



Investment Highlights

Winter 2021

Inside this report:

- Opening remarks by Abdullah A. Alsawaha, Minister of Communications and Information Technology
- Sector highlights on Information and Communications Technology opportunities
- Deep dive on the quarter's top investor stories across all sectors
- Expert opinions by Ministry of Investment and Industrial and Commercial Bank of China
- New foreign investment projects in Q4
- Top investment opportunities by INVEST SAUDI



OPENING REMARKS



Abdullah A. Alsawaha

Minister of Communications and
Information Technology

With so much volatility, uncertainty, complexity and ambiguity (VUCA) in the world the future belongs to those that are digitally resilient.

This generation and next generations will not forgive us if we do not invest and innovate in digital. In 2020, digital has shown that it is not only the largest social equalizer and economic multiplier, but it kept the social fabric intact. It kept economies interconnected and it was the key environmental preserver.

Socially, digital was the only way for our loved ones to receive care outside of the ICU room. Virtual healthcare consultations moved from 200 million consultations to a billion consultations globally.

In Saudi Arabia, we've seen a similar growth rate as our telemedicine platforms handled over 25

million virtual health consultations. We partnered with Babylon Health, a global leader in remote health care, on implementing data and AI in health care to reduce the cost of delivering a full virtual consultation by machine to a single dollar.

Economically, digital has helped us to shift and accelerate the push to a cashless society. FinTech boomed within the Kingdom of Saudi Arabia to a 37% penetration and we saw the first billion-dollar valuation of a FinTech unicorn in the Middle East, etc pay.

Last but not least, in the infrastructure space, the Kingdom is now home to the largest hyper-scale cloud computing facilities in the region. Google partnered with Saudi Aramco, while Alibaba Cloud worked with STC, to build their largest regional cloud computing data centers in Saudi Arabia. The two cloud computing partnerships are worth a combined \$1.5 billion and became the largest tech and digital investments in the region.

Environmentally, on January 10th, His Royal Highness Prince Mohammed Bin Salman announced The Line at NEOM, launching the urban model that looks likely to dominate the next 150 years globally. Throughout the past 150 years and four industrial revolutions, we've put cars before people when thinking about roads and urbanization. Today we're delivering an urban model with zero emissions, 100 percent renewable, while putting people first.

And this is why today we're pivoting not only to become a global leader in thermal energy, but also the renewable and sustainable energy leader by announcing a \$5 billion major investment in green hydrogen and green ammonia with Air Products and ACWA Power.

To conclude, it's no wonder that the EU Center for Digital Competitiveness ranks Saudi Arabia as the number one digital riser in their evaluation of the G20 nations. Digital is Saudi Arabia's present and future, and investors are our key partners in this journey.

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DATA HIGHLIGHTS



Following the economy's resilient first half of 2020, Saudi Arabia turned its expectations of recovery into reality in the second half of the year.

In Q4, the Kingdom's economy accelerated its recovery and recorded a 5.9% quarterly growth rate, while year-on-year contraction also improved from -4.6% in Q3 to -3.9% in Q4. Consequently, the Kingdom's economy recorded a 4.1% contraction in 2020 outperforming IMF's estimates of a 5.4% contraction in the Kingdom, as well as its 4.4% contraction expectation for the global economy.

The Kingdom's non-oil sector proved resilient to pandemic lockdown measures in Q4 contributing 60.5% to GDP, higher than the figures from Q1. Economic activity in finance, insurance, real estate, business services, and construction services returned to positive growth, as petroleum refining, crude petroleum and natural gas underwent contraction.

Foreign investment projects in Saudi Arabia reached record-high territory in Q4 of 2020, with 466 new licenses issued by the Ministry of Investment. New foreign investment projects in the Kingdom showed an increase of 52% in the last quarter compared to Q3, establishing 1,278 new foreign investment projects over the course of 2020.

The Kingdom's foreign direct investment (FDI) performance in the last quarter of 2020 was also notable. The \$1.9 billion of FDI inflows in Q4 represented a 80% increase compared to the same period in 2019, when FDI stood at around \$1 billion. Consequently, total amount of FDI to Saudi Arabia during 2020 reached \$5.5 billion, representing a 20% increase compared to 2019.

Saudi Arabia's robust economic performance in the last quarter of 2020 lays the groundwork for additional investment opportunities within the Kingdom. As access and availability to the COVID-19 vaccine increases within the Kingdom and worldwide, rising consumer sentiment and growth of online sales is evidenced in four successive months of increased value in point-of-sale (POS) transactions, illustrating sustained recovery in the GCC's largest economy.

EXPERT OPINION

REFORMS ARE SUSTAINING A RESILIENT, PRIVATE SECTOR-LED GROWTH



Dr. Saad Alshahrani

Deputy Minister for Economic Affairs and Investment Studies, Ministry of Investment

How have the Vision 2030 economic diversification efforts helped the Kingdom's macroeconomic stability?

Vision 2030 recognizes economic diversification as a key contributor to sustainable economic growth. Over the past years, the government has undertaken structural and economic reforms to diversify the economic base. These initiatives have helped stimulate growth and boost the private sector's performance until the beginning of 2020. Following the impact of the COVID-19 pandemic, these reforms provided Saudi Arabia with greater flexibility and resilience in economic activity. As a result, we have seen moderate disruptions across key economic areas, including megaprojects and non-oil sector growth. The non-oil GDP growth reached its highest in 4 years in 2019 with 3.3%, led by a strong private sector performance, and experienced relatively lower volatility during the pandemic. The non-oil sector showed a remarkable recovery in Q4 2020, growing by 8.2% compared to Q3 2020.

What is your outlook for non-oil sector's performance as the pandemic's impact is alleviated?

The government's private sector and employment stimulus packages were effective in helping the private sector maintain solvency and overcoming the difficulties of the pandemic. Sectoral recovery from the worst of the pandemic is already on the way, with international trade showing a remarkable pick-up in Q4 2020 relative to the previous quarter. Also, major economic activities have picked up and recorded over 10% growth. According to IHS Markit, the activity in our manufacturing industry, a key indicator of recovery, also showed the strongest improvement in 13 months in December, as the Purchasing Managers' Index rose from 54.7 to 57. On the other hand, POS transactions posted a 35% increase on a year-on-year basis in December 2020. These are all strong indicators that the economic diversification and the increasing role of non-oil sector are having a visible impact on economic performance, and we expect this robust performance to continue even after the pandemic passes.

How will Saudi Arabia's reforms continue to support diversification and competitiveness?

Supporting and enabling the private sector to lead economic growth, develop new sectors and boost non-oil international trade are among the key goals of Vision 2030. The government puts the private sector at the forefront of its plans, providing new opportunities for growth and greater economic contribution via privatization and infrastructure investment projects. In early signs of these reform efforts, our budget deficit reduced to 4.5% of GDP in 2019, compared to 9.3% in 2017 and 15.8% in 2015. As a strategic economic policy objective, we will continue to empower the private sector and offer more investment opportunities. We will also increase privatization efforts in infrastructure development to support promising sectors such as manufacturing, mining, renewable energy, tourism, entertainment and communications. For example, the government is closely working with the private sector in modernizing ICT infrastructure, developing the regulatory framework to drive innovation and to build the most suitable ecosystem to support tech entrepreneurs and digital talent.

How can changes in global supply chains benefit Saudi Arabia's role as trade and logistics hub?

The pandemic created a cyclical shock in global trade and a sharp drop in FDI flows. As investors look to make supply chains more resilient, regionalization will be favored over globalization. Many businesses will be looking to increase their presence in several regional hubs rather than supplying their global network from a few flagship locations. This is where Saudi Arabia's strategic location at the heart of three continents becomes even more important. We provide access to 50% of the global population within 5 hours flying time and have already started major infrastructure projects that will significantly expand the capacity of our logistics network.

There is wide consensus that 2021 will be a year of economic recovery. What is your macroeconomic outlook for the Kingdom in 2021?

We expect a real GDP growth of 3.2% in 2021, supported by a strong non-oil sector performance. As the Kingdom continues to open up opportunities in untapped sectors like tourism, culture, entertainment, as well as technology and logistics, the private sector contribution is expected to grow even further in 2021. I can't emphasize this enough, but Vision 2030 is Saudi Arabia's own renaissance, creating not only economic diversity, but lasting social and cultural change, too. Ultimately, investors are being offered the chance to participate in shaping a historical transformation. It is not rare for investment destinations to rapidly transform and open up to investment at the same time. What is very rare is for this to happen in a major G20 economy.

