



# UAE Working Capital Study

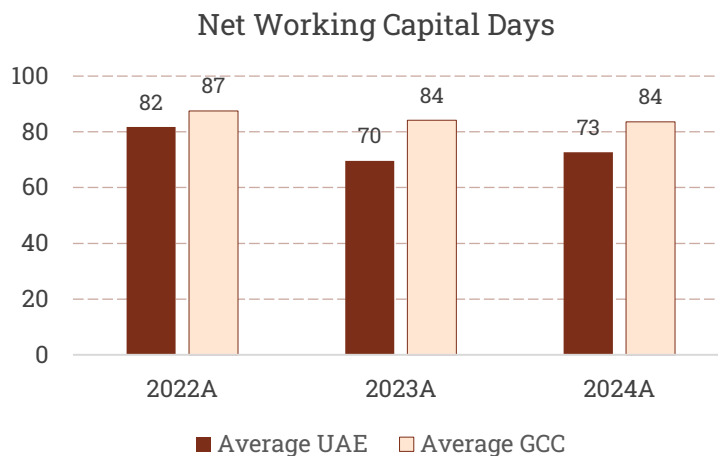


## About this study

Working capital, defined as the difference between current assets and current liabilities, reflects a company's short-term liquidity position. An analysis of working capital metrics across the UAE and other GCC (Gulf Cooperation Council) countries reveals distinct trajectories in their pursuit of efficiency. The aggregated average Net Working Capital (NWC) days, a key measure of how long cash is tied up in operations, showcases a notable divergence between the two regions over the past three years.

GCC includes UAE, Saudi Arabia, Qatar, Kuwait, Bahrain and Oman. Due to data constraint Oman has not been considered in GCC.

In the UAE, average NWC days stood at 81.71 in 2022, experienced a significant improvement to 69.54 days in 2023, and then at 72.71 days in 2024. This represents a substantial 12.17-day reduction in 2023, indicating a concentrated effort to optimize liquidity. Conversely, the aggregate GCC performance showed a more gradual, yet consistent, improvement, moving from 87.47 NWC days in 2022 to 84.20 in 2023, and further to 83.62 in 2024.



The pronounced improvement in the UAE's NWC performance, particularly the sharp drop observed in 2023, suggests a more aggressive or impactful working capital optimization drive. This aligns with observations that the UAE market has seen an increased focus from investors and shareholders, including sovereign wealth funds, private equities, and family conglomerates, on working capital management and realizing value from balance sheets. Such external pressure and internal strategic pushes likely served as a catalyst for the rapid enhancement in the UAE.

The more gradual improvement seen across the GCC aggregate, which comprises various countries for different sectors, might reflect a less unified or less urgent approach, or perhaps a more diverse set of market conditions and maturity levels among the included GCC economies.

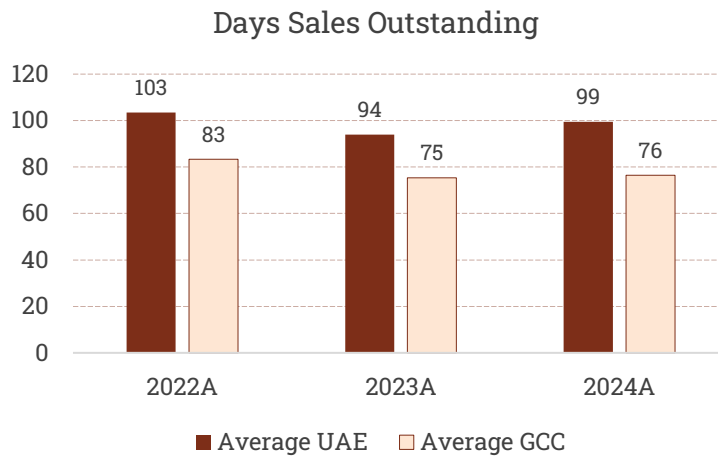


# Highlights of Significant Changes in NWC, DSO, DIO, and DPO

A closer examination of the individual components of working capital, Days Sales Outstanding (DSO), Days Inventory Outstanding (DIO), and Days Payable Outstanding (DPO) reveals contrasting strategies employed by companies in the UAE and the broader GCC to manage their liquidity.

For the UAE, the significant NWC improvement in 2023 was primarily driven by a reduction in DSO from 103.48 days in 2022 to 93.93 days in 2023, coupled with a substantial increase in DPO from 69.48 days in 2022 to 78.52 days in 2023.

