



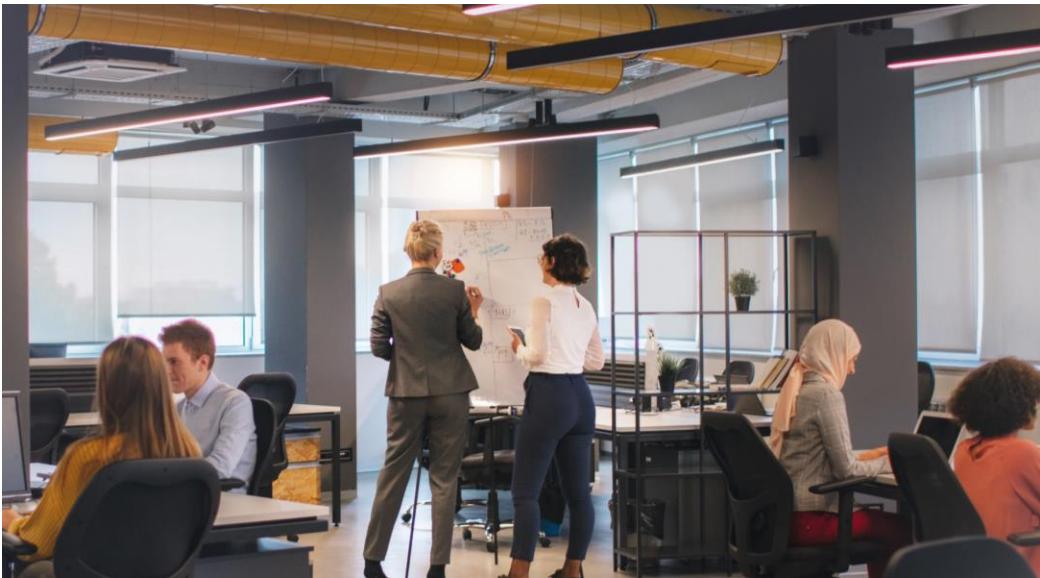
2025 Middle East Working Capital Study

**Turning working capital into
a competitive edge – unlocking
liquidity and building resilience**



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Executive summary

The companies in our study across the Middle East continued to deliver strong growth in 2024, with a combined revenue increase of 6.3% year-on-year (YoY), following a 6.4% rise in 2023. This sustained growth was largely driven by the region's ongoing diversification efforts, with non-oil entities recording a 10.6% increase in revenue. Notably, non-oil revenue in the UAE grew by 16.8%, while Saudi Arabia recorded an 8.0% increase in its non-oil segment. In contrast, oil-based entities saw their revenues contract, reflecting the impact of lower oil prices compared to the previous year.

Since 2020, the region has recorded an impressive compounded annual growth rate of 11.5% – a testament to its economic momentum. Confidence remains high – according to PwC's 28th Annual CEO Survey. Middle East findings, a significant 90% of GCC CEOs are confident about growth in their company revenue over the next 12 months.

These results reflect the performance of the companies in our study, many of which continue to benefit from strategic corporate actions, including capital raising, expansion and asset acquisition. This sentiment is mirrored in capital markets activity. The GCC recorded its highest IPO volumes on record, with 53 listings in 2024, signaling investor confidence and momentum. This marks a continuation of the IPO trend we saw in 2023.

72%

of regional CEOs plan to pursue acquisitions outside their core sectors within the next three years

Despite geopolitical uncertainties, the Middle East's mergers and acquisitions (M&A) market demonstrated remarkable resilience, with continued deal activity driven by bold ambitions to accelerate regional diversification and unlock long-term value. Among the companies we studied, M&A – including public listings and acquisition of regional and international assets – has been a clear contributor to top-line growth. This aligns with the broader market patterns outlined in PwC's PwC's 2025 TransAct Middle East report.

Looking ahead, the appetite for transformational deals remains strong. 72% of regional CEOs plan to pursue acquisitions outside their core sectors within the next three years – a clear indication that M&A is seen as a lever for reinvention and future readiness.