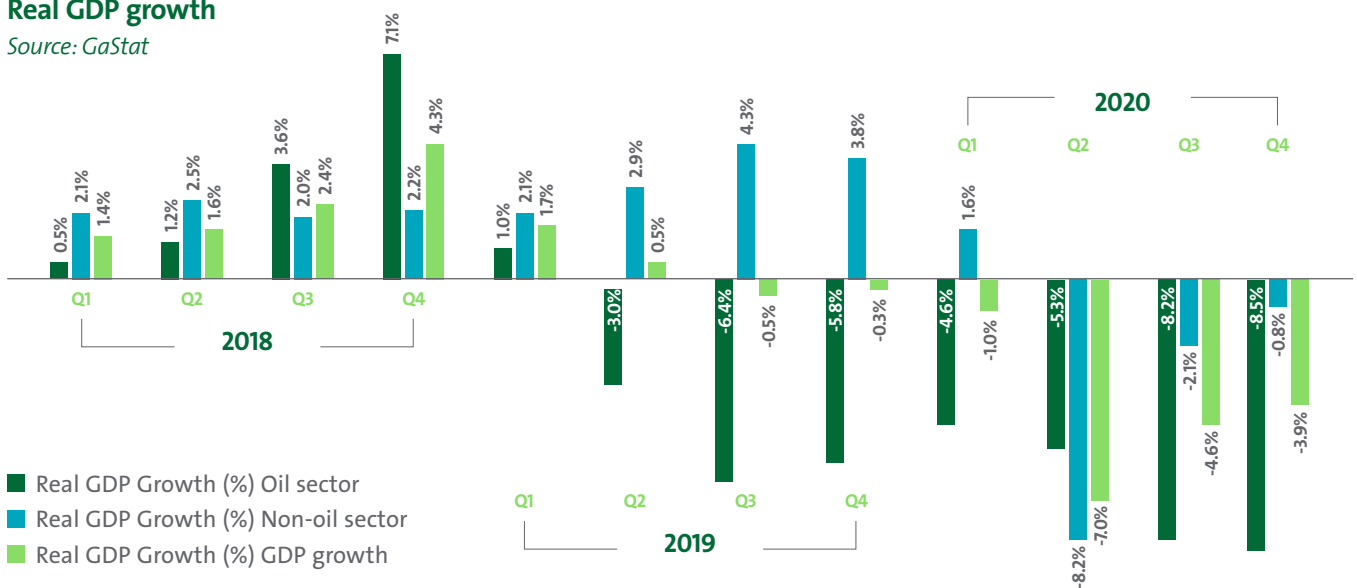
MACROECONOMIC OUTLOOK

GDP recovery begins to gain pace

Real GDP in Saudi Arabia fell 3.9% year-on-year in Q4 of 2020, driven by contraction in the oil (8.5%) and non-oil sectors (0.8%). Although the annual contraction continued, the pace slowed and indeed the economy expanded by a quarterly growth of 5.9% in Q4. With these numbers Saudi Arabia's economic contraction stood at 4.1% in 2020, outperforming IMF's expectations of a 5.4% fall in the Kingdom's GDP.

Real GDP growth

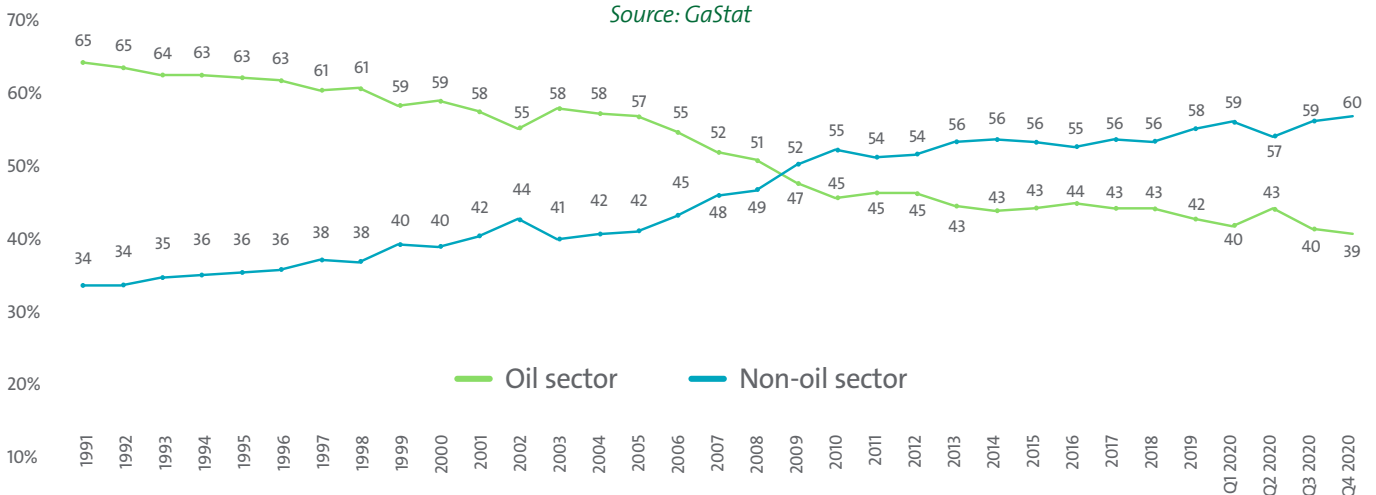
Source: GaStat



The encouraging signs of quarterly GDP performance has largely been due to the resilience of the non-oil sector, whose contribution to GDP increased to 60.5% in Q4. Meanwhile, the oil sector's contribution to GDP fell to 38.7% in Q4.

Share of non-oil sector percentage contribution to GDP (2010 constant prices)

Source: GaStat



The sustained impact of the COVID-19 pandemic on international freight and passenger travel, and the effect of various supply chain disruptions, resulted in an 8.5% contraction in the Kingdom's oil sector in Q4, which lead to a 6.7% contraction for entire year of 2020.

The non-oil sector, however, recorded encouraging recovery signs with 0.8% contraction in Q4, an improvement when contrasted to the 2.1% contraction witnessed in Q3.

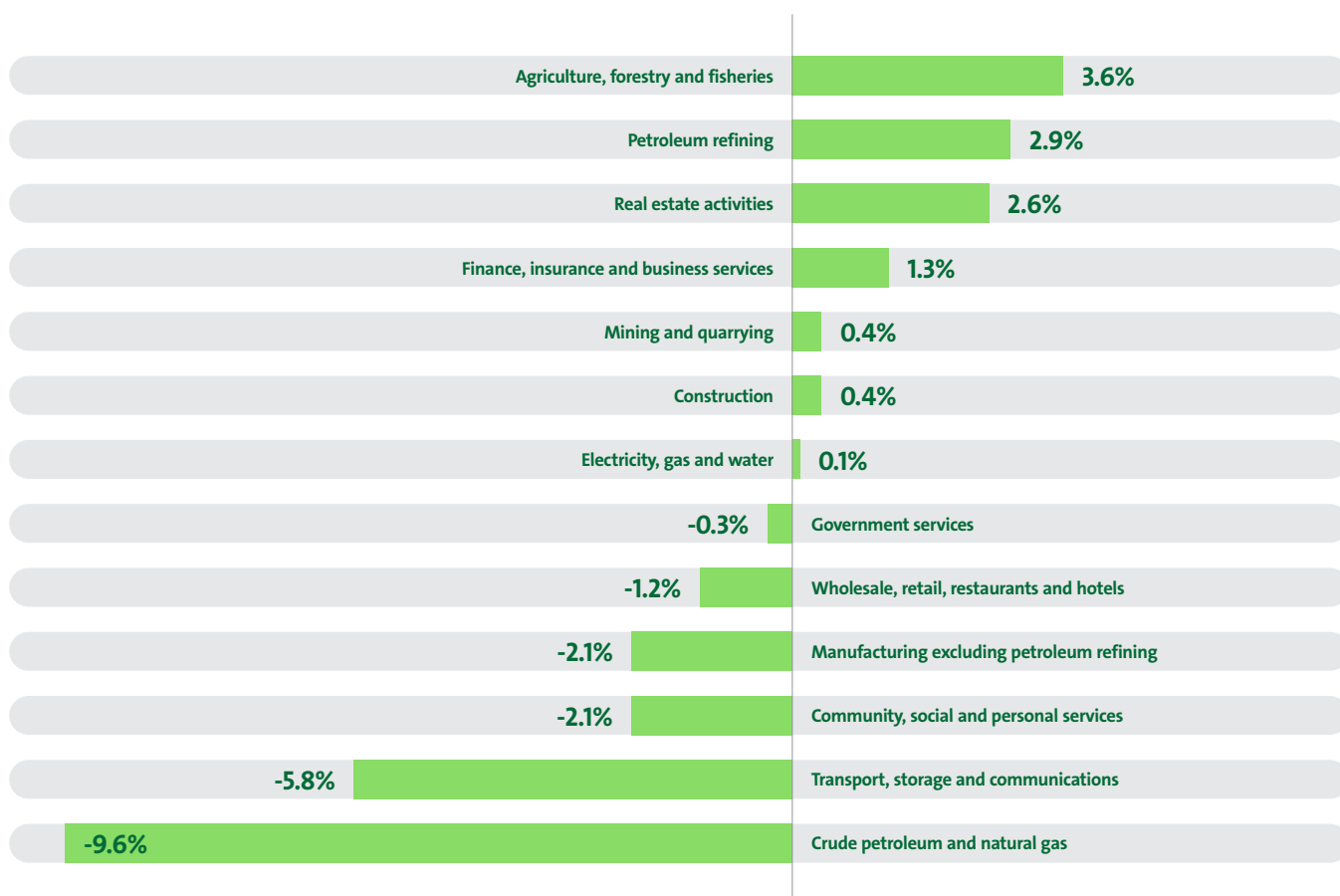
As businesses benefited from looser restrictions, the non-oil economy sprang back by 8.2% in Q4, in quarterly terms.

