

Saudi Arabia's Football Gameplan

Focus on tourism drives investments

October 2023

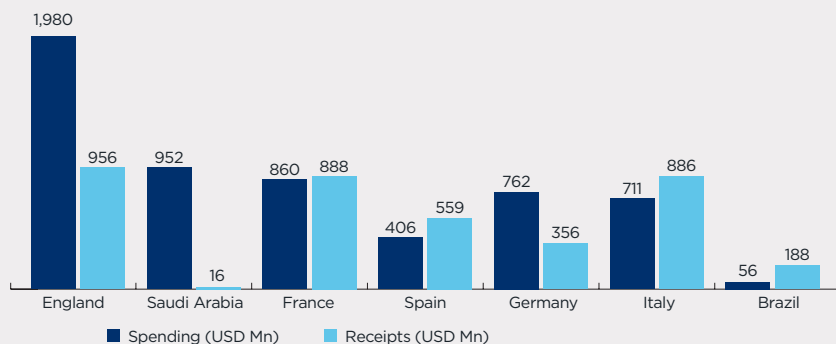
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Football, or as it is endearingly known “the beautiful game”, is changing. Its balance of power which resides in European leagues such as the UK’s English Premier League and Spain’s LaLiga is being challenged by an unexpected newcomer, the Kingdom of Saudi Arabia. The impact of the change is being felt globally by players, clubs, and fans alike. The combination of exorbitant transfer fees and unmatched salary offerings fused with an aggressive long-term strategy is encouraging far more players to Saudi Arabia than was expected. This spectacle is expected to lead a shift in purchasing power in favor of the Middle East and away from Europe for the first time in football history.

Football is the world’s most loved and most watched sport in such a way that it has become a symbol of global culture. It is estimated that the beautiful game has around 3.5 billion fans worldwide and up to 250 million players across the globe, one billion more fans than Cricket, the second most popular sport in the world. This huge popularity underpins football’s multibillion-dollar sized industry. Geographically, Europe has the largest football market by size, followed by South America and North American regions. **According to data gathered by Deloitte, European football market size (revenue) reached EUR 29.5 Bn in the 2021/2022 season as compared to EUR 19.7 Bn in the 2012/2013 season. Most of the money in the European football is in the top five European leagues, namely, the English Premier League, Spain’s La Liga, Italy’s Serie A, Germany’s Bundesliga, and France’s League 1. These top five European leagues represented 58% (EUR 17.2 Bn) of total European football market size in the 2021/2022**

Football’s appeal and popularity transcends borders, age and ethnicity, and this transcendental nature is one of the main reasons why football is used as a transformational vehicle. This is also one of the key rationales why the Saudi Pro League is one of the pillars of the Saudi Arabia’s economic reforms. The reforms in the Kingdom’s football landscape complement Saudi Arabia’s other major modernization changes currently underway in the country including the Giga projects.

Transfer Market Spending and Receipts (Mid-year 2023)



Source: FIFA, Transfermarkt.com, Kamco Invest Research





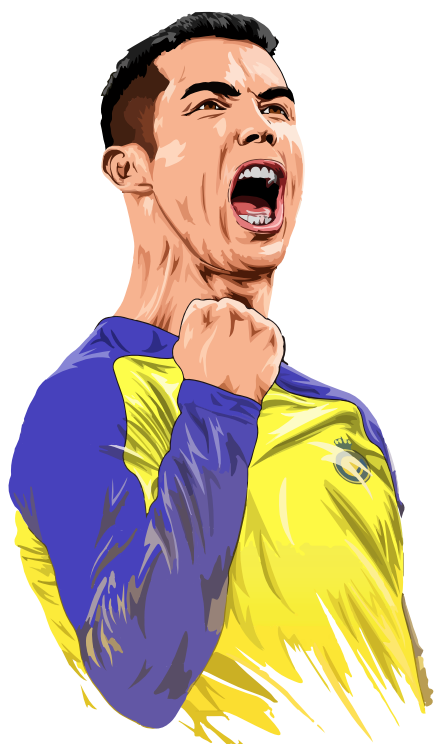
Nations compete to host international competitions not only for the possible economic benefit but also for creating the atmosphere for national unity, showcasing the country's development, and boosting the economy. To achieve this, countries make significant investments to host tournaments like the Football World Cup. **One good example would be Qatar, the host of the last Football World Cup, which spent over USD 200 Bn on key infrastructure and tourism projects since winning the bid to host the 2022 World Cup. The country made an estimated USD 10 Bn investment for constructing ten new football stadiums.** China has also been another country which has invested heavily to develop its foothold in the game by combining investment in infrastructure and in local teams to attract foreign talent. Moreover, there are numerous countries and companies that pay significant sums as sponsors of football clubs or competitions to promote their goods, services, and tourist hotspots. **Saudi Arabia is currently executing a far-reaching and significant investment in its professional football league as part of its greater strategy to modernize its economy.**