“In a year marked by heightened geopolitical uncertainty and supply chain disruption, effective working capital management remains a strategic priority in the Middle East. Companies that take a disciplined approach to cash conversion can unlock liquidity, build resilience, and respond more confidently to market pressures. Sustainable improvements in working capital continue to be a powerful enabler of growth and long-term value.”



Mo Farzadi

Partner, Performance and Restructuring
Services leader, PwC Middle East

Key findings

US\$54.7bn

of excess working
capital

Revenue growth

6.3%

YoY

EBITDA

increased by

30 bps

Net working capital
days reduced by

six days
(5.6%)

Short-term
debt up

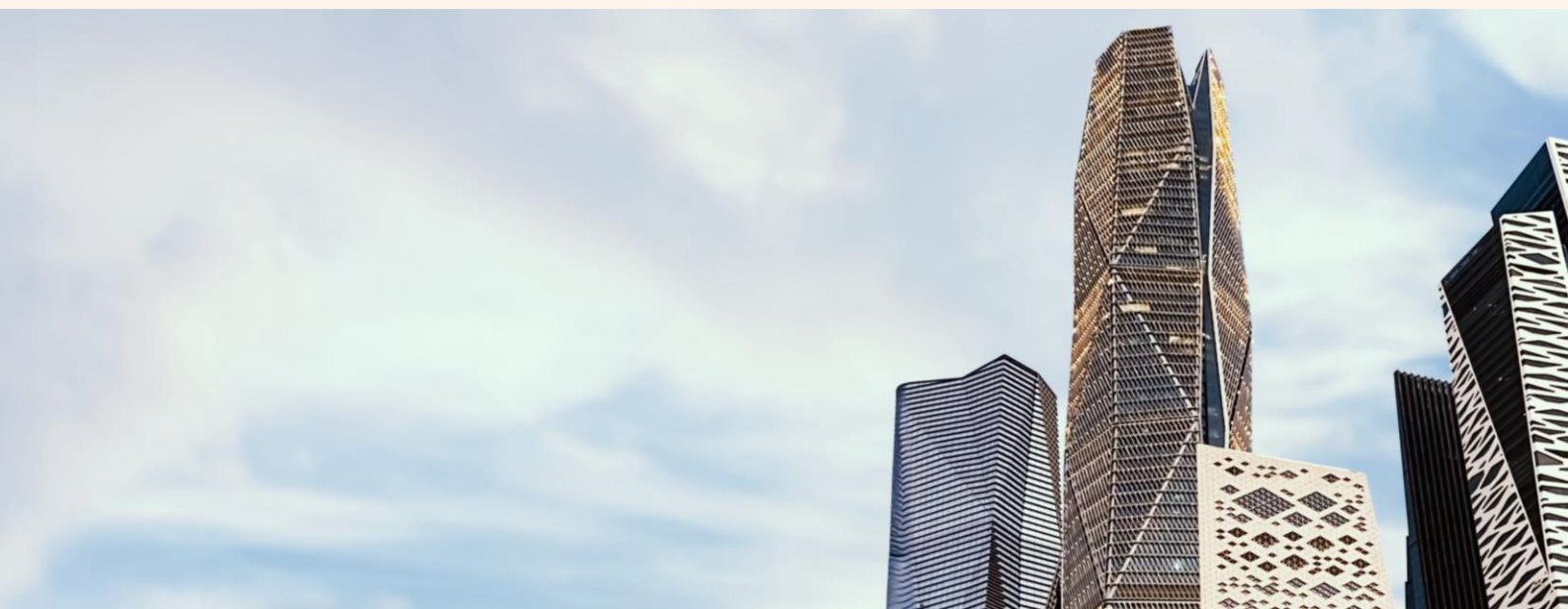
23.8%

YoY

Interest expense
grows

13.1%

YoY



Revenue and cost trends

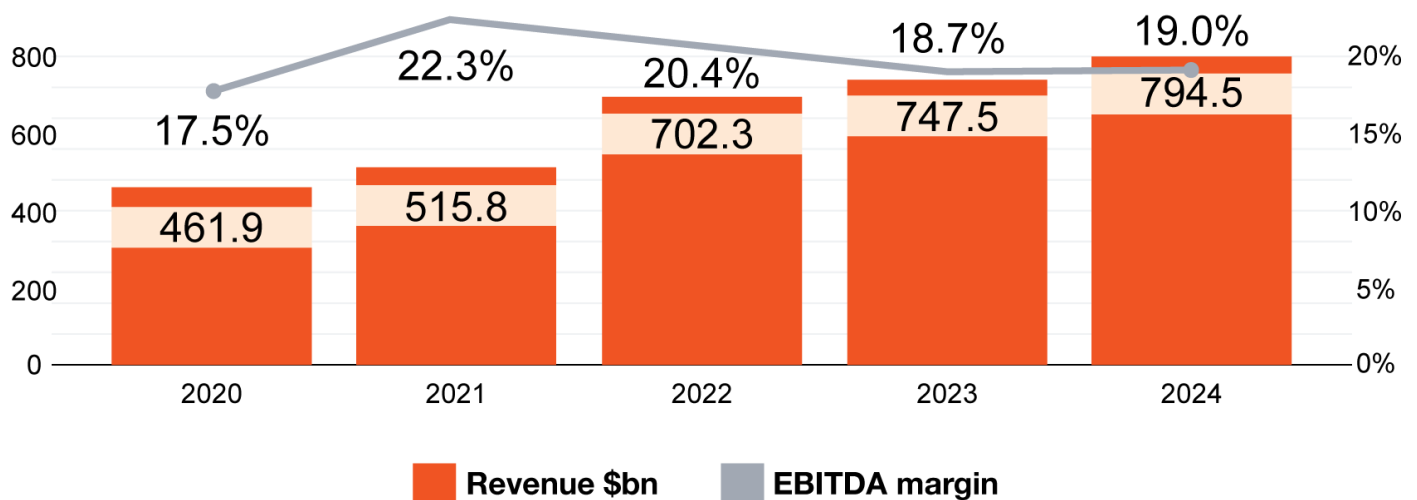


Figure 1 - Revenue and EBITDA margin

In the region, overall profitability has shown a modest improvement, rising by 30 basis points (bps) after two consecutive years of decline.

Despite 2024 being a year marked by weaker oil prices and ongoing regional supply chain disruptions due to geopolitical tensions, we see that the cost of goods sold (COGS) as a percentage of revenue dropped by 60bps – the first time in three years. This reflects a sharper focus on sourcing strategies and early results from localisation efforts that have helped reduce disruption risk.