Key sectors that witnessed growth in Q4 are real estate activities at 2.6%; mining and quarrying at 0.4%; agriculture, forestry and fisheries at 3.6%; and finance, insurance and business services at 1.3%.

Crude petroleum and natural gas sector contracted the most in Q4 with 9.6%, while Transport, Storage and Communication sector contracted by 5.8%; as well as manufacturing with 2.1%.

Real GDP growth by economic activity in Q4 2020

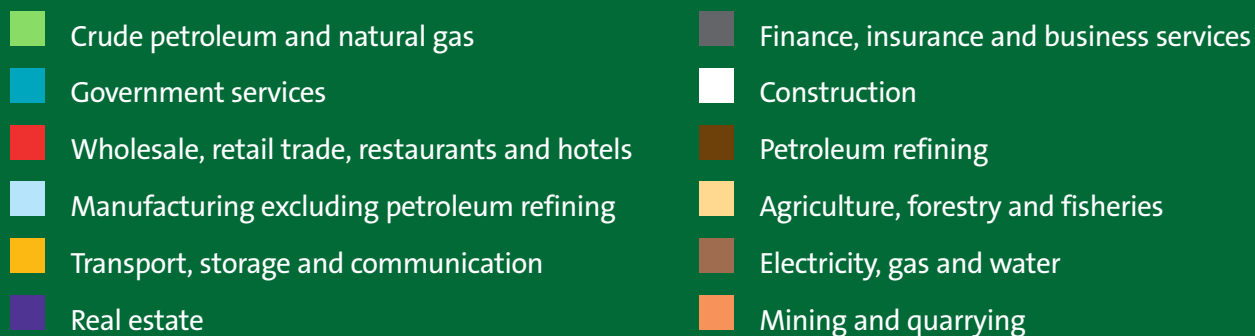
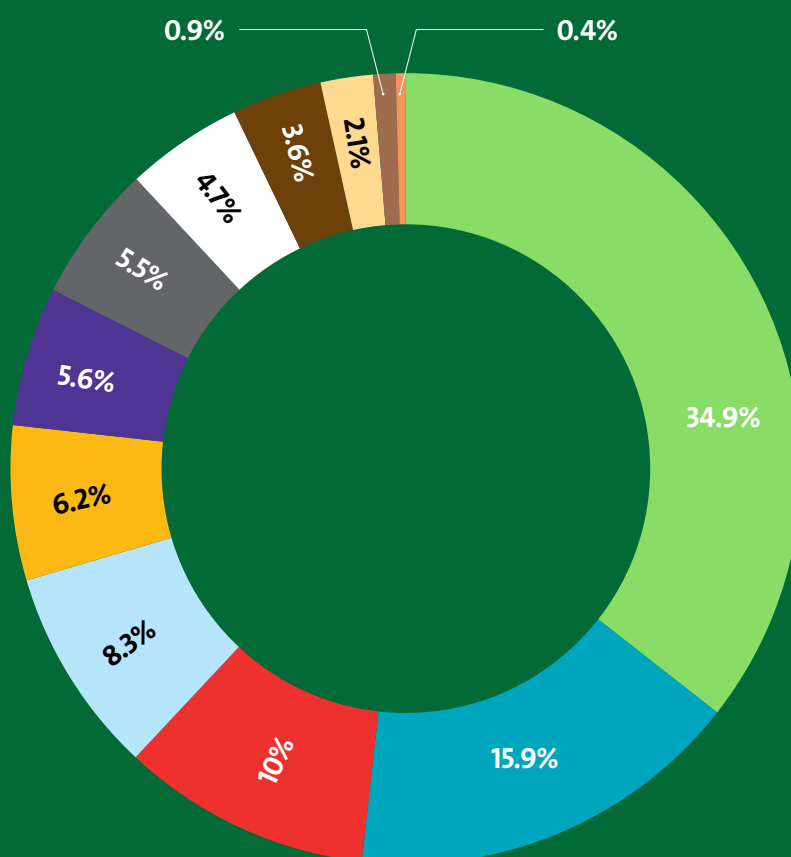
Source: GaStat



Crude petroleum and natural gas remained, by significant magnitude, as the sector contributing most to the Kingdom's economic activity with a share of 34.9% towards GDP in Q4; followed by government services with 15.9%; wholesale, retail trade, restaurants and hotels 10.0%; and non-oil manufacturing 8.3%.

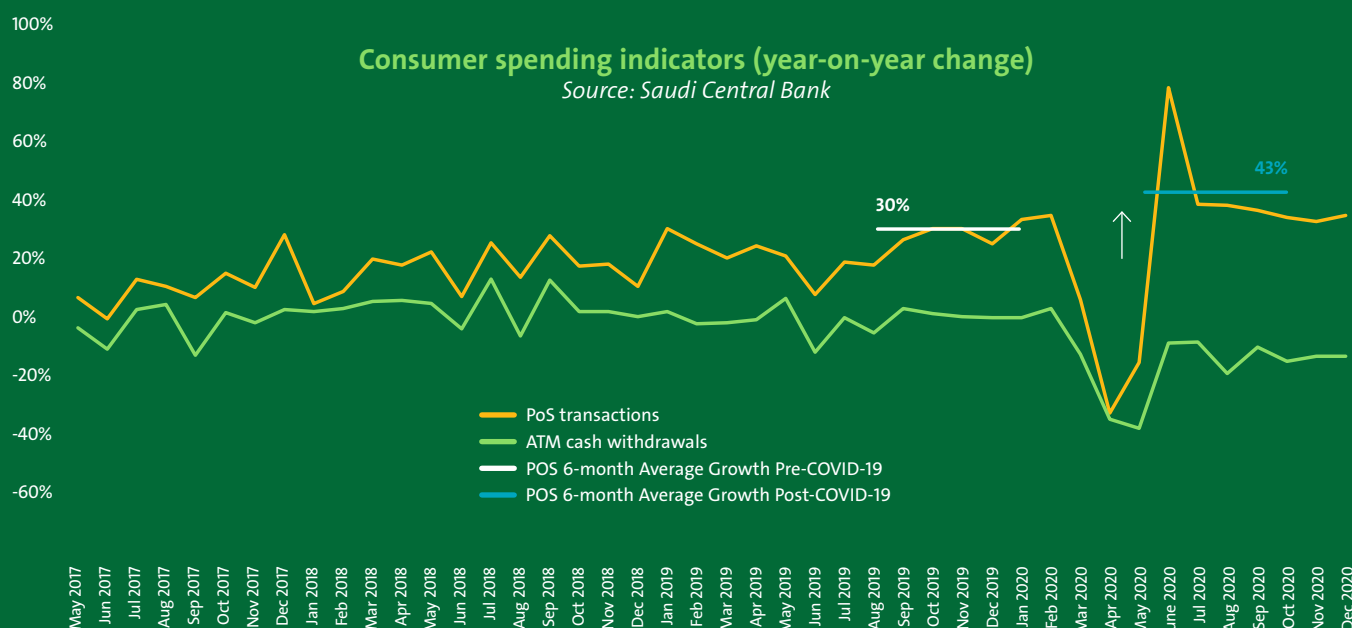
Contribution to GDP by economic activity in Q4 2020 (constant prices)

Source: GaStat



POS transactions increase over seven successive months

Point-of-sale (POS) transactions increased for the seventh consecutive month through December 2020, reflecting both the release of pent-up demand and restrictions around the use of cash. The value of POS transactions from October-December 2020 increased 34% when compared to the Q4 of the previous year. Furthermore, the quarter's strongest annual increase was recorded in December with 35%, signaling an even stronger period for POS transactions in year 2021.

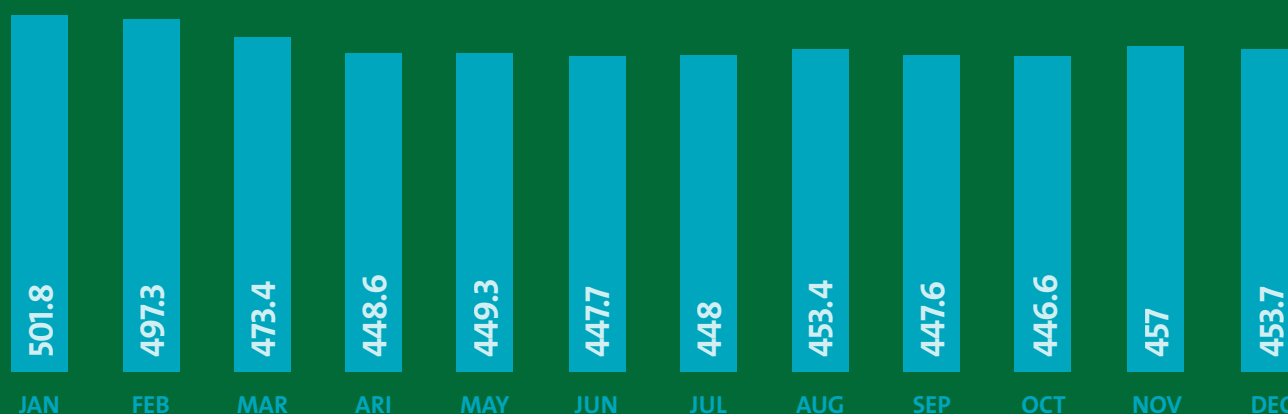


FX reserves show first increase in 3 months in November

Saudi Central Bank's foreign exchange (FX) reserves increased for the first time since August 2020, following the decreased impact of the COVID-19 pandemic alongside the abatement of the steep drop in oil prices. The Kingdom's FX reserves rose 2.31% to \$456.9 billion in November 2020 after October's figure of \$446.6 billion, an increase of \$10.3 billion. However, in December 2020, FX reserves fell marginally to \$453.7 billion.

