law.

All of the above makes LLCs more suitable for operating companies that focus on managing business activities, rather than for holding companies that often seek to raise capital through diverse equity offerings or exit through public offerings.

SJSCs

Simplified SJSCs have been introduced to bridge the gap between LLCs and JSCs, catering to the needs of entrepreneurs and small to medium-sized enterprises.

SJSCs offer increased flexibility in management and operations while retaining some advantages of JSCs. This entity type allows for the issuance of various types and classes of shares, including redeemable and convertible shares, making it easier to access financial markets without diluting equity. Additionally, SJSCs are not subject to the same regulatory burdens as JSCs, they do not require the establishment of a formal board, and shareholders have the freedom to determine the management structure and processes.

Given these advantages, we anticipate SJSCs becoming the entity of choice for holding companies in Saudi Arabia, potentially replacing the previously common offshore structures. Their inherent flexibility is specifically designed to support various ownership and management structures, allowing companies to navigate the complexities of corporate governance and investment strategies more effectively. This adaptability positions SJSCs as a compelling alternative for businesses looking to optimise their operational frameworks while remaining compliant with local regulations.

JSC

JSCs can be categorised as either private or public entities. A public JSC can issue shares to the public and is typically listed on the Saudi Stock Exchange (Tadawul). Public JSCs must adhere to rigorous regulations imposed by the CMA, including strict disclosure and governance requirements aimed at protecting investors. Companies seeking to go public must either establish a JSC or convert from another legal entity, which involves higher capital requirements and added complexities. Conversely, closed JSCs cannot offer shares publicly and generally face fewer regulatory obligations, although they still require a minimum share capital of 500,000 Saudi riyals.

JSCs are mandated to have a board of directors with a minimum of three members. JSCs may also issue negotiable debt instruments and financing sukuk that are convertible into shares, a flexibility not afforded to LLCs.

Unless they are considering an initial public offering (IPO) in the near future, the advantages of using a JSC are often outweighed by some of the challenges and administrative burdens associated with it, making it less appealing for companies focused on growth and innovation.

Deal structures

Saudi technology M&A transactions are typically structured using various methods, with the most common being relatively simpler share acquisitions.

Involve the acquirer directly buying shares from existing shareholders of the target company. Share purchases are generally simpler to execute and provide clear ownership, making them the easiest to navigate within the existing KSA framework which is familiar and supportive of this common structure.

Asset acquisitions

Represent a distinct approach where the buyer acquires specific assets and liabilities of the target company rather than its shares. While this is still a viable route for Saudi technology M&A, the transfer of certain types of assets (such as IP or real estate) can be intricate, expensive, and time-consuming in the local market. Navigating the legal requirements and potential restrictions related to the transfer of each asset means that this method is typically used only when strategically necessary.

Share swaps

In the context of technology M&A, share swaps have emerged as a prominent deal structure. The standard vanilla structure (where the acquirer acquires the target by exchanging its own shares for the shares of the target) is the most common. Given the recent liquidity squeeze in the space, this structure has allowed for the further growth and consolidation of the sector in Saudi Arabia.

Mergers

True legal mergers – such as forward triangular mergers or statutory mergers – are relatively rare in Saudi Arabia. These structures often come with complex regulatory requirements which can lead to prolonged negotiations and burdensome compliance obligations, making them less favourable in most cases.

Sale processes in Saudi Arabia are typically carried out either bilaterally or through a structured auction process. Occasionally, dual-track IPO and sale processes are also explored, but these are generally reserved for larger targets due to cost and capacity constraints.

Most sophisticated big-ticket M&A transactions involve a full suite of advisers, including investment, financial, legal, tax, and technical. Even smaller transactions generally involve a lean group of advisers across legal and financial. The roles played by the various advisers in the Saudi market are consistent with the international market.

Acquisition agreement terms

The Saudi Arabian M&A market has grown to be quite sophisticated in recent years and most internationally applied standard terms have found their way into transaction documents. Set out below are some typical terms of transactions in the Saudi market.

Consideration

1. Traditional forms of consideration, across both cash and shares, remain dominant. Cash consideration is undoubtedly the most common, but share swaps have taken up a sizeable portion of the technology M&A market as well.
2. In terms of pricing mechanics, internationally recognised methods of completion accounts, locked box and earn-outs (with all of their variations and hybrid structures) are common. Occasionally, due to the heavy government involvement in the sector, true fixed-price models are also used.