Saudi Pro League

The Saudi Pro League (SPL) spent USD 952 Mn in the 2023 summer transfer window, the second-biggest football league transfer spending in the world after England's Premier League which topped the list at USD 1.98 Bn. According to Deloitte, the Saudi Pro League purchased 94 overseas players including 37 players from Europe's 'big five' football leagues. The English Premier League received the highest number of purchases from Saudi Pro League clubs which totaled USD 312 Mn making up 32.8% of the Premier League's foreign transfer fees during the 2023 summer period. Comparatively, Saudi Pro League clubs spent USD 148 Mn in buying players from Spain's La Liga, USD 122 Mn in France, USD 116 Mn in Italy's Serie A, and USD 32 Mn in the German Bundesliga.

One of the main strategic steps taken by Saudi Pro League clubs is to attract talented and world-renowned football players by offering them significant wages so that these prominent names would attract more football fans to watch the Saudi Pro League football games. This strategy has been tried in few different countries such as China and Japan but was unsuccessful in its execution. However, current big-name signings in Saudi Arabia such as Al-Nassr's Cristiano Ronaldo, the Portuguese five-time world player of the year, seem to have attracted a remarkable number of global fans into watching the SPL. Currently, the SPL has six out of ten highest paid football players in the world, led by Ronaldo who is earning an estimated USD 200 Mn a year salary. Moreover, Brazilian football superstar Neymar is also among the latest stars that moved to the SPL emphasizing the serious pull that the Saudi Pro League has already achieved in attracting global football's biggest names.

The significant wages offered to talented players like Ronaldo and Al Etihad's Benzema (USD 200 Mn per year) has attracted a higher number of top players than were previously expected to be wooed by the SPL. At the end of SPL's 2023 summer transfer market there has been a flurry of top players who have moved to the SPL pushing back at the stigma that the SPL is a retirement league for players past their prime. Furthermore, an influx of talented foreign players in the SPL are expected to give an impetus to develop the Kingdom's local talent by creating an overall growth in standard of play in the league as talented foreign players elevate the league's overall game. The development of the Kingdom's native players would also be great help in furthering the Saudi football national team's standing in global and regional competitions.