Saudi Arabia FX reserves in 2020 (USD billion)

Source: Saudi Central Bank



INVESTMENT DATA

Foreign investment projects break new record in Q4

New foreign investment projects in Saudi Arabia reached their highest quarterly figure in Q4 since data began in 2005. Notwithstanding a fourth quarter that was impacted by the COVID-19 pandemic, 466 new licenses were issued during the quarter.

The Ministry of Investment issued 1278 licenses for foreign investment projects in 2020, a 13% increase from 2019. The number of licenses issued in Q4 increased 52% from the previous quarter in 2020.

1278 new licenses issued in 2020

466 new licenses issued in Q4 2020

13% increase from 2019

60% increase from Q4 2019

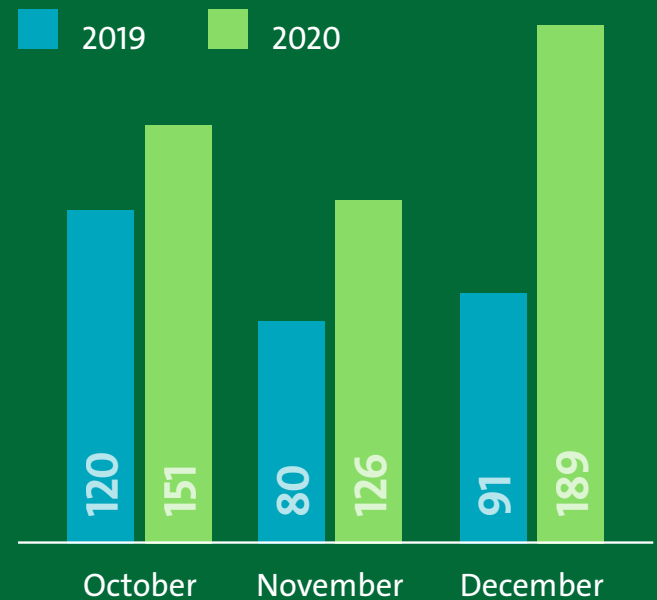
73% increase from 2018

52% increase from Q3 2020

Notwithstanding a slight dip in the number of licenses issued in November 2020, the Ministry of Investment issued more than 125 new licenses for foreign investment projects each month during Q4. December was host to the greatest number of new licenses during the quarter with 189; October had 151; and November, 126.

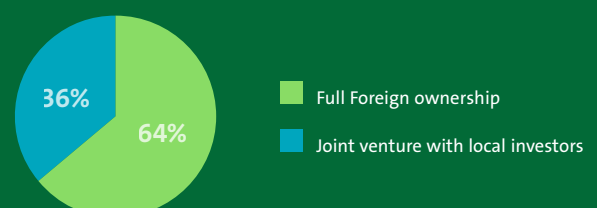
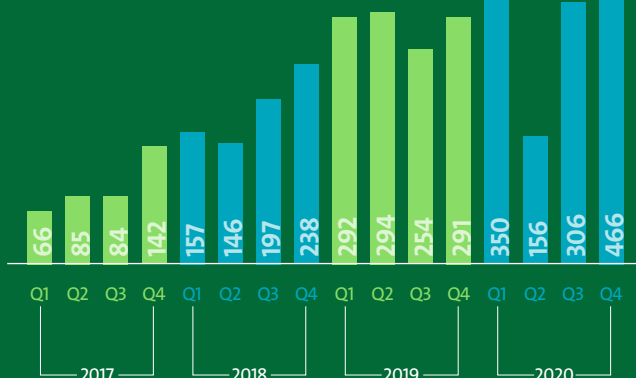
New foreign investor licenses in Q4

Source: MISA



Number of new foreign investment projects - quarterly

Source: MISA



The industrial and manufacturing sector witnessed a 74% quarter-on-quarter increase, with 92 new licenses awarded in Q4 for foreign investment projects. The rapid expansion illustrates significant progress in the Kingdom's economic diversification efforts. The highest number of licenses, 147 were awarded with emerging sectors. Additional sectors were rewarded, as the transport and logistics sector received 53 new licenses; which was almost matched by the retail and e-commerce sector, which gained 52 new licenses in Q4 for foreign investment projects.

Number of new foreign investment projects by sector in Q4

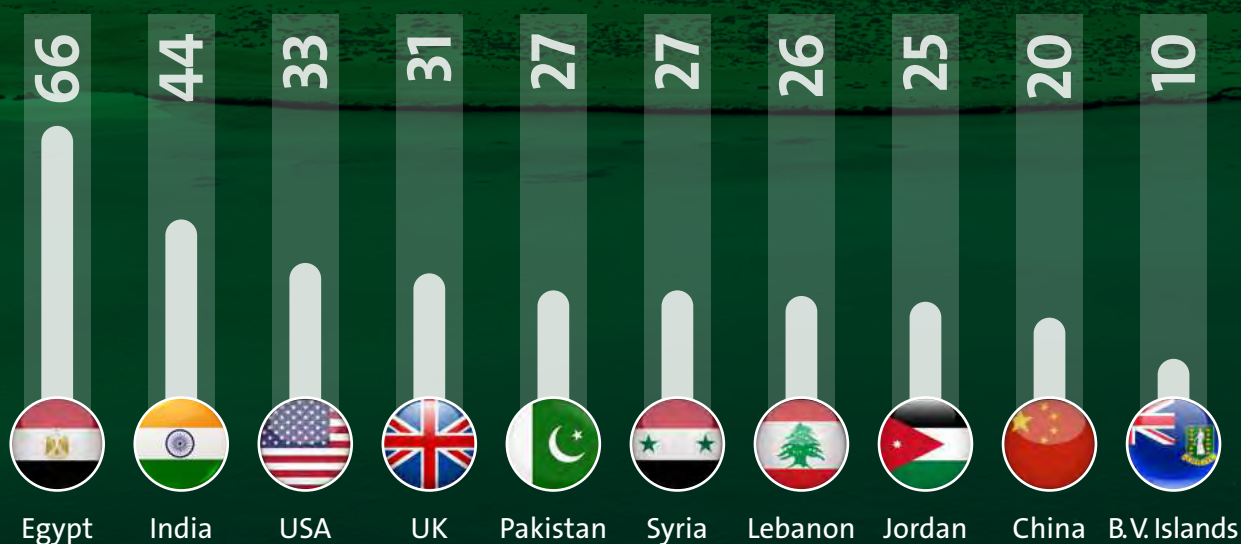
Source: MISA



While new foreign investments reached a record high in the last quarter of 2020, top investors in the Kingdom remained the same. Egypt, India, US, and UK had a total of 174 new investments in Saudi Arabia in Q4 2020, Egypt topping the list with 66 investments. The number of new investments from those four countries increased 41% in 2020 compared to 2019, rising from 414 to 584.

Number of new foreign investment projects by country in Q4

Source: MISA



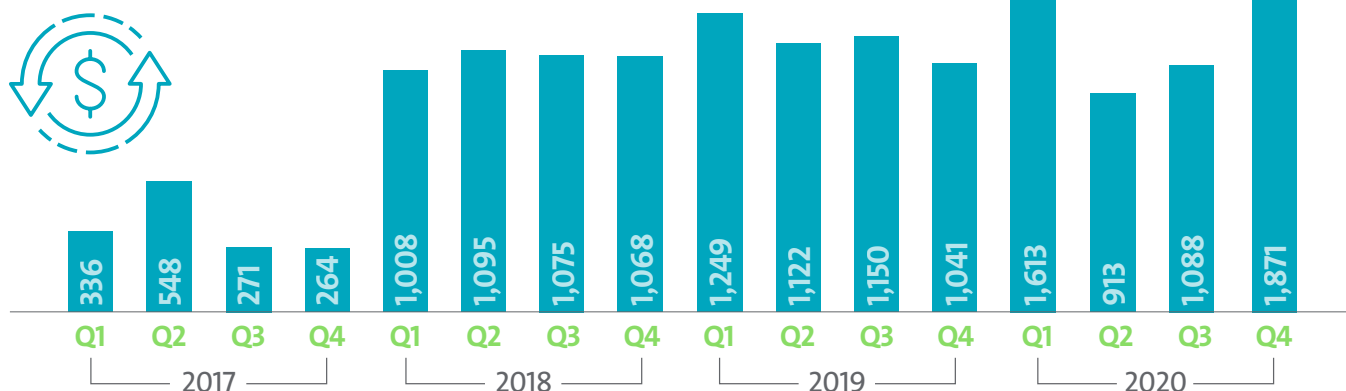
FDI inflows show 80% increase in Q4

In a year marked by a worldwide pandemic and a sharp drop in global FDI, the Kingdom managed to outperform the global economy and post a 20% increase in FDI inflows during 2020.