Representations and warranties

Customary warranties across fundamental (including capacity, title, and authority), tax and operational are usually given by the sell-side.

As is common in more developed markets, in early-stage fundraisings, warranties are typically given directly by the founders. In later-stage fundraisings, they are usually given by the company itself. In the case of secondary transactions, founders (and depending on their nature, other selling shareholders) are generally expected to stand behind the warranties.

Financial investors often have different expectations and typically do not face the same level of liability regarding warranty coverage.

Warranties and indemnities insurance

The usage of warranties and indemnities (W&I) insurance in Saudi M&A transactions has been historically limited; however, this trend is gradually changing as investors increasingly seek to secure protection against potential breaches of warranties in more complex transactions.

This shift reflects a growing awareness of the need for such safeguards within the competitive landscape. As its use becomes more prevalent, it is likely to improve the overall dynamics of M&A transactions in Saudi Arabia, allowing for greater risk-sharing and flexibility in deal structuring.

Closing conditions

M&A transactions in Saudi Arabia often include the following Saudi-specific regulatory closing conditions:

1. Merger control: in addition to any necessary merger control filings that may be required abroad, certain M&A transactions require approval from the GAC. While

complicated in the past, recent enhancements to GAC's processes and revisions to its merger guidelines (such as increased notification thresholds) have significantly streamlined the overall procedure, resulting in a more efficient regulatory landscape.

2. SAMA: transactions involving targets operating in the fintech space are likely to require approval from SAMA, which enforces specific regulations governing the financial technology sector.
3. CMA: certain transactions involving public companies (such as a primary capital injection into a public company or the acquisition of a public company) typically require approval from the CMA in accordance with the ROSCOs and M&A Regulations.
4. MISA: to the extent foreign shareholders are involved, amendments to the target's MISA licence will be required. It is worth noting that, given the New Investment Law, it is likely that this process will change significantly over the coming year.
5. Other regulatory approvals: depending on the specific sector and structure of the transaction, additional approvals may be required from other regulatory bodies, such as MCIT and CITC.

Break fees

Break fees are relatively rare in the Saudi market but have been known to be included in the right commercial circumstances (particularly if a party withdraws after significant investment or commitment by an international counterparty).

In public transactions, the relevant regulations permit the payment of a break fee if an acquisition offer fails due to specific events, such as a higher competing offer. The break fee must not exceed 1 per cent of the offer value and must be disclosed in the offer document, along with the necessary confirmations to the CMA.

Executive compensation

Historically, sophisticated forms of executive compensation (such as long-term incentive plans or employee stock options) have not been particularly common in the Saudi market. More generic forms of compensation (primarily tied to base pay and bonuses) have been favoured.

However, with the increasing sophistication of the market, more complex structures are being put in place (particularly in the tech sector). Various forms of long-term incentive plans and employee stock options are now readily explored and implemented.

Debt financing

Historically, M&A transactions in Saudi Arabia have largely been funded through sponsor equity, reflecting a cautious investment mindset from purchasers or sponsors wishing to avoid more complex structures and longer timelines associated with leveraged M&A transactions. Sovereign affiliated parties in particular, historically relied almost exclusively on equity to fund their investments and acquisitions, with such acquisitions typically being

funded out of the general budget of the sovereign or its wealth funds and any debt financing raised at the sovereign/quasi-sovereign level through the issuance of bonds, sukuk, and/or syndicated loans.

However, recent trends show a significant shift, with leveraged structures gaining traction. This shift is driven by the proliferation of diverse financing options and heightened market competition encouraging companies to strategically utilise leverage as part of their M&A funding strategy.

Several channels have emerged to facilitate the use of debt to fund acquisitions in Saudi Arabia, including traditional bilateral or club-based corporate banking facilities, leveraged acquisition financings and sukuk financings/re-financings. Local banks have proven instrumental in this drive, providing tailored financial support that enhances capital availability in the market. Even Sovereign-affiliated parties such as the PIF have started moving towards exploring more efficient capital structures for acquisitions that involve a mixture of debt and equity.

Leveraged acquisition facilities in Saudi Arabia are typically senior secured and backed by guarantees from creditworthy sponsors. Limited recourse acquisition structures remain relatively rare compared to markets like the US and Europe. This is in part due to uncertainties under Saudi regarding the enforceability of upstream guarantees and security in the absence of distributable reserves at the target company/target group level. Lenders in the Saudi M&A market tend to assess these risks cautiously and structure facilities to comply with applicable limitations while ensuring adequate collateral coverage and other appropriate protections.