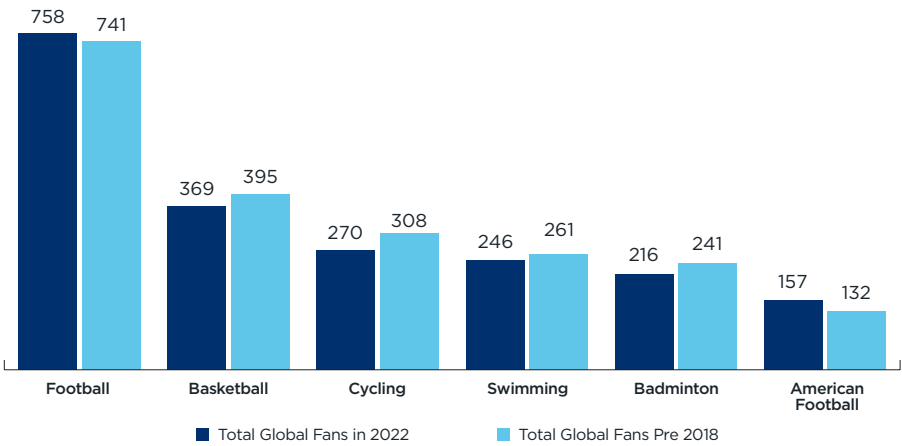


Top 10 highest paid football players in the world			
Club	Country	Player	Estimated Wages - USD/Week
Al Nassr	Saudi Arabia	Cristiano Ronaldo	3,852,000
Al Ittihad	Saudi Arabia	Karim Benzema	3,830,600
Al Ittihad	Saudi Arabia	N'Golo Kante	1,712,000
Al Hilal	Saudi Arabia	Neymar	1,605,000
PSG	France	Kylian Mbappe	1,481,538
Inter Miami	USA	Lionel Messi	925,550
Al Ahli	Saudi Arabia	Riyad Mahrez	925,550
Al Nassr	Saudi Arabia	Sadio Mane	888,410
Barcelona	Spain	Frenkie de Jong	771,470
PSG	France	Ousmane Dembele	748,177

Sources: Transfermarkt.com, Kamco Invest Research

As a result of increased media attention and the growing influx of talented players from Europe, the SPL's broadcast deals have also grown. According to Gulfbusiness.com, the Saudi Pro League has garnered new broadcast deals which will transmit SPL games to over 130 territories. Revenue from new broadcast deals is expected to quadruple during the 2023/2024 season. According to SportBusiness Media Rights Tracker, the Saudi Pro League has generated USD 710,000 from 28 international deals during the 2022/2023 season. On the other hand, commercial revenue of the Saudi Pro League reached USD 121 Mn during 2022/2023 while fan attendance recorded a growth of nearly 150% during the 2022/2023 season. In comparison, the English Premier League generated significantly higher revenues in broadcasting rights during the period underlining that the SPL has a long way to go in terms of competing with the world's top football leagues.

Global Fans (aged 16-29) in Millions

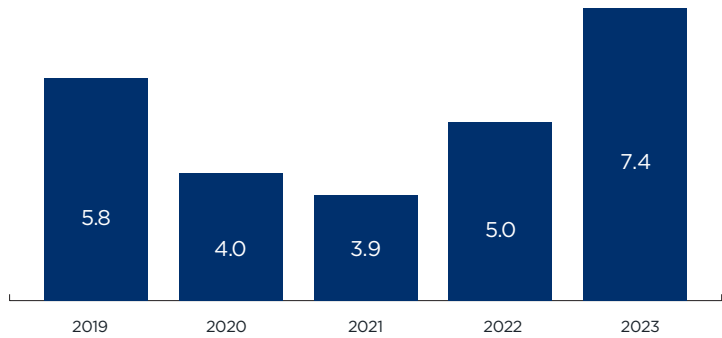


Sources: FIFA, Transfermarkt.com, Kamco Invest Research

The Saudi government has been using its sovereign fund (Public Investment Fund) as the primary vehicle to make the transformational sport investments. Through the PIF the Saudi government has bought 75% stake in four of the 18 clubs of the Saudi Pro League, as well as the USD 391 Mn deal to buy 80% stake in Newcastle United. The privatization and ownership transfer of SPL clubs is intended to accelerate progress in the SPL and in a variety of different sports across the country. According to the PIF's publications, the Kingdom's sovereign wealth fund, which has approximately USD 700 Bn in assets under management.

The SPL is betting on the large fanbase for football in the Kingdom as well as in the broader MENA region. According to Deloitte, global football fans increased by 17 million between 2018-2022 to reach 758 million. Comparatively, global basketball fans reached 369 million recording a decline of 26 million while global American Football fans recorded 25 million increase to reach a total of 157 million between 2018-2022.