This remarkable increase was particularly significant in Q4, when the total worth of FDI reached around \$1.9 billion, recording an 80% increase compared to the same period previous year.

Saudi Arabia FDI inflows (quarterly, \$ million)

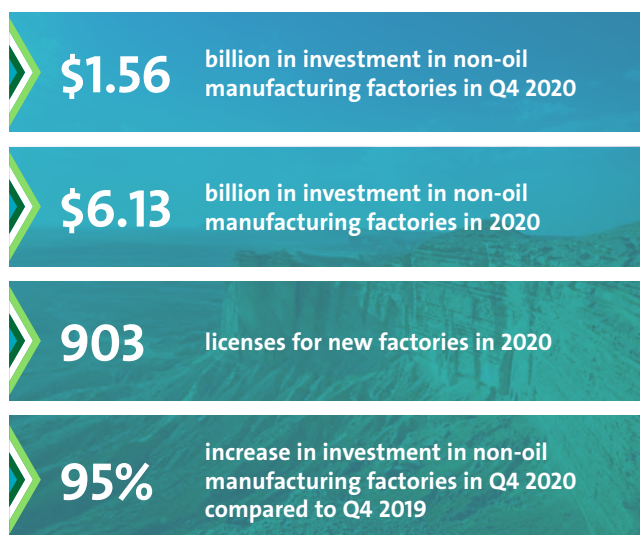
Source: Saudi Central Bank, MISA



The Kingdom's strong FDI performance in 2020 pointed to increased resilience in a year of global economic uncertainty. In sharp contrast with the 20% increase in FDI to Saudi Arabia, global FDI flows fell 42.3% in 2020, according to preliminary estimates by UNCTAD. Saudi Arabia was one of the few economies in 2020 to raise FDI, according to UNCTAD's estimates, as "policy interventions in investment promotion and diversification under the framework of Vision 2030 appear to be showing an effect".

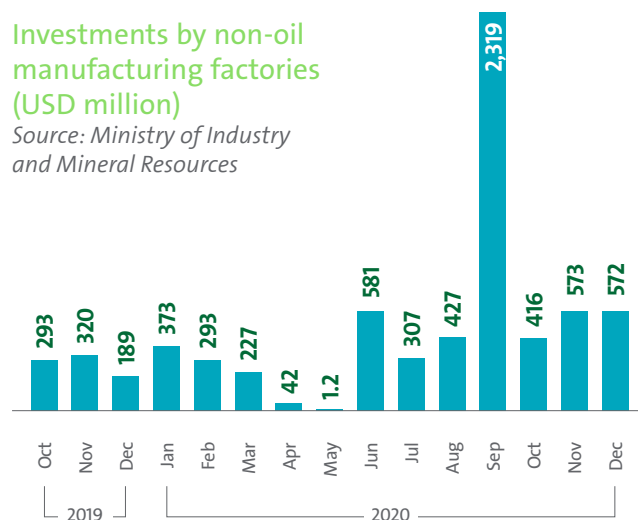
Investment in non-oil manufacturing factories exceeds \$6.1 billion in 2020

After a record Q3, investment in Saudi Arabia's non-oil manufacturing factories tops \$1.56 billion in Q4 2020.



Investments by non-oil manufacturing factories (USD million)

Source: Ministry of Industry and Mineral Resources





Foreign portfolio investment in Tadawul up 10% in Q4

Another reflection of the global interest in Saudi assets was the Qualified Foreign Investor (QFI) inflows to Tadawul, the world's ninth-largest stock exchange by market capitalization. QFI ownership rose to \$42.5 billion in the Q4 2020, a 9.9% quarter-on-quarter increase, and a 18.6% year-on-year increase.

With the exception of Q1 2020, QFI inflows to Tadawul have sustained years-long growth since 2018. QFI ownership of Saudi stocks increased from \$3.6 billion at end-2018 to \$42.5 billion at end-2020, representing a greater than 1000% increase over 24 months. The significant increase was in part due to Tadawul's official inclusion in the MSCI Emerging Markets Index in June 2019.

Foreign portfolio investment flows into Tadawul

Source: Tadawul



EXPERT OPINION

DIVERSIFICATION TO REVIVE GROWTH IN 2021



Cheng Xuan

General Manager
Industrial and
Commercial Bank of
China (ICBC),
Riyadh Branch

➤ **As vaccination efforts gather pace, what are your economic growth scenarios in 2021 for Saudi Arabia?**

After the global economic contraction in 2020 due to a fall in oil prices and the COVID-19 pandemic, ICBC believes that Saudi Arabia's economic growth will rebound in 2021 due to the initial progress in its reform plans to diversify fiscal revenue streams. The fiscal and monetary stimulus measures by the government will likely help accelerate economic activity.

➤ **What investment opportunities are Chinese companies seeking in Saudi Arabia and why?**

Over the past couple of years, the bilateral relationship between China and Saudi Arabia increasingly focused on strengthening economic ties. ICBC has played a large role in bilateral mechanisms by organizing large events and meetings in each country, such as the meeting between the National Center for Privatization & PPP (NCP) and Chinese investors. Chinese companies always seek work in Saudi government projects, with some companies looking also to enter into PPP projects. The Chinese companies have the capability and right experience for construction, infrastructure, mining, power, renewable energy, petrochemicals, manufacturing, transportation and IT sectors. Saudi Arabia represents an attractive value proposition for Chinese investors considering the growing consumers market, investment-friendly environment and geostrategic location.

➤ **How is the Kingdom's digital transformation changing the investment environment for foreign investors?**

ICBC believes that digitization benefits foreign investors by enhancing connectivity, especially with improved access to information, immediate and user-friendly communication mediums, and the ability to share information. There are some top Chinese companies in the digital industry, such as Huawei, Alibaba, Tencent Holdings. Thus, Saudi Arabia's planned digital transformation and rollout will provide more opportunities for these investors. The current digitization strategy has the potential to further strengthen the Kingdom's competitiveness in the globalized marketplace, while developing a thriving and long-lasting IT sector.

➤ **In 2020, Saudi Arabia outperformed global FDI flows. What competitive advantages attracted foreign investors to Saudi Arabia as a preferred investment destination in 2020?**

In addition to its size of economy, financial strength and important position within OPEC, ICBC believes Vision 2030's economic diversification strategy is the single-most attractive advantage when looking towards Saudi Arabia's investment locale. The Kingdom boasts a geostrategic location at the heart of major trade routes crossing three continents and bountiful natural resources. International cooperation and agreements have significantly aided in the growth of its economy as well. Each of these competitive advantages are reflected in international credit ratings for the Kingdom, providing a degree of order and predictability in a volatile global economic framework.

➤ **In what ways have Chinese companies benefitted since 2016 when Vision 2030 was launched?**

The great alignment between China's Belt Road Initiative and Saudi Vision 2030 is notable and started to yield positive results. Investors on both sides have been rewarded with a significant number of exceptional opportunities. Vision 2030 has had a sizable impact on increasing the attractiveness of investment in the Kingdom, including in the construction, trading, diversified businesses and digital infrastructure sectors. Political stability coupled with sustained investment in the Kingdom's infrastructure highlights an already attractive region for foreign investors and international and multinational companies that are looking to expand their portfolio and market share.

SECTOR HIGHLIGHTS – ICT

Saudi Arabia's information and communications technology (ICT) sector is one of the major components contributing to the Kingdom's ambitious Vision 2030 goals. Digital services utilization has increased over the past two decades in the Kingdom, with the share of individuals in Saudi Arabia using the internet increasing from 2% to 96% during this period. Furthermore, the average individual in Saudi Arabia consumes 920 MB of data daily, triple in amount of the worldwide average.

The demonstrated increase of digital services usage is a precursor of an increased momentum in Saudi Arabia's ICT sector. A youthful, tech-savvy population alongside economic diversification efforts position the ICT sector at the heart of the Kingdom's economic and social transformation.

The Ministry of Communications and Information Technology (MCIT) created the ICT Sector Strategy 2019-2023 to ensure sector priorities align with Vision 2030. According to this strategy, by 2023, the ICT sector's contribution to GDP is expected to increase by \$13.3 billion, and the sector itself is expected to grow 50%.

Ensuring these efforts bear fruit Saudi Arabia recently announced a Digital Economy Policy with the goal of promoting sustainable economic growth and creating competitive advantages for the Kingdom through the digital economy. The policy encourages adoption of digital technologies, FinTech solutions to transition into a cashless society, and financial inclusion, while promoting partnerships between the public sector and service providers.