Refinancing of existing acquisition debt through sukuk is expected to become increasingly common in Saudi Arabia. This allows companies to access sharia-compliant financing solutions while benefiting from potentially favourable terms and longer maturities. Furthermore, the CMA has recently introduced regulatory enhancements, including reducing the minimum issuance size, to make sukuk more accessible. It has also allowed development funds, development banks, and sovereign wealth funds to issue debt instruments as exempt offerings, potentially stimulating sukuk-based M&A transactions involving these entities.

Despite the positive outlook, the Saudi debt market faces some challenges. These include the limited number of sophisticated institutional investors using debt finance as part of their investment and M&A strategy, the relatively nascent stage of development in Saudi Arabia compared to more mature markets, and the potential impact of global economic conditions on liquidity.

Cross-border issues

Foreign investors coming into Saudi Arabia encounter several complexities that can impact M&A transactions, though recent reforms have significantly improved the investment environment. For instance:

New Investment Law

Under the existing foreign investment law, foreign investors are permitted to own up to 100 per cent of companies in most sectors. However, certain sensitive industries – such as telecommunications and media – still impose ownership caps. The forthcoming New Investment Law is expected to further relax these restrictions. By replacing the requirement for an investment licence with a simplified registration through MISA, the new law will shift from a 'prohibited activities' model to a 'restricted activities' model, requiring only prior approval from relevant authorities for specific sectors. These anticipated changes aim to streamline foreign ownership processes, especially in high-growth sectors like technology, ultimately reducing administrative hurdles and enhancing clarity for investors.

Tax obligations

Foreign investors in Saudi Arabia face a 20 per cent corporate income tax. Understanding their tax responsibilities is crucial for effective financial planning and can influence the overall profitability of investments.

Labour market considerations

The Saudi sponsorship system remains a potential complication. Despite reforms, foreign investors may still need to navigate sponsorship agreements that can complicate management and operational control. The Ministry of Human Resources and Social Development mandates that foreign firms hire a specific percentage of Saudi nationals which can present challenges in recruitment and training, particularly in sectors where skilled local talent is limited.

Complex import/export regulations

Navigating Saudi Arabia's import and export licensing regimes can be intricate, as specific licences are required for certain goods. Foreign acquirers must be familiar with these regulations to ensure compliance, which can affect the speed and efficiency of operations.

IP protection

Overview of the IP and applicable Laws

Saudi Arabia increasingly recognises the importance of IP as a cornerstone of its economic development and diversification efforts. As part of its Vision 2030 initiative, Saudi Arabia is committed to fostering innovation, creativity and entrepreneurship.

In 2018, Saudi Arabia established the Saudi Authority for Intellectual Property (SAIP). The SAIP aims to regulate IP in Saudi Arabia in accordance with best international practice.

Saudi Arabia has a comprehensive framework of IP laws across the Copyright Law and its implementing regulation,^[7] the Law of Patents, Layout Designs of Integrated Circuits, Plant Varieties, and Industrial Designs and its implementing regulation,^[8] the Trademark

Law and its implementing regulation and The Gulf Cooperation Council (GCC) Trademark Law and its implementing regulation,^[9] (collectively, the IP Laws).

The Copyright Law

The Copyright Law classifies, among other things, computer programs, software and their source code as literary works (Literary Works). The Copyright Law protects Literary Works against infringement for 50 years from the date of its first show or publication.

The Copyright Law permits the transfer of Literary Works, in whole or in part, through inheritance or lawful disposal methods, such as contracts. However, a limitation exists when two or more individuals collaborate on creating a Literary Work in such a way that their contributions cannot be separated. In this case, all contributors are considered equal partners in the ownership of the Literary Work, and none may independently exercise the right to transfer the Literary Work without written agreement among all parties.

The Patent Law

The Patent Law aims to protect inventions, which is defined as 'an idea developed by an inventor that results in a solution for a certain problem in the field of technology'.

While Copyright Law protects Literary Works, patents are used to protect new and inventive technical features. To be protected by the Patent Law, an invention must be new, involve an inventive step, and be capable of industrial application.

A patent can be obtained for an invention implemented by a computer program if it meets the aforementioned criteria.

The patent protection period is 20 years from the date of filing the protection application to SAIP. The transferability of patents follows similar principles as those outlined in the Copyright Law.