However, we also note that selling, general and administrative (SG&A) costs as a percentage of revenue have increased for the first time in five years by 20bps to 8.1% across the region. This trend is particularly pronounced in Saudi Arabia – the region's largest economy – where both SG&A and COGS as a share of revenue remain higher than in peers such as the UAE, underscoring the opportunity for transformation across Saudi Arabia.

While the average SG&A costs across the region reflect a good level of efficiency achieved over the last five years, advances in artificial intelligence are set to accelerate productivity. In the region, 70% of GCC business leaders believe AI will transform operational efficiency. While this presents an opportunity for margin expansion, it will also heighten competition, especially for companies slow to adapt.

Currency dynamics may further shape margin performance. In the GCC, a weaker U.S. dollar could have dual effects. For importers, a weaker U.S. dollar increases the relative cost of non-dollar-denominated inputs, putting further pressure on gross margins. Conversely, exporters could benefit from enhanced price competitiveness, although those reliant on non-dollar inputs may see limited benefit as rising costs offset gains. In many cases, a weaker dollar may serve more to stabilise margins than to materially expand them.

Taken together, this environment highlights the need for regional companies to reassess and reshape their operating models. Those that focus on structural transformation and leverage technology to build resilience and agility will be better positioned to protect and grow margins in an increasingly competitive and capital-efficient environment. Those that fail to adapt may find themselves at a growing disadvantage.