International transfers during the mid-year transfer window - USD Bn



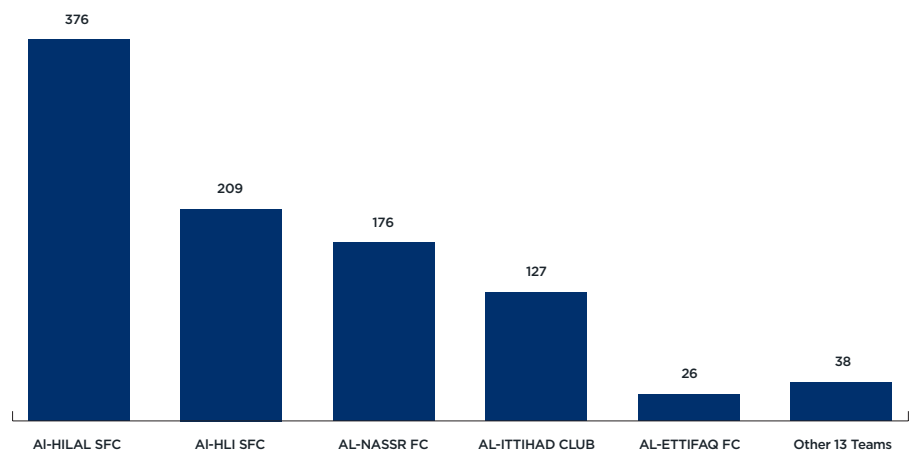
Sources: FIFA, Transfermarkt.com, Kamco Invest Research



Saudi Arabia's Football Ambitions

The Kingdom is investing heavily in its domestic football league, especially in its football infrastructure with the aim of making the SPL one of the top ten football leagues in the world. Earlier this year the Saudi Football Federation announced its plans to build three new football stadiums and embark on major renovations on four current stadiums ahead of hosting the 2027 Asian Cup. The construction and renovation of sporting facilities is also part of a wider effort to modernize the Kingdom's sporting facilities. The Saudi Sports Ministry recently announced that it is embarking on a USD 2.7 Bn program to build new sporting facilities and renovate existing facilities over the next five years. These plans include the construction of 30 new training grounds and facilities near stadiums which will host the 2027 Asian Cup as well as the construction of 50 new model sports clubs in different cities of the Kingdom. The investment and development of the Kingdom's sports sector especially football infrastructure aligns well with Saudi Arabia's general goal of developing the Kingdom's Tourism sector. This is expected to result in the creation of more jobs, generate revenue for the Kingdom and attract more commercial sponsorship deals for the SPL and Saudi Arabia in general. According to an estimate from VisitBritain, 1.5 million inbound visitors went to a live football match in 2019, i.e., around one in every 27 visitors to the Country. Of all the sports experiences that Britain offers, the chance to experience a live football match attracts the largest volume of overseas visitors. A profound impact was also seen post the football World Cup in Qatar that elevated Qatar's ranking in world sports league infrastructure, generated tourism revenues as well as led to an overall development in infrastructure in the country and an economic boost.

Saudi Club's Net Amount Spent on 2023/2024 Transfer Market Window - USD Mn



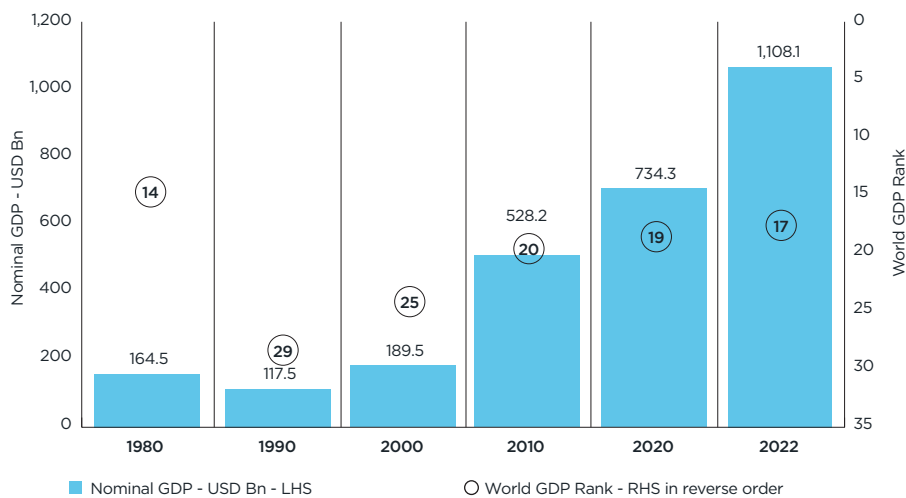
Sources: Transfermarkt.com, Kamco Invest Research