Trademark laws

Trademarks include, but are not limited to, names, words, signatures, letters, symbols, numbers, titles, as well as designs, graphics, images, distinctive engravings, shapes, group of colours or combinations. The Trademark Laws protect trademarks for 10 years from the date of filing with the SAIP. The transferability of trademarks follows principles similar to those of copyrights and patents.

Conventions

In addition to the IP Laws, Saudi Arabia is part to the following conventions:

1. World Intellectual Property Organization (WIPO);
2. Protocol Madrid Agreement on International Registration of Trademarks;
3. The Berne Convention for the Protection of Literary and Artistic Works;
4. The Paris Convention for the Protection of Industrial Property;

5. The Vienna Agreement Establishing an International Classification of Figurative Elements of Marks; and
6. Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks.

Employment issues

The Saudi Labor Law (the Labor Law) permits non-compete clauses on employees; however, it imposes certain restrictions for these clauses to be enforceable. Such clauses must be in writing, must not exceed two years from the termination of the employment contract, and must be limited in terms of time, place, and type of work.

Additionally, if an employee has access to the employer's trade secrets, including IP rights, the Labor Law allows the employer to incorporate a confidentiality clause to safeguard its legitimate interests. To be valid, the confidentiality clause must meet the same requirements as the non-compete clause, except that it is not subject to a maximum duration.

While the Labor Law does not address no-poach agreement, the requirements for an enforceable agreement would likely apply by analogy.

Historically, employee stock ownership plans (ESOPs) were uncommon and difficult to implement due to the lack of legal framework and compensation structures that prioritised cash bonuses over equity-based incentives. Furthermore, to avoid the tax implications of offering ESOPs to certain employees, Saudi companies typically set up ESOPs in offshore jurisdictions like the Cayman Islands.

Nevertheless, ESOPs have become increasingly prevalent in Saudi Arabia, enabling companies, especially startups, to attract and retain talent while fostering a sense of ownership among employees.

This growing prevalence is primarily fuelled by a change in the regulatory framework. For instance, the Companies Law permits certain forms of corporate entity to issue different classes of shares (some of which can be non-voting). It also allows a public JSC to allocate an increase in share capital to its employees.

In the context of a change of ownership, the Labor Law mandates that employment contracts remain in effect, and employee service is deemed continuous. It is worth noting that Saudi Arabia does not have an equivalent of the United Kingdom's Transfer of Undertakings (Protection of Employment) Regulations, so in the context of asset sales or other reorganisations, employees generally need to resign and be re-hired (and the treatment of any end of service gratuity needs to be considered carefully).

Employers and employees are generally free to include IP rights clauses in an employment contract. It is common for employers to include clauses stating that any IP created by employees will automatically transfer to the employer. In cases where such clauses are not addressed before an acquisition, it is typical for buyers to include a condition precedent requiring that the IP created by employees of the target be transferred to the buyer.

Furthermore, both Patent Law and Copyright Law address the question of whether IP created by an employee automatically transfers to the employer.

Patent Law

Except where an agreement expressly states otherwise, an invention is understood to be one of the following:

1. a work invention: an invention developed within the worker's attributions, as described in his or her job description and while using the employer's resources. Such an invention is owned by the employer. However, the employee will be entitled to receive a special award to be determined either by an agreement between the employer and employee or by the SAIP; and
2. an independent invention: an invention made by the employee on their own, with their own means, and outside their attributions. Such an invention is owned by the employee.

Copyright Law

Similar to the Patent law, if the employer directed or organised the creation of Literacy Work, such Literacy Work will be owned by the employer.

Yes. In Saudi Arabia, employment-related issues and disputes are addressed through dedicated labour courts. These courts hear a wide range of matters, including employment contract disputes, wage claims, and wrongful termination cases. Saudi Arabia has extensive labour protections and employees are encouraged to use them. It is common to find a large number of ongoing non-material labour disputes with targets of any material size.

Data protection

The Saudi Personal Data Protection Law and its Implementing Regulations^[10] (collectively, the PDPL) governs privacy and data protection in Saudi Arabia.

The PDPL, which is broadly based on the EU's General Data Protection Regulations, is a comprehensive legal framework applicable to individuals and organisations that process the personal data, either in or outside Saudi Arabia, of individuals residing in Saudi Arabia. The PDPL outlines the rights and obligations of data subjects, controllers, and processors; provides for a framework for the lawful transfer of data outside Saudi Arabia; and establishes a robust system of audits, complaint resolution, and enforcement mechanisms.