Yearly trend of cost to revenue ratios

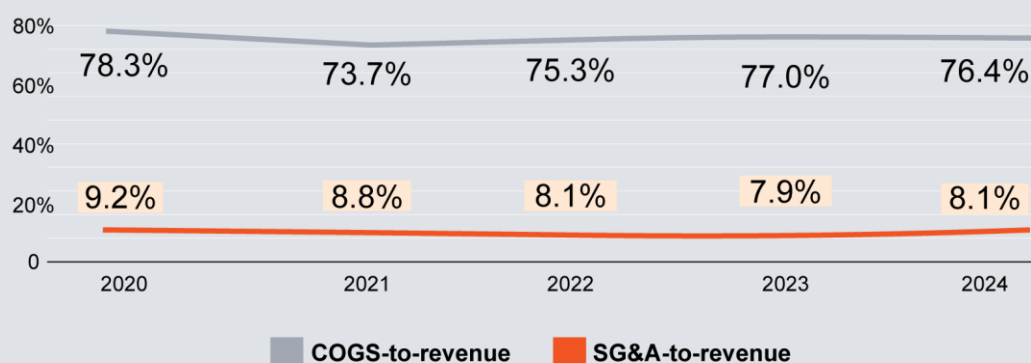


Figure 2 - COGS and SG&A-to revenue

Working capital trends

NWC days yearly trend

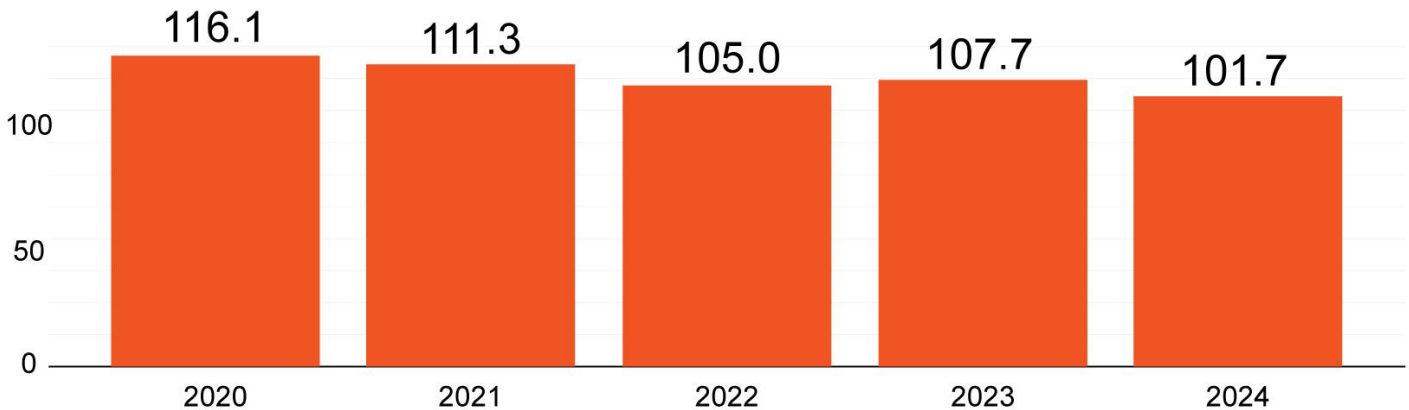


Figure 3 - Net working capital days

The focus on working capital optimisation has continued in 2024 with an overall improvement of 5.6% – equivalent to six days – bringing the net working capital (NWC) days across the region to 101.7 days. The progress was driven equally by a decrease in the average collection cycle from customers (accounts receivables) and the average inventory holding time (inventory).

The COVID-19 pandemic has acted as a clear catalyst for working capital which has climbed up on the strategic agenda of top performing companies across the Middle East. Our experience in the market reflects this shift – evidenced by a growing number of inquiries and projects across both performance improvement of existing operations or consideration of working capital as a value creation lever in M&A transactions.