Currently, Saudi Arabia is focusing on the bid to host the FIFA World Cup 2034 games and has officially expressed its intention to host the games. The Kingdom has taken notice of Qatar's successful 2022 hosting of the FIFA World Cup. According to S&P Global, Qatar's economy expanded 8% y-o-y to reach USD 49.44 Bn during the fourth quarter of 2022 mainly driven by the increased economic activity in the country during the FIFA World Cup window. Qatar's hosting of the FIFA World Cup 2022 boosted tourism, retail, and hospitality sectors of the economy among other sectors during 2022. Successful execution of the Saudi Pro League investments can be transformational for Saudi Arabia, clearing the path for future growth in non-oil sectors of the Kingdom's economy such as tourism, sports, and media. These expected outcomes align with the Kingdom's overall goals of weaning the economy from its overreliance on hydrocarbons by increasing the number of tourists that will visit the Kingdom as well the inflow of foreign money into the Kingdom. Choosing football as a transformational vehicle to diversify the Saudi economy is strategically sound. If the Saudi Pro League takes off well, and becomes a globally competitive league, a significant number of the Kingdom's economic sectors are expected to benefit from this success. Sectors like transport, hospitality, tourism, and retail are the main expected gainers of possible success.

In a general context, Saudi Arabia's investments both in football and in the general Vision 2030 are long term in nature and a necessary strategy in today's world as it addresses the global race to reduce the use of fossil fuels. Nearly every country in the world is putting together as well as executing plans to cut greenhouse emissions which generally mean drastically lowering their consumption and reliance on oil as primary energy source. A relatively bigger investment in non-oil activity while generating stable earnings from oil-related activity seems to be a step in the right direction. The efforts in the oil sector are also aimed at reducing the overall impact on the environment as Saudi Arabia has invested heavily in green and blue hydrogen projects.

The Saudi government has identified the Entertainment and Tourism sectors as among those with the most potential to benefit from its diversification plans in the Kingdom's Vision 2030 strategy. According to plans disclosed by the Saudi government, the Saudi General Entertainment Authority has pledged to invest up to USD 64 Bn by 2028 to develop the Kingdom's entertainment sector. Saudi Arabia's Entertainment Sector has already made some significant strides during the past years including the lifting of the 30-year ban on cinemas in 2018.

Saudi Arabia Global GDP Ranking



Sources: IMF, Kamco Invest Research

Saudi Arabia's Economic Transformation

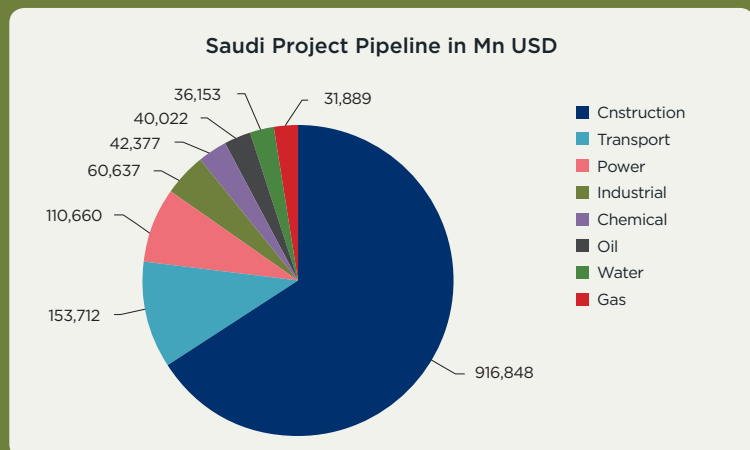
Saudi Arabia has one of the biggest project markets in the world. The Kingdom's project pipeline is estimated to be worth more than USD 1.7 trillion according to MEEED Projects. Saudi Arabia's aim in executing these substantial investments is to diversify its economy from the reliance on oil as well as to establish and develop the Kingdom's manufacturing and services sectors to achieve sustainable economic growth. The pace of execution of the Vision 2030 plan is a testament to the seriousness of the initiatives being undertaken by Saudi Arabia as seen from the significant increase in awarded projects under the strategy.