The SDAIA, the authority responsible for oversight and enforcement of the PDPL, has issued guidance regarding disclosure under the PDPL. It states that in addition to getting data subjects' consent to disclose their information, the PDPL allows the target or controller to disclose data subjects' information under the following conditions: personal data was collected from a publicly available source; disclosure is limited such that the

identity of the data subjects or other individuals is unknown; and/or there is a legitimate interest for the target to disclose such information.

The target can disclose personal data if it was collected from publicly available sources; provided that such sources do not violate the PDPL; the target ensures that the buyer's request for information is directly related to a specific subject matter, and the disclosure is limited to achieving that subject matter; and when disclosing personal data related to individuals other than the data subject, the target must exercise due diligence and implement adequate safeguards to protect the privacy of those individuals.

Disclosure is permitted when the identity of the data subjects is unknown. The restrictions applied in this case are similar to those for personal data collected from public sources. It is also important to note that unless a target has consent from its employees, it should generally seek to anonymise data when sharing with buyers. To the extent data on more senior employees is needed, they can provide consent directly easily.

The PDPL permits the target to disclose information if it has a legitimate interest in doing so. The 'legitimate interest' is frequently relied on in M&A transactions since it is open-ended and can be argued to justify the disclosure of information to the purchaser to facilitate the transaction. However, the legitimate interest ground is subject to the following conditions:

1. the legitimate interest must not violate any Saudi laws;
2. the disclosure must not include sensitive data, such as data revealing racial, ethnic origin, religious, or political belief;
3. the target must balance the data subjects' interest against its interest, such that the target's interest does not unduly prejudice the rights and interests of the data subjects; and
4. the disclosure must be within the reasonable expectations of the data subjects.

Additionally, and prior to disclosing personal data for a legitimate interest, the target must conduct and document an assessment of the proposed disclosure and its impact on the rights and interests of data subjects. If the assessment reveals that the proposed disclosure would violate any laws or regulations, infringe upon the rights of the data subjects, or cause harm to them or any other party, the target should modify the proposed processing, conduct a new assessment, or consider relying on an alternative legal basis for the disclosure.

Subsidies

In recent years, as part of its continued efforts to enhance the business environment and attract direct foreign investment, Saudi Arabia has established various initiatives that aim to enable the private sector to increase its contribution to non-oil GDP.

These initiatives come in different forms, some of them on a legislative and regulatory level, and others in programs designed to foster collaboration between

government/quasi-governmental entities and the private sector. Examples include the following.

The National Committee for Incentives

The National Committee for Incentives (Incentives Committee) aims to harmonise the various incentives provided by different government entities. These incentives include both financial and non-financial benefits, ranging from tax, duty and governmental fees exemptions to financing with competitive rates and exceptions from employment localisation requirements.

The business incubators and accelerators company

With backing from PIF, the business incubators and accelerators company (BAIC) aims to support enterprises by offering multiple programmes and services such as business incubator activities and shared space services.

The Small and Medium Enterprises General Authority

The Small and Medium Enterprises General Authority (Monshaat) was established in 2016 to contribute to the development of the SME sector in Saudi Arabia. It ultimately aims to raise the contribution of SMEs to the national GDP from 20 per cent to 35 per cent by the year 2030. Its efforts include, among other things, the development and implementation of programmes to encourage entrepreneurialism, fund venture capital initiatives, and provide operational support to SMEs.

ECZA special zones

In April 2023, four special economic zones in different parts of Saudi Arabia were launched, each with a focus on a specific industry (including technology). The exact details of these economic zones remain outstanding, but they are likely to provide attractive incentives for investors, ranging from reduced tax rates and potentially exemptions from other regulations.

Due diligence

In technology M&A transactions, the level of due diligence conducted by a buyer can vary depending on the nature of the deal. In general, due diligence for technology companies focuses heavily on intellectual property (IP), alongside other standard financial, legal, and operational aspects.

For equity financings, due diligence tends to be more limited and high-level. Investors typically focus on key areas such as ownership of core IP, key contracts, and compliance with relevant regulations. This streamlined approach reflects the fact that equity financings often involve minority stakes or early-stage companies where full due diligence might not be necessary or practical.

However, for full exits or significant acquisitions, a comprehensive due diligence process is usually conducted. This usually includes a full-scope examination across corporate, debt, employment, real estate, IP and other relevant areas.

Tech companies, particularly startups, are often run in a fast-paced, less structured manner. As a result, investors frequently discover areas that require corrective action during the due diligence process. These could include issues with undocumented IP, incomplete contracts, or compliance gaps, which need to be addressed before the transaction can proceed smoothly. Depending on the nature and significance of these findings, the preferred approach is often to handle them post-completion, allowing capital to be injected promptly to fuel business growth.