US\$54.7bn

currently trapped on the balance sheets of the companies in our study.

We also noted an increased use of receivables factoring, especially across Saudi Arabia, as a go-to tool for CFOs to reduce the burden of customer payment delays and this is also seen in the increase in short-term debt as well as interest expenses. While working capital financing is a good tool to improve performance, it can mask the internal inefficiencies in the collection processes, which many organisations can still drive significant improvements from.

Despite the continued YoY improvement, there are still opportunities across the region for substantial cash release. We estimate that as much as US\$54.7bn is currently trapped on the balance sheets of publicly listed companies – representing a major opportunity for further cash release and value realisation.

The number of companies improving working capital YoY has dropped this year and only 48% of the sample in our study showed a YoY improvement (from 54% last year). Notably, only 9.4% of the companies in our study were able to show investors and shareholders sustained focus on working capital with improvement in NWC days for three consecutive years, as opposed to short term bursts and tactical changes which typically are reversed within 12 months if the focus is shifted. It is evident from our analysis that the overall improvement across the region in working capital performance continues to be driven by a select group of top-performing companies and the remaining companies are either in a deteriorating position or continue to focus on tactical actions which are not ensuring the needed efficiencies in the underlying processes and operating model.





The cost of capital to fund these inefficiencies remains high especially as the interest rates regionally are expected to reduce slightly over the next two years and then bounce back to the same rates as today, past the three-year mark. The interest expenses as a percentage of revenue have increased to 3.1% and are now at the same level as they were in 2020 during the pandemic. This increase comes on the back of the short-term debt rising by 23.8% YoY and reaching a five-year high. We have seen during 2024 an increasing number of companies, with which we have interacted, that have sought the route of financing working capital by way of factoring receivables and implementing supplier financing programmes to help their balance, which is also a contributing factor for the sharp increase.

However, improving operational working capital should remain the priority for corporates as the release of cash from operations comes at zero cost versus the financing arrangements, which will have a greater cost associated with them. The focus on working capital will ensure that corporates remain attractive to investors by offering a good return on capital invested and remain liquid in the current buoyant markets to capitalise on opportunities that might offer them a competitive advantage.

Key working capital metrics

Across the region, 2024 saw improvements in Days Sales Outstanding (DSO) and Days Inventory Outstanding (DIO), while Days Payables Outstanding (DPO) remained broadly stable. These movements reflect a continued focus on operational efficiency, though the nature and sustainability of improvements varied significantly across sectors and countries.