ICT sector outlook



ICT strategy targets

Sector targets



50% increase in female participation by 2023



50% increase in growth by 2023



50% Saudization target for the workforce by 2023



One of the top-20 ICT countries worldwide by 2030

Economic contribution



\$13.3 billion GDP contribution increase by 2023



More than 25,000 new jobs created by 2023



28% 5G coverage of the mobile telecom market by 2023



\$1.3 billion added to GDP through the 5G network by 2023



More than 80,000 jobs created by the 5G market by 2023

Investment opportunities in the ICT sector

Industry 4.0

13% CAGR

through 2030

**100%**

targeted level of technical infrastructure readiness in industrial cities by 2025 from the current level of 50%

\$800 million

financing program to convert 100 factories in phase 1 for industry 4.0 transformation

Download the full opportunity here

E-commerce

12% CAGR

through 2030 and relatively low market competition

**\$1.7 billion**

in potential cumulative net revenues in Saudi Arabia by 2030 with 8% EBITDA

\$16 billion

expected size of e-commerce market by 2030

Download the full opportunity here

Gaming

\$80 million

in cumulative cashflow over 10 years with an original investment of \$17 million

**42%**

of the MENA gaming market size, with first mover advantage given the sector's nascent stage

#1

5G rollout in MENA and strong gaming ecosystem with 58% of population under 35

Download the full opportunity here

Cloud computing

\$7 billion

market size by 2030

**400+**

data centers with average utilization of 18% presenting largely untapped opportunities

Major players

Alibaba, Google already committing investments in the market

Download the full opportunity here

E-waste

#1 largest

regional market with a potential to export



\$2.3 billion

market size, with over 60% represented by mobile phones

2-3%

of daily waste per capita among Saudis is from e-waste

[Download the full opportunity here](#)



Smart Intermodal Transport

49% potential

EBITDA margin in Year 1 of operations in KSA alone



3.1% CAGR

through 2030, with 21.6% CAGR in public transport segment

31%

internal rate of return (IRR)

[Download the full opportunity here](#)



IT Services & Software

5% CAGR

in IT services in a conservative scenario through 2030



\$2.3 billion

in expected revenue generation over 10 years with an initial investment of \$110 million

\$9 billion

market size by 2030

[Download the full opportunity here](#)



INTERVIEW



**Dr.
Mohammed
Al Tamimi**

Governor,
Communications
& Information
Technology
Commission (CITC)

➤ How has investment in digital infrastructure strengthened Saudi Arabia's resilience to COVID-19 conditions?

Mobile and fixed internet data consumption in the Kingdom has witnessed a massive surge attributed to the COVID-19 pandemic and the subsequent reliance on online-based solutions, as people continue to study, work and shop from home. The average daily consumption of mobile data during the pandemic reached 920 MB per person, over three times the global average.

In spite of this increase, the Kingdom's digital infrastructure was able to cater to the demand for data consumption. This can be attributed to \$15 billion worth of investments, from the government and private sectors, over the past three years. These investments have proven critical in these exceptional times.

➤ What is the potential of Saudi Arabia's cloud services market to further expand and what potential partnership opportunities are there for investors?

Cloud computing is a key for enabling digital transformation. Therefore, its adoption and optimization is a priority for CITC. Recently, we launched updated versions of the Regulatory Framework for Cloud Computing and the Cloud Computing Service Providers' Guide, with the aim of developing the Kingdom's communications and information technology sector and improving cloud computing services. These policy frameworks will encourage healthy development of the cloud ecosystem and help create an appropriate environment for local and international investment.

Currently, there are 11 companies licensed to provide cloud-computing services in the Kingdom and we expect to see more partnerships with large and smaller companies over the next few years, which

will improve performance, productivity, flexibility and quality of cloud services.

➤ CITC's strategic direction has recently moved from being a telecom regulator to a digital regulator. How will this enable you to help customers and investors?

Guided by the vision of a "connected nation for a thriving digital economy", CITC is stepping up to meet the International Telecommunication Union's 5th-generation regulation challenge with an ambitious strategy. CITC's vision also emphasizes safeguarding the public, providing reliable service, ensuring fair competition, and balancing the diverse needs of multiple stakeholders.

In a 5th-generation regulatory environment, collaboration among a growing number of stakeholders is key to shaping harmonized decisions not only within the telecommunications realm, but across a broad range of sectors dependent on ICT.

Moreover, CITC, like other regulators around the world, is expanding its mandate beyond telecommunication to collaborate with regulators in adjacent sectors with the greatest potential to be disrupted by the rapidly expanding ICT landscape, such as mobility, healthcare, manufacturing, energy, education, finance, and retail.

The Commission has also identified Saudi Arabia's public sector as a priority, ensuring that regulation enables social welfare, public safety, and security. CITC will continue to collaborate with relevant partners on ICT and digital cross-sectoral topics like blockchain, smart cities and digital platforms, and proactively anticipate emerging topics.

➤ What initiatives is CITC undertaking to support a digital future at Saudi Arabia's giga projects and what opportunities are there for investors?

CITC supports the Kingdom's giga-projects by enabling modern technologies through a robust digital infrastructure. We recently signed a memorandum of cooperation with The Red Sea Development Company, to draw up a framework of cooperation for all aspects related to the ICT sector and enable the use of latest communications and information technologies in their project. CITC also empowers service providers' access to infrastructure for projects such as NEOM, Qiddiya, the Diriyah Gate Development Project, The Red Sea Project, AMAALA, and many others.

➤ How is Saudi Arabia's ICT sector enabling the participation of micro, small and medium enterprises (MSMEs)?

CITC seeks to support the participation of MSMEs in the sector by enhancing the investment environment in the Kingdom, facilitating business and accelerating the process of issuing licenses. The total number of valid licenses for ICT service providers was 307 by the end of 2020.

CITC has worked to digitalize the licensing system, so that any request related to licenses is submitted through an e-portal. This comes as part of CITC's efforts to facilitate and expedite licensing procedures and make the process easier for MSMEs.

Why Saudi Arabia is the destination for ICT investments



Digital infrastructure

25

overland cables connecting Saudi Arabia to Jordan, Bahrain, UAE, Qatar, Iraq and Yemen



5th

globally for mobile internet speed (3rd among G20 countries)



14

submarine cable networks currently deployed in the Red Sea and the Arabian Gulf



4th

globally in 5G networks deployment



35%

5G coverage nationally



3.5+ million

Saudi homes connected to fiber optics



13

satellite anchor points



Digital economy

75%

increase in the number of digital payments in 2020



11

companies licensed by Saudi Central Bank in payment services



\$25.7 billion

expected size of digital payment market in 2021, with a CAGR of 13.2% between 2021-2025



Giga Projects

NEOM, Red Sea, Qiddiya and all the new projects will leverage on the latest smart city technologies



Sources: CITC, Saudi Central Bank, MISA



Digital government

5th



in using digital government services in Accenture's "Digital Government" study

1st



most developed ICT regulator in the Arab World in 2019

92/100



score in the ITU's ICT Regulatory Tracker Index

2nd



among G20 countries for spectrum allocation

164%



increase in frequency allocation between 2018-2019

1st



country in MENA to implement transparent national radio spectrum strategy



Digital society

13th



globally in digital skills among active population

96%



percentage of individuals using the internet

920 MB



average use of data per person a day

19.3 million



online shoppers expected by 2022

Sources: CITC, International Telecommunication Union, World Economic Forum

INTERVIEW



**Dr. Abdullah
bin Sharaf
Alghamdi**

President, Saudi
Data & AI Authority
(SDAIA)

➤ **The COVID-19 pandemic has brought artificial intelligence (AI) and data-based solutions to the forefront in every sector across the global economy. How has this played out in Saudi Arabia?**

Data and AI-based applications have played an important role in the Saudi government's response to the COVID-19 pandemic. SDAIA applications like Tawakkalna, Tabaud and Eatmarna contributed greatly to the Kingdom's battle against COVID-19, from vaccine tracking to digital IDs, from managing Hajj visits to notifying residents if they have been in contact with those infected with COVID-19. These applications leveraged Saudi Arabia's exceptional data infrastructure and integration through the National Data Bank, which is being built and operated by the SDAIA's National Information Center (NIC). The National Data Bank gave us the agility and speed to link all the relevant cross-sector data into scalable, stable and meaningful applications.

➤ **What role do data and AI play in achieving Vision 2030's targets?**

At least two thirds of Vision 2030's goals and objectives are related to data and AI. SDAIA's core mandate is to drive and own the national data and AI agenda in line with these objectives. To this end, we recently launched the National Strategy Data & AI (NSDAI). The NSDAI has been built to create the foundations of a strong data and AI economy, encompassing areas such as legislation, workforce, access to funding. We

aim to enact the most accommodative legislation to create the right business environment for data and AI, as well as to attract talented individuals to transform our workforce. To do that, we will also ensure there is a stable flow of funding and easy access to that funding for companies hoping to take advantage of investment opportunities in data and AI. Ultimately, we aim to empower top data and AI institutions to spearhead innovation and impact creation in a truly forward-thinking ecosystem.