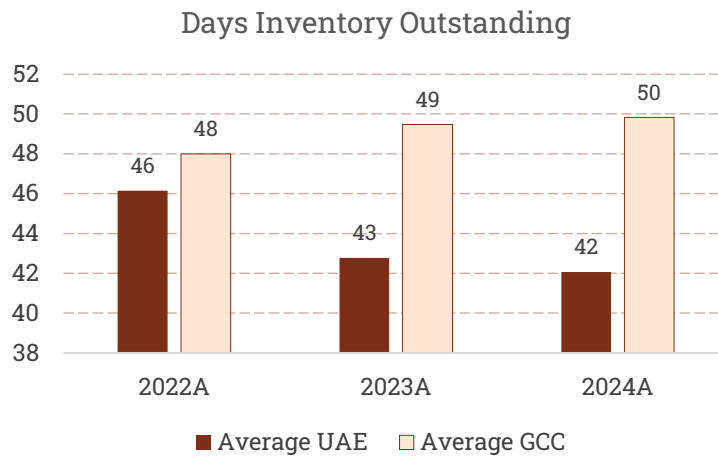
DIO also showed an improvement, decreasing from 46.16 days in 2022 to 42.77 days in 2023. In 2024, while NWC stabilized, DSO deteriorated slightly to 99.46 days, yet this was offset by a continued DPO stretch to 82.08 days and a further DIO improvement to 42.07 days. This indicates a dual focus on accelerating cash collections and extending payment terms to suppliers.



In contrast, the GCC's NWC improvement was largely attributable to a reduction in DSO from 83.40 days in 2022 to 75.38 days in 2023, followed by a slight deterioration to 76.42 days in 2024.

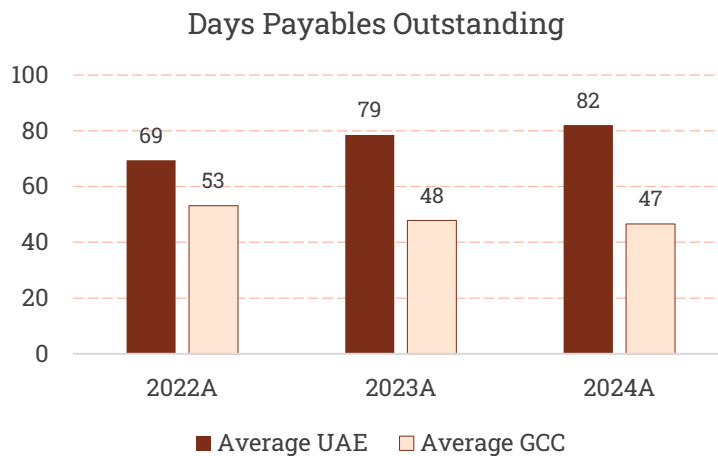
However, a significant difference emerged in DPO, which decreased consistently from 53.09 days in 2022 to 47.82 days in 2023 and 46.59 days in 2024. This means GCC companies, on average, are paying their suppliers faster. DIO remained relatively stable, with a slight increase from 48 days in 2022 to 49.82 days in 2024.

This divergence points to contrasting strategies for working capital optimization. UAE companies appear to be leveraging both sides of the working capital equation, aggressively managing receivables and extending payables to improve NWC. This approach is particularly pertinent given the increased cost of finance in the region, making supplier financing a more attractive tool for liquidity management.



The continued DPO increase in the UAE suggests a sustained tactical approach to liquidity, echoing the observation that some companies stretched suppliers during the pandemic to conserve cash. Conversely, GCC companies primarily focused on receivables management, with their DPO decreasing, which could indicate a prioritization of supplier relationships.

This behavior in GCC contradicts the broader Middle East trend of DPO normalizing back to 2019 levels as business conditions returned to normal, where many businesses realized the negative impact of lengthy DPO cycles.



The sectors which are taken for these study are Transportation, Utilities, Industrial services, Healthcare and Health Technology, Communication, Consumer Non-Durables, Consumer services, Non-Energy Minerals and Retail Trade. Other sectors are not included due to data constraint.

## Quantification of Potential Cash Trapped in Balance Sheets

While specific revenue figures are not available to quantify the exact dollar amount of cash trapped, the disparity in NWC days between the UAE and GCC highlights a significant opportunity for value creation. In 2024, UAE companies, on average, managed their working capital approximately 10.91 days more efficiently than their GCC counterparts.

For any given company, every day of NWC represents a portion of its annual revenue tied up in operations. Therefore, GCC companies are, on average, tying up significantly more cash relative to their revenue than UAE companies.