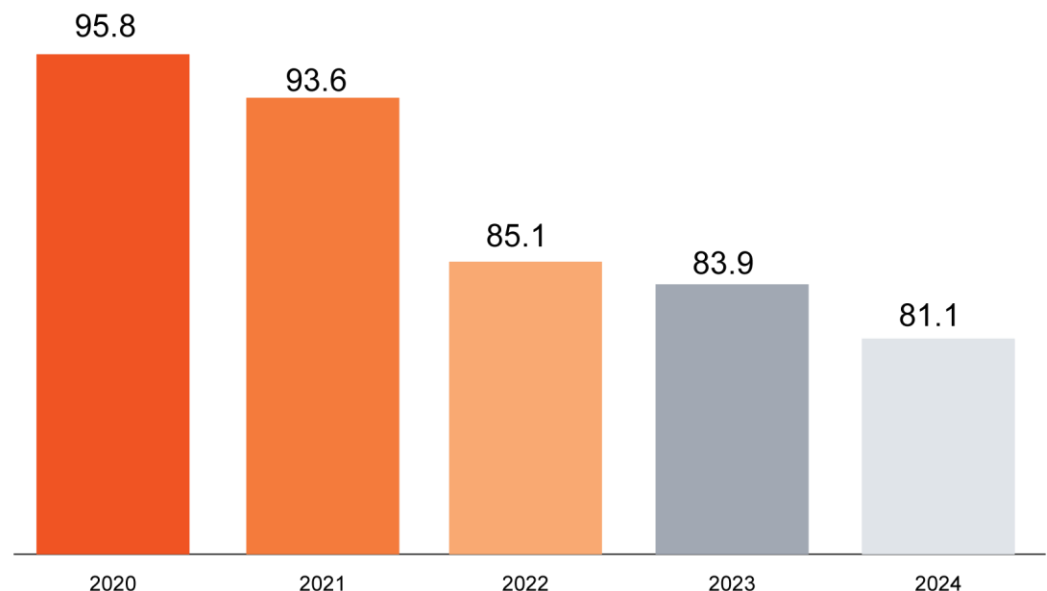


Figure 4 - DSO

Receivables performance continued to improve in 2024, with DSO falling to 81.1 days from 83.9 days in 2023. Following the post-COVID correction between 2021 and 2022, improvements in receivables performance have continued YoY. Across key markets in the region, we have seen an increased focus on improving the collections performance. Efforts range from tactical pushes to accelerate collections to structured order-to-cash improvements covering credit risk, billing and collections processes supported by process automation and the adoption of AI tools to support predictability and decision-making.

Particularly during FY24, we have seen an increased use of financing products – mainly factoring of private and government receivables with the UAE and Saudi Arabia emerging as regional leaders in adopting these solutions.

Inventory efficiency also strengthened, with DIO improving by three days on average. This drop in inventory coverage comes during a year when the regional supply chains have come under pressure, particularly due to geopolitical tensions and Red Sea disruptions.

Some companies across the region have seen clear benefits from localising their supply chain, with shorter lead times enabling them to reduce safety stocks and mitigate risk. An increasing number of corporations have invested in supply chain visibility and planning tools, which have started to yield benefits. Nonetheless, there are a few key areas for supply chain opportunities across the region namely: inventory planning, inventory replenishment strategies and demand forecasting.

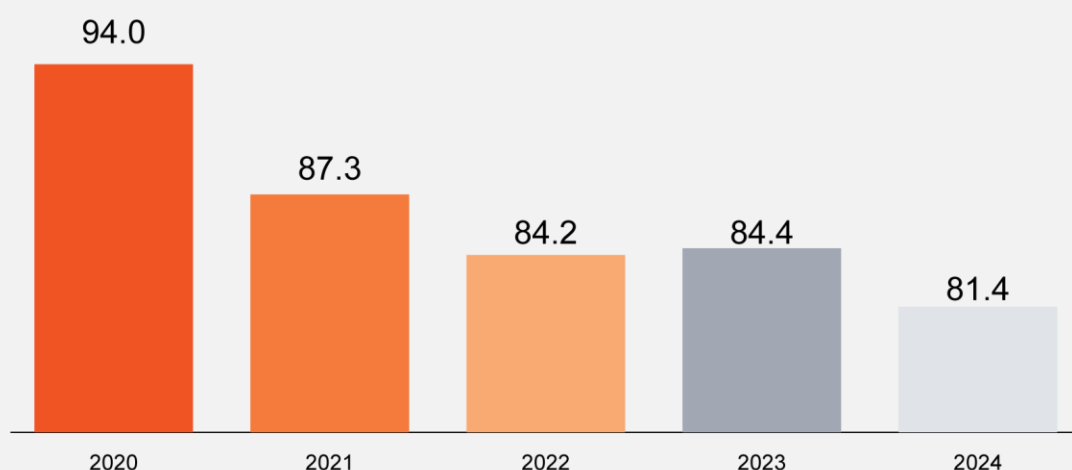


Figure 5 - DIO





Payables performance remained steady, with DPO holding at 60.8 days. However, this regional average conceals sector and country-level divergence, ranging from around 40 days to over 100 days across their payables cycles. The key factor impacting the payments cycle is the commercial terms, where imports often require at least a portion of advance payments or full payment on delivery, while local purchases are typically on credit. In many cases, these credit periods across the region exceed 90 days.