➤ **What new regulations have been launched to improve the sector's investment environment?**

The National Data Management Office (NDMO), as the national regulator of data, has unveiled a set of long-awaited policies for national data governance. These include policies and regulations required for data classification, data sharing, data privacy, freedom of information, open data, and others. We are also working alongside other government entities to strengthen the regulatory ecosystem for investors. In the field of e-commerce, for instance, the Ministry of Commerce has recently launched a set of e-commerce regulations aimed at ensuring that the rapid growth of the sector is based on solid foundations. In addition, we are encouraging public-sector agencies to establish data management offices. This is expected to drive the adoption of data management best practices, generate a demand boost for data and AI-related products and services, while creating opportunities for public-private partnership and co-innovation. We are also working towards launching targeted programs to support data and AI adoption by startups and multinationals operating locally and internationally. Recent announcements of strategic partnerships with companies such as Alibaba, Huawei, and IBM are a testament to these efforts, with many more in the pipeline.

➤ **What key milestones have so far been achieved by the Kingdom in terms of AI and big data leadership?**

Although we expect the NSDAI to generate leapfrogging advancements over the coming years, we already started seeing our work translating into significant improvements of the Kingdom's position in global indices. For instance, Saudi Arabia recently jumped from 29th to 22nd in the Global AI Index by Tortoise Intelligence, ranking first among Arab nations. We also saw the city of Riyadh jumping 18 spots in the IMD's Smart City Index in 2020.

Who is here already?

Huawei



Huawei, a leading global provider of ICT infrastructure received an investment license allowing the company to sell its products directly in the Saudi market. Huawei's five-year plan, totaling \$80 million dollars, will focus on building effective partnerships with local distributors and enhancing local content.

SAP



The software company aims to grow Saudi adoption of cloud-based innovations such as artificial intelligence, blockchain, machine learning, and the Internet of Things within its 4-year \$76 million investment plan.

IBM



Etihad Etisalat (Mobily) and IBM have announced a 5-year agreement worth approximately \$280 million to provide comprehensive IT solutions. The agreement with IBM will provide Mobily with faster, targeted access to new technologies and expertise.

Cisco



Cisco announced investments of \$265 million to be used to increase connectivity in Saudi Arabia, opening a technology and entrepreneurship centers, sponsoring research and development activities, and providing training centers.

Oracle



Oracle has been present in Saudi Arabia for nearly three decades with presence all across the country including Riyadh, Jeddah, and Dammam. Oracle is investing in skills enablement in the Kingdom through Oracle University and delivers training by its elite global team of experts. Oracle has recently activated its second-generation cloud region in Saudi Arabia. Oracle's second generation cloud is now available in 24 fully independent locations, with plans for 14 new cloud regions by the end of 2021.

INVESTOR HIGHLIGHTS

Investor spotlights

Global tech giants invest in Saudi Arabia's cloud services market

Google and Aramco partner to tap into cloud market



Google Cloud and Aramco team up to add the Kingdom to the global network of Google Cloud Platform in the region.

\$10 billion

Forecast cloud market partnerships in the Kingdom



Google cloud to establish and operate a new cloud region in Saudi Arabia



New company to be formed to supply cloud solutions and services to customers

STC Group announces partnership with Alibaba Cloud



STC Group will be partnering with eWTP Arabia Capital, one of the largest venture capital funds in the region, and Alibaba Cloud.

\$500 million

will be invested in cloud services



Alibaba to set up a new office in Riyadh



Services and training to local customers will be offered



Local technology ecosystem to benefit from this investment

Groundbreaking projects and case studies



Chemicals

Sipchem, Linde sign JV to build industrial gas projects in Saudi Arabia



Sipchem signed a 20-year strategic partnership agreement with Germany's Linde on December 15 to set up a 50/50 joint venture to develop industrial gas projects across the Kingdom. The joint venture is expected to unleash \$500 million of investment opportunities over the next 5 years. The partnership aims to build a world-class industrial gas network in Jubail Industrial City by connecting the existing hydrogen and syngas plants via a pipeline.

Saudi Aramco and Baker Hughes JV to develop non-metallic products



Saudi Aramco and US company Baker Hughes formed a 50/50 joint venture in December, Novel, to develop non-metallic products to be used in the energy sector. While the investment amount has not been disclosed, Novel's plant will be developed at King Salman Energy Park in the country's eastern region. The project is expected to contribute to the Kingdom's economic diversification plans, while helping to foster growth of an emerging sector in line with Vision 2030 goals.



Energy & Water

Masdar and EDF Renewable's owned \$500 million Dumat al-Jandal wind farm receives 20 turbines



In line with the Kingdom's clean energy ambitions, the \$500 million Dumat al-Jandal wind farm received 20 turbines in October, manufactured by the Danish company Vestas. The largest of its kind in the Middle East, the plant owned by United Arab Emirate's Masdar and French company EDF Renewable is expected to be a 400-megawatt wind-power plant upon its completion.

SWCC awards \$384 million contract to Acciona for desalination plant



Saline Water Conversion Corp. (SWCC) awarded a \$384 million contract to Acciona (Spain) and RTCC (Saudi Arabia) in December to design and construct the Shuqaiq 1 desalination plant on the Red Sea coast. The facility is expected to be completed in 2023 and have a daily capacity of 400,000 cubic meters.

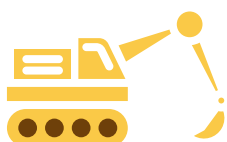


Mining & Metals

Saudi Geological Survey signs contracts worth over \$530 million



Saudi Geological Survey (SGS) signed contracts worth over \$530 million with international organizations and consultants in October to carry out projects related to the geological survey general program. The 6-year long program is expected to help boost the Kingdom's mining sector.



Industrial & Manufacturing

RCJY signs \$1.9 billion worth investment deals with China's Xinguang Industrial Company



The Royal Commission for Jubail and Yanbu (RCJY) signed investment agreements with China's Xinguang Industrial Company worth around \$1.9 billion in November. The deal includes establishment and operation of a LED factory in Jubail, providing 267 direct jobs.



Sports

Fitness Time chooses Technogym for its 138 clubs and for the 70 new openings



Saudi Arabia's largest club chain, Fitness Time, signed an agreement worth over \$50 million with the Italian fitness and wellness product company, Technogym, for its 138 clubs across the Kingdom. The 5-year contract announced in November will deliver state-of-the-art equipment and digital solutions to Fitness Time. The agreement also includes the opening of 70 new clubs over the next 5 years.



Retail

Amazon.sa creates over 3,000 jobs across Saudi Arabia in 2020



Amazon announced in December the creation of 3,400 new jobs across Saudi Arabia in 2020. In addition, the company announced that since its launch in mid-2020, Amazon invested in a 25% increase in the delivery station network it uses to speed up customers' delivery times as COVID ignites an unprecedented rise in online shopping.



Finance

Saudi Central Bank licenses 3 payment companies



Saudi Central Bank (SAMA) issued new licenses for Saudi startups Skyband, NoonPay, and Foodics as payment institutions in November. With the recent licenses, the total number of Fintech companies licensed by SAMA in the payment services increased to 11.

Western Union buys 15% stake in STC's digital payment unit



The world's largest money transfer firm, Western Union, has acquired a 15% stake in the digital payment unit, STC pay, of Saudi Arabia's STC Group for a fee of \$200 million. The acquisition will finance STC pay's capital, as well as support its long-term plans.

MEGA PROJECTS HIGHLIGHTS

INTERVIEW



When you compare Qiddiya with other similar projects around the world, what differences and investment opportunities do you see?

There is nothing like Qiddiya anywhere else in the world. It's unique to have this assortment of attractions and facilities in an integrated setting and that is one of the things that makes Qiddiya special. It's impossible to compare it to anything I or any of the team has ever worked on. Qiddiya will provide "first-mover" opportunities as we will be staking out a first-of its kind position and will ultimately be the market maker and leader in these new economic sectors.

What sorts of specific projects will you pursue to make sure local spending on entertainment is increased?

Entertainment spending has historically been low domestically, although in recent years that has picked up thanks to events such as the Saudi Seasons, particularly Riyadh and Jeddah Seasons, sports events like Formula E and music festivals like MDL Beast. However, spending by Saudis internationally has been high, with the Kingdom's population spending just over 20 billion dollars overseas annually on entertainment, leisure and tourism. Qiddiya will provide precisely this kind of offerings here in Saudi Arabia, so we hope to recapture some of that money, and retain it in the domestic economy.

What specific opportunities should the investors look out for in Qiddiya in the near to medium term?

With a project as vast as Qiddiya, the volume of investment and the number of upcoming opportunities are going to be huge. We have a mammoth task to build this 24-hour destination half the size of Singapore. From construction companies, to real estate developers and food and beverage outlets, a range of options to get involved are going to arise in the near and long-term future. We want to invite both local and international investors to work with us to develop this world-class destination where the demand for entertainment is massive and the supply limited. I advise anyone interested in working with us to register on our procurement portal to ensure you're aware of opportunities as soon as they arise.

Who are the investors Qiddiya is aiming to attract and how can they invest?