Dispute resolution

In general, the Saudi Arabian legal system provides for two main judicial authorities: the general judiciary and the Administrative Judiciary. The latter has general jurisdiction for disputes involving government entities, and the former has jurisdiction over all other disputes.

In the context of technology M&A, arbitration is generally preferred over court proceedings for the usual reasons. As part of Saudi Arabia's efforts to promote arbitration and other alternative dispute resolution venues, the Saudi Center for Commercial Arbitration (SCCA) was established with a general mandate to independently oversee the disputes referred to arbitration under its administration and governed by its arbitration rules. The SCCA is headquartered in Riyadh and aims to be the preferred alternate dispute resolution venue in the Middle East.

Additionally, the enforcement of foreign awards is comprehensively regulated under the Arbitration Law^[11] and Enforcement Law,^[12] which codifies Saudi Arabia's position as a party to the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

Special considerations

Tadawul – the largest and most prominent stock exchange in the region – is generally the preferred exchange for tech companies to list on. However, as described above in more detail, for various historical reasons, many tech operators have opted to set up offshore holding structures for their operations in Saudi Arabia.

To meet CMA's offering and Tadawul's listing requirements, these companies often need to undertake corporate reorganisations, relocating their holding companies from offshore jurisdictions to Saudi Arabia. There has been a flurry of these reorganisations recently and, depending on the nature and size of the business, these can be fairly complicated to implement.

Outlook and conclusions

The technology M&A landscape in Saudi Arabia is entering a transformative phase, propelled by Saudi Arabia's Vision 2030 initiatives. Key sectors such as AI, cloud services, and data centres are poised for rapid growth, driven by increasing demand for digital infrastructure and advanced technologies. These developments are expected to create a thriving environment for technology investments, with both local and international players seeking to capitalise on Saudi Arabia's digital transformation.

Supporting this growth, the regulatory framework is constantly evolving to simplify the investment process and encourage tech sector participation. Anticipated changes in the New Investment Law and competition regulations will likely enhance the ease of doing business, while sector-specific standards, especially in cybersecurity, data protection, and fintech, will provide a robust framework for responsible growth and innovation. Additionally, the PDPL is set to ensure strong compliance standards, reinforcing the market's appeal to technology investors.

The success of recent tech IPOs on Tadawul underscores Saudi Arabia's strong appeal for high-growth technology companies. These listings have demonstrated robust investor interest, establishing Saudi markets as a viable platform for tech firms seeking capital and expansion.

Given these dynamics, we anticipate significant growth in the technology M&A space in Saudi Arabia over the next couple of years, driven by regulatory improvements, a favourable investment climate, and rising demand across tech sectors.

Endnotes

- 1 Issued by Royal Decree No. M/132, dated 30 June 2022G (the Companies Law). [Back to section](#) ^
- 2 Issued by Royal Decree No. M/75, dated 6 March 2019G (the Competition Law). [Back to section](#) ^
- 3 Issued by Royal Decree No. M/19, dated 22 June 2024G (the New Investment Law). [Back to section](#) ^
- 4 Issued by Royal Decree No. M/30, dated 31 July 2003G (the Capital Market Law). [Back to section](#) ^
- 5 Issued by the Board of the Capital Market Authority Resolution Number 3-123-2017, dated 27 December 2017G (ROSCO). [Back to section](#) ^
- 6 Issued by the Board of the Capital Market Authority Resolution Number 1-50-2007, dated 3 October 2007G (the M&A Regulations). [Back to section](#) ^
- 7 Issued by Royal Decree No. M/41, dated 30 August 2003G (the Copyright Law). [Back to section](#) ^
- 8 Issued by Royal Decree No. M/27, dated 17 July 2004G (the Patent Law). [Back to section](#) ^

- 9 Issued by Royal Decree N0. M/21, dated 15 March 2002G, and approved by Royal Degree No. M/51, dated 05/25/2014 G. (the Trademark Laws). [^ Back to section](#)
- 10 Issued by Royal Decree No. M/19, dated 16 September 2021G, (collectively, the PDPL). [^ Back to section](#)
- 11 Issued by Royal Decree No. M/34, dated 16 April 2012G (the Arbitration Law). [^ Back to section](#)
- 12 Issued by Royal Decree No. M/53, dated 3 July 2012G (the Enforcement Law). [^ Back to section](#)



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