The investment in sports is part of a broader strategy to develop the Tourism sector in the Kingdom. The Saudi government recently announced that it will invest an estimated USD 20 Bn in developing the Saudi Pro League and its football initiatives. In context, this investment,

although huge, is a drop in the bucket of the overall planned and ongoing investment projects in the Kingdom. One of the most prominent mega projects in the KSA and its largest flagship project is the Neom project which is valued at USD 444.9 Bn and entails the construction of a new urban area of over 26,500 kilometers squared in the northwestern part of the Kingdom. The Neom project plans include the creation of The Line, a global trade hub, tourist resort and floating industrial complex among other things. Another key Saudi mega project is the USD 63.2 Bn Diriyah project located near the northwest of Riyadh at the At-Turaif UNESCO World Heritage Site city. The Diriyah project, which is funded through the Public Investment Fund, is designed to be a sustainable project which delivers initiatives in which the Kingdom's unique history and culture are celebrated. Moreover, the Diriyah project aligns with the rest of the Saudi Vision 2030 mega projects in its modernization goals as the project aims to deliver initiatives focused on water conservation, energy efficiency, heritage preservation and climate change resilience.

In terms of logistics and transportation, the Kingdom has announced that it is building an extra 8,000 KM of rail network which crisscrosses the country on top of the existing 5,500 KM network underlining plans to invest around USD 270 Mn in future rail projects. The Kingdom aims to double its freight and passenger capacity. Saudi Arabia's current network transported over 33 million passengers and over 70 million tonnes of cargo between 2012 and 2022. The Kingdom also recently announced the building of a rail line to connect Kuwait and Saudi Arabia which is a key element in the broader GCC rail project. Moreover, the ongoing plans in several GCC countries to allow residents to travel visa-free in the region coupled with a strong rail network on the lines of Schengen visa and the European rail network, is expected to further boost tourism in the Kingdom as well as the overall GCC region.

According to the IMF, Saudi Arabia's nominal GDP reached USD 1,108.1 Bn in 2022 as compared to USD 868.6 Bn in 2021. Oil dominates Saudi Arabia's GDP accounting for an estimated 43% of the country's total GDP. Saudi Arabia's quest for diversifying its economy from oil is showing some green shoots. In 2022, the Kingdom earned around 80% of its export income from oil as compared to 2012 when it received 90% of its export income from oil. Saudi Arabia's 2030 Vision aims to grow the share of non-oil exports in the Kingdom's non-oil GDP from 16% in 2016 to 50% by 2030 according to the Saudi Vision 2030 plan.



Sources: Meed Projects, Kamco Invest Research

Some of the other mega projects in the Kingdom include the Red Sea Project which establishes a luxury regenerative tourism destination in the west coast of Saudi Arabia, the Qiddiya Project which is a project that develops the country's capital of entertainment, Sports and Arts, and the ROSHN Project which is aimed to increase the rate of homeownership among the Saudi citizens. The Kingdom's Giga project investments are accompanied by MENA and International investments which are part of the economic diversification process and are aimed at developing promising sectors and Saudi-owned companies.



Investments into sports and entertainment industries are key pillars of Saudi Arabia's economic diversification goals and the Kingdom aims to grow the GDP contribution of these sectors along with employment in these sectors. One of the most important investments into sports that the Kingdom made is the newly established LIV Golf tour funded through the Kingdom's Public Investment Fund the (PIF). The PIF has also heavily invested into other types of sports in recent years such as Formula 1, boxing, and the takeover of Newcastle United in the English Premier League.

The investment in the SPL is part of Saudi Arabia's multifaceted economic transformation measures in attracting foreign investors. The Kingdom's 2030 Vision includes specific plans to increase the proportion of foreign direct investment (FDI) contribution to the Saudi GDP from 3.8% in 2016 to 5.7% by 2030. According to Saudi government data (Economic Ministry), the Kingdom's foreign direct investment inflows increased by 10.2% y-o-y to reach USD 2.1 Bn during Q1-2023. An increase in tourism in the Kingdom is another major aim expected to result from the investment in the SPL. Recently, Saudi Arabia's tourism authority (Visit Saudi) and the Spanish top football league (La Liga) signed a tourism partnership contract for football promotion deal with the aim of showcasing sport and travel in both Spain and Saudi Arabia. Saudi policy makers understand the growing importance of football in driving tourism numbers as new research into the UK's tourism has shown that an estimated 1.5 million visits to watch live football were made to the UK in 2019 as compared to 909 thousand visits in 2011.