If GCC companies were to align their average NWC efficiency with that of the UAE, it would unlock a substantial amount of cash. This freed-up capital, could be strategically deployed to provide returns to shareholders or to reinvest in the company, a critical consideration given the persistently high cost of capital in the region.

This represents a considerable untapped value creation opportunity for businesses across the GCC. The higher NWC days directly translate to higher financing costs, as more working capital needs to be funded, reinforcing the financial imperative for improvement.

| Country | Metric (Avg) | 2022 (days) | 2023 (days) | 2024 (days) |
|---------|--------------|-------------|-------------|-------------|
| UAE     | NWC          | 81.71       | 69.54       | 72.71       |
|         | DSO          | 103.48      | 93.93       | 99.46       |
|         | DIO          | 46.15       | 42.77       | 42.07       |
|         | DPO          | 69.48       | 78.52       | 82.08       |
| GCC     | NWC          | 87.47       | 84.20       | 83.62       |
|         | DSO          | 83.40       | 75.38       | 76.42       |
|         | DIO          | 48.00       | 49.48       | 49.82       |
|         | DPO          | 53.09       | 47.82       | 46.59       |

|                                      |   |                                     |   |   |   |  |
|--------------------------------------|---|-------------------------------------|---|---|---|--|
| Net Working<br>Capital Days<br>(NWC) | = | Days Sales<br>Outstandings<br>(DSO) | + | Days Inventory<br>Outstandings<br>(DIO) | - | Days Payables<br>Outstandings<br>(DPO) |
|--------------------------------------|---|-------------------------------------|---|---|---|--|



# Working Capital Trends

## Overall Net Working Capital (NWC) Performance Trends

The overall NWC trends underscore a strategic difference in how the UAE and GCC have approached working capital optimization. The UAE's sharp NWC reduction in 2023 (a 14.66-day improvement) suggests a significant, concerted effort to improve liquidity, akin to an "abrupt correction" to reverse previous deteriorations.

This indicates that UAE companies have had more readily identifiable opportunities for optimization or faced stronger imperatives, such as heightened investor scrutiny or a pressing need to manage the cost of capital, to act swiftly. This agility and responsiveness to market signals and internal pressures for efficiency characterize the UAE's performance.

In contrast, the GCC's NWC improvement was more modest and consistent over the three years. While positive, this more gradual pace suggests a slower adoption of best practices or a less urgent need for drastic measures across the diverse economies that constitute the GCC aggregate in this dataset. This approach, while stable, could mean that more long term value remains untapped within GCC businesses.

The differing regulatory environments, market maturity, and investor demands across the individual GCC countries, as implicitly acknowledged by the varied country compositions for each sector, contribute to the aggregated GCC metrics, potentially leading to a more incremental approach rather than a unified, rapid transformation.



# Country and Sector Comparison

## Country-Level Comparison: UAE vs GCC Breakdown

These trends highlight that the UAE generally demonstrates a more agile and proactive approach to working capital management. This is evidenced by the sharp NWC improvement in 2023 and consistent DIO reduction, albeit with a trade-off in DPO. The UAE's financial ecosystem, including its investor focus and potentially more mature financial infrastructure, may enable more aggressive working capital strategies.

The GCC aggregate, composed of different countries for different sectors, reflects a blend of individual country performances and varying stages of working capital maturity. For instance, PwC noted that Saudi Arabia continued to have the longest working capital cycle in the region, with a deterioration in DIO primarily driven by the engineering and construction sector due to project delays.

Such country-specific dynamics within the GCC influence the overall aggregated metrics. This suggests that while regional commonalities exist, strategic working capital initiatives must be tailored to specific country within the GCC, rather than adopting a one-size-fits-all approach. The UAE's experience could serve as a benchmark for what is achievable with concerted effort and strategic focus.

## Sector-Specific Differences and Performance Analysis

### Transportation

This sector contains Logistics and transportation companies. Both UAE and GCC nation improved NWC, but UAE's NWC is now significantly healthier (24.11 days vs. 53.77 days in 2024). UAE's DPO for Transportation jumped to 90.20 days in 2024, indicating aggressive supplier financing.

### Utilities

This sector includes electricity, gas and water companies. This sector shows a stark contrast. UAE Utilities demonstrated strong efficiency gains, with NWC improving from 63.91 days in 2022 to 42.35 days in 2024, driven by reductions in both DSO and DIO.