Qiddiya is open to all investors and offers a unique business proposition arising from a large, untapped market demand and strong spending power literally. This is guided by sound market intelligence and rigorous financial planning. Prospects will include local Saudi investment from the private sector, scaling all the way up to foreign direct investment. There are openings for large, consolidated investments in areas such as infrastructure. The most potent opportunities are where investment capital comes with innovative ideas, additional capabilities such as operational expertise, or other value-adding positions that contribute to the ability to advance the agenda of the project.

What are the mechanisms to ensure investors receive a high return from Qiddiya?

No investment comes with a guaranteed return. But if we look at the facts, we see that Qiddiya is a great investment opportunity; a young, eager market, currently spending billions of dollars abroad on everything Qiddiya will offer. If we look at the current entertainment options that have arrived in the Kingdom in recent years, such as cinemas you can see that the demand is overwhelming the supply. So, we think that for Qiddiya, a destination that will offer everything in one place, the demand will be exceptional.



Qiddiya reaches \$500 million mark in total value of construction contracts

SNC-Lavalin (Canada) was awarded the lead design consultant services contract from Qiddiya Investment Company (QIC) for the Six Flags project in October of 2020. Under the agreement, the company will provide integrated lead design consultancy, construction supervision, and cost management services.

With the latest contracts, the total value of all construction contracts awarded by QIC has reached \$500 million. The most recent contract was awarded to Haif & Freyssinet (Saudi Arabia).

As of November 2020, Qiddiya has successfully completed:



275,000+ m³

total road asphalting



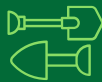
80,000 m³

concrete pouring



10.4 million m³

total excavation



8.6 million m³

total embankment
and filling



8.9 million m³

total clearing
and grubbing



نيوم NEOM

NEOM moves HQ, continues awarding more contracts

In October 2020, NEOM relocated its headquarters from Riyadh to the project site in the northwest of the Kingdom. This move represents a new stage in NEOM's development, setting a higher speed of growth and stepping up the foundation construction work. Currently, more than 450 employees are based at the company's new headquarters, and the number is projected to rise to 700 in the following months.

In addition, Red Sea International Company (Saudi Arabia) was awarded two contracts worth \$34.9 million to design-build and install accommodation units, offices, and all supporting building amenities.



In January 2021, Crown Prince Mohammed bin Salman, Chairman of the NEOM Company Board of Directors, announced a revolution in urban living named THE LINE. More information on THE LINE in the next edition of Investment Highlights.

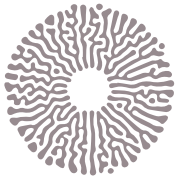


The Red Sea Project awards highest-value contract to date to ACWA Power

In November 2020, The Red Sea Development Co. (TRSDC) signed its highest-value contract to date with ACWA Power. ACWA power will design, build, operate and transfer TRSDC's utilities infrastructure and provide 100% renewable energy for phase one.

In addition, TRSDC awarded a contract to global engineering firm Mott MacDonald to provide consultancy services to determine the optimal sustainable vehicle and fleet configuration at the destination and awarded contracts to Saudi firms Red Sea International and Facilities Management Company (FMCO) to provide all maintenance, security, catering, and administrative services at The Red Sea Project's Construction Village. TRSDC is also planning to raise \$4 billion financing from five Saudi banks.



**AMAALA**

AMAALA awards Tamimi Global design-build contract and undertakes environmental impact assessment

In October 2020, AMAALA, the ultra-luxury destination located along Saudi Arabia's northwestern coast, awarded Tamimi Global (TAGFA) the design-build contract for construction of the first stage of the AMAALA Construction Village. The contract also includes second and third stages of civil and infrastructure work and will address the needs of:

5,184 future residents at each stage**15,552** residents upon completion

Prior to awarding the contract, AMAALA held a two-week scientific expedition with the Monaco-based OceanoScientific to measure and understand the impact of river water pollutants on human and sea life. Over the course of the expedition, OceanoScientific traversed 1,500 nautical miles collecting chemical contaminant samples.

الهيئة الملكية لمحافظة العلا
Royal Commission for Al-Ula



AW² to design luxurious Bedouin-inspired tent resort in Al Ula

In November 2020, the Royal Commission for Al Ula (RCU) unveiled plans for a new tented hotel designed by the French architecture studio AW2 named Ashar Tented Resort.

The resort takes part in RCU's drive to increase tourism in Al Ula desert area including:



47 tents



2 garden pavilions



1 state of the art spa



15 km from Saudi Arabia's UNESCO World Heritage Site, Hegra



Total 10,800 sqm built-up area

REFORM HIGHLIGHTS

Saudi Arabia announces planned reforms to expat labor system



Ministry of Human Resource
and Social Development
Kingdom of Saudi Arabia

Saudi Arabia announced the Labor Reform Initiative (LRI) in November to enhance the contractual relationship between employers and employees, increase the attractiveness of the Saudi job market, empower and develop labor competencies.

Expected to come into effect on March 14, 2021, LRI will replace the existing sponsorship (kafala) system to support increased mobility for foreign employees. Initiated by the Ministry of Human Resource and Social Development under the National Transformation Program (NTP), the LRI will:

- Remove employee obligation to seek their employer's permission to change jobs, open a bank account, travel out of the country
- Ensure higher protection for the rights of both parties of the contractual relationship
- Raise labor market attractiveness in line with the best international practices and the Saudi law
- Reduce disparity between Saudi workers and expatriates
- Complement the digital documentation of work contracts

New law allows foreign investors to become chamber board members

Saudi Arabia's Council of Ministers has approved a new Chambers of Commerce Law allowing foreign investors to become members of the board of directors in chambers, representing a first-of-its-kind regulation in the Kingdom's history. The law aims to boost strategic business partnerships and to raise competitiveness of the business sector. In accordance with the new regulation, Council of Saudi Chambers will be renamed as the Federation of Saudi Chambers.

As per the new law:

- New companies and establishments joining the chamber will be given exemption from the subscription fee for 3 years since the date of their commercial registration
- Foreign investors will be able to become members of the board of directors of the chambers of commerce on the condition that the membership to the board is renewed for 2 consecutive terms only
- It will be possible to establish more than one chamber of commerce in the same region

Measures to achieve the best international practices and standards will be enacted and boards of the chambers falling below the quality specified by the regulations will be given one year by the Minister of Commerce to correct the status and improve the quality.

OPPORTUNITY HIGHLIGHTS

Power transformers



Investment requirement

\$30 – 40 million

Sector

Energy & Water

Project description

Setting up a manufacturing and assembly plant for the production of power transformers (above 100MVA) in KSA. Expected timeline to set up the manufacturing and assembly plant is 3-4 months. Estimated cumulative transmission HV substations capacity target (KSA – 214K MVA, MEA – 664K MVA) over 10 years. Rising investments in infrastructure projects and increasing population are driving the growth of Power Transformers market in KSA. Large potential buyers in the Kingdom include Saudi Electricity Company and Aramco.



Download the full
opportunity here

NeoPentyl Glycol (NPG) production facility



Investment requirement

\$116 million

Sector

Chemicals

Project description

Opportunity to setup a NeoPentyl Glycol (NPG) production facility of ~25 - 50 KMT in KSA to cater regional and global demand. Expected internal rate of return (IRR) for the project is more than 12%. Booming construction sector in emerging economies like China and India, as well as in Saudi Arabia, is expected to boost growth of NPG market in the region.



Download the full
opportunity here

EVENT HIGHLIGHTS



Future Investment Initiative

The 4th annual Future Investment Initiative was held this January 27-28 under the theme of “The Neo-Renaissance” as leaders, investors, and policymakers discussed their vision of a new global economy in the wake of the COVID-19 pandemic.

Although the main events were held in Riyadh, speakers were able to join physically and virtually from all over the world via FII satellites including in New York, Paris, Beijing, and Mumbai. The two-day conference hosted over 150 leaders, investors, tech-pioneers, and policy makers to discuss the rise of a new global economy in the aftermath of COVID-19.

In attendance at the 4th FII summit included but was not limited to:



H.R.H. Prince Mohammed bin Salman al Saud



H.E. Yasir Al-Rumayyan

FII Institute Chairman and Governor of PIF



Ray Dalio

Co-Chairman and CIO of Bridgewater Associates



Patrick Pouyanné

Chairman and CEO of Total France



Laurence D. Fink

Chairman and CEO, BlackRock



Honorable Kevin Rudd

26th Prime Minister of Australia



Thomas P. Gottstein

CEO of Credit Suisse Group



David Solomon

Chairman and CEO of Goldman Sachs Group Inc.



Usain Bolt

Eight-time Olympic Gold Medalist, Jamaica

More than 4 million people watched online as speakers provided their insight into how the global community can work together to bring about a Neo-Renaissance and fuel a rebirth.



Upcoming events and webinars

**March
30-31** | Journeys in
Arabia - UK

**April
6-7** | Journeys in
Arabia – Russia

**June
7-10** | MIPIM

**June
14-16** | Middle East
Energy (MEE)



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MISA COVID-19 Response Center (MCRC)

We have established the MCRC to support you during this challenging time. It gathers the FAQs that will support your business's continuity amidst the COVID-19 pandemic.

You can contact the MCRC 24/7:

Email: InvestorCare@MISA.gov.sa | WhatsApp: +966 11 203 5888