Saudi Arabia's revenue from the Tourism sector has been growing steadily in the last few quarters. The Kingdom's revenue from Tourism increased by 225% y-o-y to USD 9.9 Bn during Q1-2023, according to Saudi Press Agency. This was direct result from the growth in numbers of tourists visiting Saudi Arabia during Q1-2023 which reached 7.8 million visitors, their highest quarterly mark. In terms of yearly performance, in 2022 Saudi Arabia welcomed 77.8 million domestic travelers and 16.5 million international visitors which combined to a total of 94.4 million visitors, recording a 45% increase as compared to 2019. The growth in the Kingdom's tourism numbers aligns perfectly with its tourism strategy which has been set out to attract 150 million new visitors by 2030 and for tourism to contribute around 10% of the GDP.



Achievements in football

- › Saudi Arabia set a new transfer record spending of USD 952 Mn during the 2023/2024 summer window coming at the second place in terms of total money spent and setting the SPL as a new rising force in international football.
- › PIF takes ownership of 4 out of the 18 clubs in the SPL.
- › Match attendance in the SPL jumped 150% during the 2022/2023 season.
- › Successfully attracted the football world's top talent including Cristiano Ronaldo, Neymar and Karem Benzema to play in the SPL which paved the way for many other footballers that have recently signed up for the SPL.
- › Successfully sold the SPL broadcast rights to 12 networks across 130 countries for the 2023/2024 coverage.

Our View

- › In our view, we think the future of Saudi Arabia's Pro League is exciting. One of the ways we can gauge the effectiveness of the transformational strategy implemented by the SPL and its continued future success is the considerable number of foreign players which have already opted to move and practice their trade in Saudi Arabia. This is an important vote of confidence in the SPL's direction and strategy.
- › The player influx in the Saudi League is fueled by the enormous wages offered by SPL clubs. We think the SPL's preparedness to offer top Riyal to talented footballers underlines the seriousness of their project to make the SPL rank among the top ten leagues in the world.
- › As the Saudi Pro League attracts world class players with extremely competitive salaries, the SPL's quality of football would gradually increase making it much more entertaining and watchable which will translate to growth in the number of fans that watch and follow the league.
- › This will jumpstart a domino effect in which good young players would ultimately want to play in the SPL because of its competitiveness and high standard of football.
- › Another major reason that we expect to increase the likelihood of SPL's success is the economic, social, and cultural transformation that is currently underway in Saudi Arabia. The Giga projects that are underway will have the effect of attracting talented people as well as foreign direct investment to the Kingdom. When these transformational designs come into effect the Kingdom's economy would witness a significant growth.
- › In terms of numbers, the value of tourism sector in the Kingdom is estimated to reach USD 93.4 Bn in 2023 or 10% of the GDP, according to the WTTC. By 2032, the sector is forecasted to account SAR 635 Bn (USD 169.3 Bn) or 17.1% of the Kingdom's overall GDP. The Tourism sector is expected to add one million jobs over the next 10 years, according to the Saudi Ministry of Tourism. The Saudi Hospitality Sector generated USD 9.86 Bn from Tourism in the first quarter of 2023 recording a growth of more than 3 times vs. Q1-2022.
- › Despite being more than a decade late to get on the regional tourism bandwagon, Saudi Arabia received the second highest number of tourism FDI projects in the Middle East region after UAE. According to data from FDI Intelligence, Saudi Arabia received 9 tourism FDI projects in 2022 and around 31 tourism FDI projects between 2018 and 2022.



KAMCO INVEST



Kuwait

Kamco Invest

Tel: (965) 185 26 26
www.kamcoinvest.com



Saudi Arabia

Kamco Invest - Saudi

Tel.: (966) 11 299 4100
www.kamcoinvest.com.sa



United Arab Emirates

Kamco Invest - DIFC

Tel: +971 (0) 4350 2900
www.kamcoinvest.com

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