Conversely, GCC Utilities experienced substantial working capital strain, with NWC significantly deteriorating from 90.29 days in 2022 to 128.96 days in 2024, primarily due to a sharp increase in DSO from 102.39 days to 137.78 days. This could be attributed to differing regulatory environments or customer payment behaviors in the specific GCC countries (Qatar, Saudi Arabia) included for this sector.

## Industrial Services

UAE NWC deteriorated from 165.15 days in 2022 to 190.17 days in 2024, despite a massive DPO increase from 92.03 days to 180.64 days. This suggests other factors are offsetting the DPO benefit. In contrast, GCC Industrial Services showed significant NWC improvement, dropping from 107.22 days in 2022 to 61.68 days in 2024, driven by DSO reduction and DPO increase.

The engineering and construction sector (often part of industrial services) as having the longest WC cycle and largest deterioration, the specific GCC companies in this dataset for Industrial Services appear to be performing differently or are not primarily E&C.

## Healthcare and Health Technology

Both regions improved their NWC, but UAE started from a considerably higher base (205.16 days in 2022 to 133.44 days in 2024). The UAE Healthcare sector's DPO decreased from 66.54 days in 2022 to 56.88 days in 2024.

## Telecommunication

The UAE telecom sector consistently exhibits negative NWC days, further deteriorating from -40.32 days in 2022 to -56.62 days in 2024. This is primarily due to a substantial DPO increase from 109.64 days to 132.96 days.

Negative NWC indicates that current liabilities (primarily DPO) exceed current assets (DSO + DIO), effectively using supplier funds to finance operations. This represents a highly optimized, or potentially aggressive and risky, working capital model. GCC Communication NWC remained relatively stable (54.53 days to 51.39 days).

## Consumer Non-Durables

UAE NWC deteriorated from 99.87 days in 2022 to 119.60 days in 2024, with DPO decreasing. GCC NWC fluctuated, ending at 126.87 days in 2024, with DIO remaining high and a sharp DPO drop in 2024 (from 65.98 to 47.17 days). Both regions face challenges, with high DIO indicating potential inventory management issues, and GCC's sharp DPO drop portrays a shift towards faster supplier payments.

## Consumer Services

This sector includes hotels, restaurants, sports and luxury companies. This sector shows high volatility for both regions. UAE NWC fluctuated (23.64 days to 16.25 days), with a sharp DSO increase in 2024 (73.33 to 114.63 days) offset by a DPO increase.

GCC NWC also fluctuated dramatically (75.58 days to 17.49 days), with an exceptional DSO improvement in 2023 (78.75 to 18 days) followed by a minor increase, and highly fluctuating DPO. The sustainability of GCC's 2023 DSO improvement is questionable given the 2024 increase and the volatile DPO.

## Non-Energy Minerals:

UAE NWC fluctuated (174.16 days to 164.39 days), with DSO increasing sharply in 2024 and DIO decreasing. GCC's NWC deteriorated significantly from 121.98 days in 2022 to 187.79 days in 2024, driven by substantial increases in both DSO and DIO.

This substantial deterioration in GCC Non-Energy Minerals suggests sector-specific challenges, such as project delays or softening demand for building materials.

## Retail Trade

Both regions demonstrate highly efficient working capital in Retail Trade, characterized by very low NWC days, indicating rapid cash conversion. UAE NWC remained very low (10.69 days to 3.49 days), with DSO dropping dramatically from 53.74 days to 13.06 days in 2024.

GCC NWC also remained very low (14.23 days to 11.17 days), with stable DSO and increasing DIO/DPO. UAE's DSO is exceptionally low in 2024, suggesting strong point-of-sale collections or very short credit terms.

| Sector                | UAE Median NWC days |        |        | GCC Median NWC days |        |        |
|-----------------------|---------------------|--------|--------|---------------------|--------|--------|
|                       | 2022                | 2023   | 2024   | 2022                | 2023   | 2024   |
| Transportation        | 63.60               | 24.69  | 24.11  | 62.32               | 53.82  | 53.77  |
| Utilities             | 63.91               | 46.79  | 42.35  | 90.29               | 108.54 | 128.96 |
| Industrial Services   | 165.15              | 185.41 | 190.17 | 107.22              | 97.80  | 61.68  |
| Healthcare & Tech     | 205.16              | 154.79 | 133.44 | 129.77              | 153.19 | 113.44 |
| Communication         | -40.32              | -51.49 | -56.62 | 54.53               | 51.81  | 51.39  |
| Consumer Non-Durables | 99.87               | 112.42 | 119.60 | 131.33              | 103.64 | 126.87 |
| Consumer Services     | -6.84               | 23.64  | 33.43  | 75.58               | 15.31  | 17.49  |
| Non Energy Minerals   | 174.16              | 128.39 | 164.39 | 121.98              | 163.86 | 187.79 |
| Retail Trade          | 10.69               | 1.24   | 3.49   | 14.23               | 9.77   | 11.17  |
| Average               | 81.71               | 69.54  | 72.71  | 87.47               | 84.20  | 83.62  |