Regional corporates, however, appear to have learned from previous years that stretching suppliers to improve liquidity can have severe consequences. This, coupled with the increasing maturity of the financing products, has led to increased use of supplier financing across the UAE and Saudi Arabia. However, these programmes, while beneficial for the suppliers, are often underutilised due to a poor implementation or limited understanding of how the product works by the suppliers.

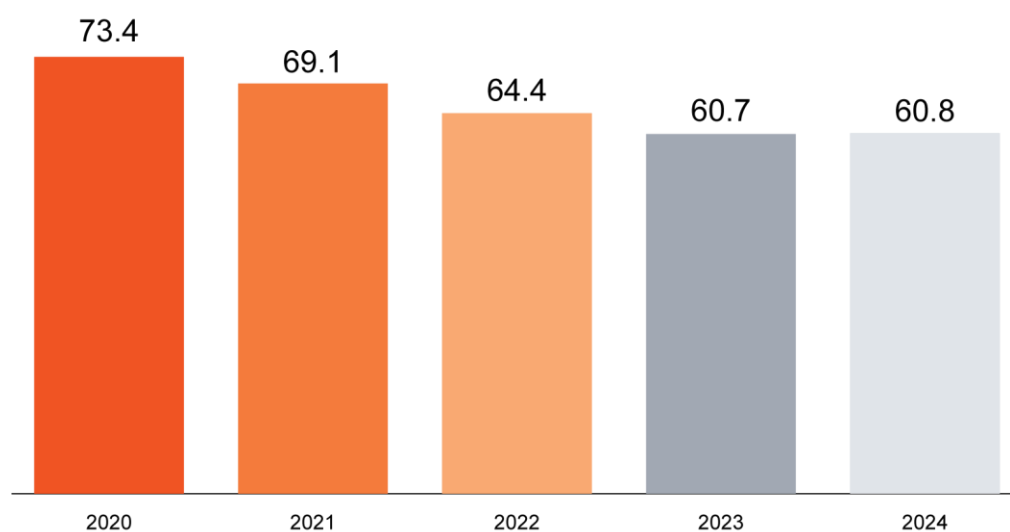


Figure 6 - DPO

Recommendations

With the cost of capital remaining elevated and performance polarising between leaders and laggards, working capital efficiency must be treated as a long-term capability rather than a short-term initiative. To build resilience and unlock sustainable value, we recommend that companies focus on the following five priorities over the next 12 months:

Get the basics right

Many persistent issues in working capital stem from foundational gaps. These include late or inaccurate invoicing, limited visibility of stock positions and payment processes that are neither standardised nor enforced. Before investing in tools or financing structures, companies should ensure the fundamentals are in place. Clean transactional data, standard operating procedures and strong handoffs between teams are essential to building momentum.

Ensure you measure and cascade KPIs

What can be measured can be improved. High-level KPIs discussed in quarterly management reviews must be cascaded to operational metrics that drive day-to-day decisions. Collections teams should be able to track overdue trends by customer group, inventory planners should be accountable for slow-moving stock and procurement teams must monitor supplier payment terms. This clear linkage between strategic targets and operational behaviour ensures performance can be owned, understood and improved.





Tailor systems and AI to real needs

Many system implementations fall short because they are rolled out without reflecting the company's true working capital drivers. AI and automation can be powerful tools to enhance forecasting and prioritisation, but only if they are designed around the right questions and processes. Equally important is ensuring business teams are engaged during implementation and trained to use the tools as part of decision making, not just reporting.

Use working capital as a lever to reduce debt

As total debt continues to rise and short-term maturities increase, reducing reliance on external financing is now a strategic priority. Working capital is one of the most immediate sources of cash within an organisation. Optimising receivables, inventories and payables allows companies to free up capital, reduce financing costs and strengthen their balance sheet without impacting operations.

Embed a working capital culture

Sustained success in working capital comes from mindset as much as mechanics. Businesses must embed ownership of cash performance at all levels. This includes linking incentives to working capital KPIs, establishing governance structures that regularly review progress and building financial discipline into commercial behaviour. A strong cash culture will ensure improvements continue well beyond any single programme or economic cycle.

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