# Our Thoughts

## Working Capital from Stakeholder's Perspective

Working capital has emerged as one of the most reliable indicators of corporate resilience and long-term value creation. For investors, it offers visibility into a company's ability to generate cash, manage capital with discipline, and reduce reliance on costly debt or equity, insights that traditional measures like earnings or EBITDA cannot fully capture.

Companies that consistently improve their net working capital cycles demonstrate structural efficiency and sustainable improvements in liquidity, while high or worsening ratios signal cash flow stress and dependence on external funding. In the UAE, many firms have relied heavily on stretching payables to enhance near-term liquidity.

While effective in the short term, this masks underlying inefficiencies and carries long term risks, including weakened supplier relationships and potential supply chain disruptions. This distinction between tactical maneuvering and structural improvements makes working capital performance a powerful due diligence lens for investors seeking to separate stronger, more resilient businesses from those addressing cash pressures reactively.

For corporates, this study highlights the benchmarking value of working capital analysis. Companies can assess their position relative to sector and regional peers, identifying both strengths and areas where substantial cash remains "trapped" on the balance sheet. Such benchmarking enables a shift from broad efficiency goals to precise, data-driven targets supported by real sector evidence.

Improvements in receivables, inventory management, and payables strategies can be directly tied to investments in automation, demand forecasting, and supply chain finance solutions. In this way, working capital transitions from a back-office financial measure to a strategic weapon, delivering liquidity, competitive advantage, and stronger fundamentals.

For senior executives, the analysis underscores that working capital is not only a finance metric but a strategic priority that touches capital allocation, risk management, and even corporate strategy. Decisions around receivables discipline, inventory positioning, and payables length involve clear trade offs. Extending payables, for example, generates near term liquidity but risks credibility with suppliers and long term cost pressures. Conversely, shortening them can strengthen supply chain resilience but erodes immediate flexibility. By quantifying these trade offs and linking them to long term investor perception, M&A due diligence, and operational stability, working capital transforms into a cornerstone discussion at the C-suite and board level.

## Divergent Regional Paths

The study reveals a striking divergence between the UAE and the wider GCC in how working capital is managed. The UAE's net working capital days dropped sharply in 2023, from over 81 days to just below 70, before edging back to 72 in 2024. This "abrupt correction" reflects investor scrutiny and rising borrowing costs, driving firms to adopt aggressive efficiency measures.

The GCC, meanwhile, demonstrated slower but steady progress, improving from 87 days in 2022 to 83 in 2024. While less dramatic, the GCC's improvement reflects steadier practices and less reliance on short-term actions.

Breaking down the components provides deeper insight. GCC firms consistently outperform the UAE on receivables (DSO), indicating stronger credit discipline. UAE companies briefly showed improvement in 2023 but saw a deterioration the following year, highlighting challenges in sustaining collection efficiency.

In inventory (DIO), the UAE has made steady gains by leaning toward leaner models, while GCC corporates have deliberately built buffer stocks, prioritizing supply chain resilience over liquidity.

The most visible divergence is in payables (DPO). UAE firms have aggressively extended terms from 69 days in 2022 to 82 in 2024, using suppliers as a financing tool. GCC companies, however, have shortened DPO, a deliberate choice to preserve supply chain credibility and supplier health.

These opposing strategies illustrate that while both regions aim for optimization, their priorities differ: liquidity in the UAE versus resilience in the GCC.

## Sectoral Drivers

A closer look at sectors shows that strategy is also dictated by structural realities. In the UAE, transportation and communications sectors showcase the extreme use of supplier financing, with communications even running on negative working capital. While effective for liquidity, this model depends heavily on market power and exposes companies to high risk if supplier tolerance erodes.

In contrast, GCC utilities exemplify structural constraints, with soaring receivables often tied to state-linked delayed payments. Non-Energy Minerals also struggles, weighed down by delayed projects and weak demand, which translates into poor receivables and inventory buildup.

On the other hand, Retail remains a regional benchmark for efficiency, operating with minimal NWC given strong point-of-sale collections and short credit terms. Healthcare, despite traditionally long cycles, has made notable improvements in the UAE, proving that systemic challenges can be addressed through focused receivables discipline and process improvement.

## Future Outlook

The year ahead will test the sustainability of these divergent models. For the UAE, the reliance on stretched payables as a financing lever is nearing its limits. As suppliers themselves grapple with higher financing costs, pushback is likely, raising the potential for higher input prices or direct supply strain. The GCC's more balanced approach, while sacrificing immediate liquidity, may prove more sustainable in the long run by anchoring supplier trust and operational stability.

When interest rates are high, holding onto excess receivables or inventory, or having inefficient payment practices, becomes more expensive because any cash "trapped" in working capital could otherwise save interest costs or be invested productively. This makes operational efficiency much more valuable, companies that manage their cash cycles well will have a clear advantage.

## From Tactical to Structural

Tactical decisions are short-term and structural changes are more of a fundamental approach. The real unlock lies in moving from tactical measures to structural transformation. Companies must embed credit risk frameworks to stabilize receivables, adopt AI-driven demand forecasting to optimize inventory, and digitize procure-to-pay and order-to-cash cycles to eliminate inefficiencies.

At a tactical level, receivables can be accelerated through dynamic discounting, while supply chain finance can preserve payables stretch without harming supplier health. C-level leadership must institutionalize working capital excellence into KPIs and strategy, finance teams must drive analytics and cross functional initiatives.

## Conclusion

This study reinforces that working capital is no longer a passive financial control metric but an active lever of liquidity, resilience, and value creation. The UAE's agility shows how quickly efficiency can be gained under pressure, but sustainability will be the ultimate test.

The GCC's steadier approach underscores the value of balance, discipline, and long-term supplier partnerships. Sectoral variations highlight both structural constraints and opportunities for benchmarking. Taken together, the analysis makes one message clear: those companies that elevate working capital into a boardroom priority, will not only withstand external headwinds but also carve out long-term competitive advantage.



# Impact of Working Capital on Valuation

Working capital management is not merely a liquidity tool, it has a direct and measurable impact on valuation through its influence on cash flows, cost of capital, risk perception, and growth capacity. Companies that structurally improve their working capital cycles create value far beyond the balance sheet by enhancing their intrinsic valuation and strategic attractiveness in transactions.

## Impact on Cash Flow and DCF Valuations

In Discounted Cash Flow (DCF) models, free cash flow to the firm (FCFF) is directly reduced by investments in working capital.

A company with slower receivables collection (higher DSO) or inventory build-up (higher DIO) locks more cash in operations, requiring greater funding, lowering free cash flow, and thereby reducing intrinsic valuation.

Conversely, tightening WC cycles releases cash, increasing FCFF, which positively impacts enterprise value. For example, a 10-day improvement in NWC for a USD 1 billion revenue company could unlock tens of millions in free cash flow, materially improving valuation multiples.

## Effect on Cost of Capital (WACC)

Inefficient WC increases reliance on external financing (debt or equity) to fund operations, raising financing costs.

Structural WC efficiency reduces short-term borrowing needs, which lowers weighted average cost of capital (WACC). A lower WACC increases the present value of cash flows in DCF models, directly enhancing valuations.

## Influence on Transaction Valuations (M&A, IPOs, Private Equity Deals)

In M&A negotiations, buyers typically define a “target working capital level.” Any shortfall is adjusted as a reduction in purchase price, while excess WC (signaling inefficiency) is often discounted from enterprise value.

Companies with lean working capital cycles are perceived as more resilient, more cash-generative, and less risky. This often translates into higher valuation multiples (EBITDA/Revenue multiples).

For IPO-bound companies, sustained improvements in WC signal discipline and scalability, improving investor appetite and valuation benchmarks.

## Relationship with Valuation Multiples

Market evidence shows that sectors with consistently efficient working capital (e.g., retail, communications) enjoy higher EV/EBITDA and EV/Sales multiples compared to working capital-heavy sectors (e.g., healthcare, industrial services).

This is because efficient WC converts reported EBITDA into real cash EBITDA, which investors value more highly.

## Strategic Signaling and Risk Premium

Aggressive payables stretching (higher DPO) may temporarily enhance liquidity but raises supplier risk, which buyers and financiers factor into valuation via higher risk premiums.

Structural WC improvements (automation in receivables, predictive inventory management, supply chain finance programs) lower operational and counterparty risks, reducing the perceived equity and debt risk premium, and thereby increasing valuation.



# About Us

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