



USSBC Economic Brief Sports Sector Update

Overview

The global sports industry has witnessed remarkable growth over the past few decades as strong economic conditions supported by sponsorship rights, media penetration, retail sales, and accessibility via internet enabled devices has attracted an expanding number of audiences. Consequently, the global sports market is estimated to reach SAR2.3 trillion (\$600 billion) in 2021. This growth has largely relied on technological innovations in supply chains and by developing robust physical and telecommunications infrastructure capabilities to support demand. Saudi Arabia's ambitious sports program looks to capitalize on two main pillars. The first pillar, which is already underway, consists of creating a sporting hub by attracting and hosting world-class sporting events. This demands building state of the art infrastructures such as stadiums, arenas, transportation networks and accommodations. This also supports the creation of tens of thousands of employment opportunities locally for the sports industry while the economic multipliers will ensure an even higher number of job creation.

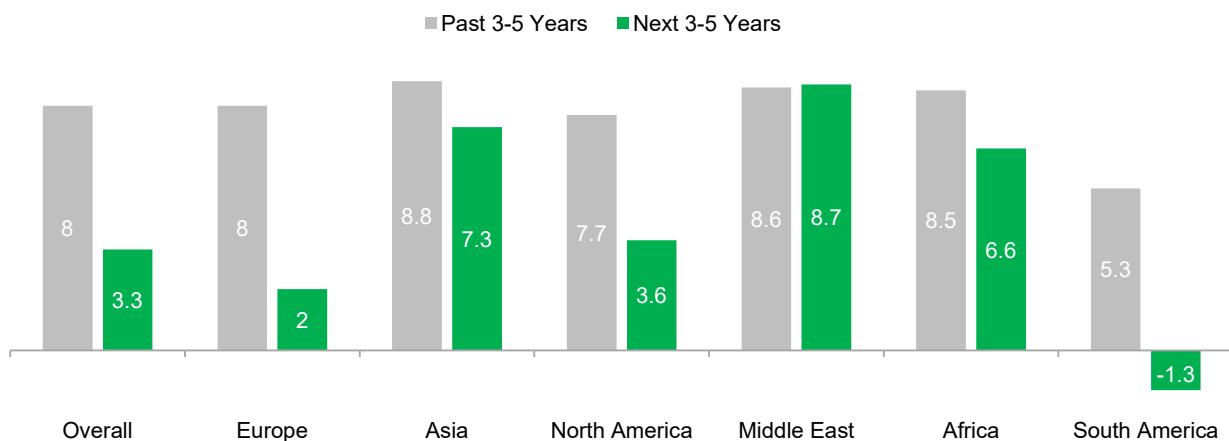
The second pillar, which requires a long-term commitment, is devoted to developing Saudi Arabia's youth athletics and improved lifestyles at the grassroots level. This is made achievable by availing every opportunity possible to organically grow a country's talent base through the supply of and accessibility to a plethora of sports and recreational activities. Creating a framework to achieve this goal is aided by adopting global best practices and instituting them in tandem with newly formed entities. Saudi Arabia's Vision 2030 serves as the foundation for diversification and its Quality of Life initiative is the engine that is guiding the sports sector.

Saudi Vision 2030 has opened new opportunities in the sports industry for local and international firms in an effort to boost Saudi youth participation in sports, utilize the private sector to address infrastructure and knowledge gaps, and pursue a national reputation for leadership in sports. In recent years, Saudi Arabia has hosted some of the premier sporting events in the world across boxing, wrestling, soccer, and motorsports. The Kingdom has also attracted international talent to new Saudi sporting events, including an international horse race at the 2020 and 2021 Saudi Cup. Saudi Arabia's flagship megaprojects, including NEOM and Qiddiya, which have a number of sports construction contracts planned or under execution, aim to rank among the top global destinations for international sports. The newly established Ministry of Sports is expected to align talent development, event hosting, and project management across both physical sports and e-sports.

Sector Strategy

The global sports market is expected to grow from an estimated SAR2 trillion (\$530 billion) in 2020 to SAR2.3 trillion (\$600 billion) in 2021 amid a bounce back from the COVID pandemic. According to the 2020 PwC Sports Survey, sports market growth expectations in the Middle East registered an 8.7 percent increase over the next 3-5 years, outpacing all other regions. The survey identified “robust government support, upcoming mega events, and overall growing commercial maturity” for the Middle East’s leading regional outlook. Saudi Arabia’s status as the largest and most populous country in the GCC, with more than two-thirds of the population under the age of 35, along with its Vision 2030 commitment to develop sports as a key non-oil industry, positions the Kingdom to be a leading force behind the growth of the Middle East sports industry.

Sports Market Growth Outlook (% Annual Growth)



Source: PwC 2020 Sports Survey

Under Vision 2030, Saudi Arabia has committed extensive economic resources to develop entertainment, recreation, and leisure opportunities for Saudi citizens and visiting tourists. The Quality of Life program, a SAR131 billion (\$35 billion) Vision 2030 initiative launched in 2016, is aimed at coordinating economic development efforts to improve the wellbeing of Saudi citizens and boost the attractiveness of Saudi cities through cultural, entertainment, and sports opportunities.

In 2016, the National Transformation Plan 2020 indicated that SAR7.7 billion (\$2.1 billion) was budgeted to the General Presidency of Youth Welfare, which became the General Sports Authority (GSA). The budget included SAR330 million (\$88 million) for design and implementation of active city programs and neighborhood clubs and SAR550 million (\$147 million) for development of community sports groups. The government allocated an additional SAR2.4 billion (\$650 million) to develop sporting infrastructure and boost participation and engagement in July 2019. In February 2020, GSA was elevated to the Ministry of Sports.



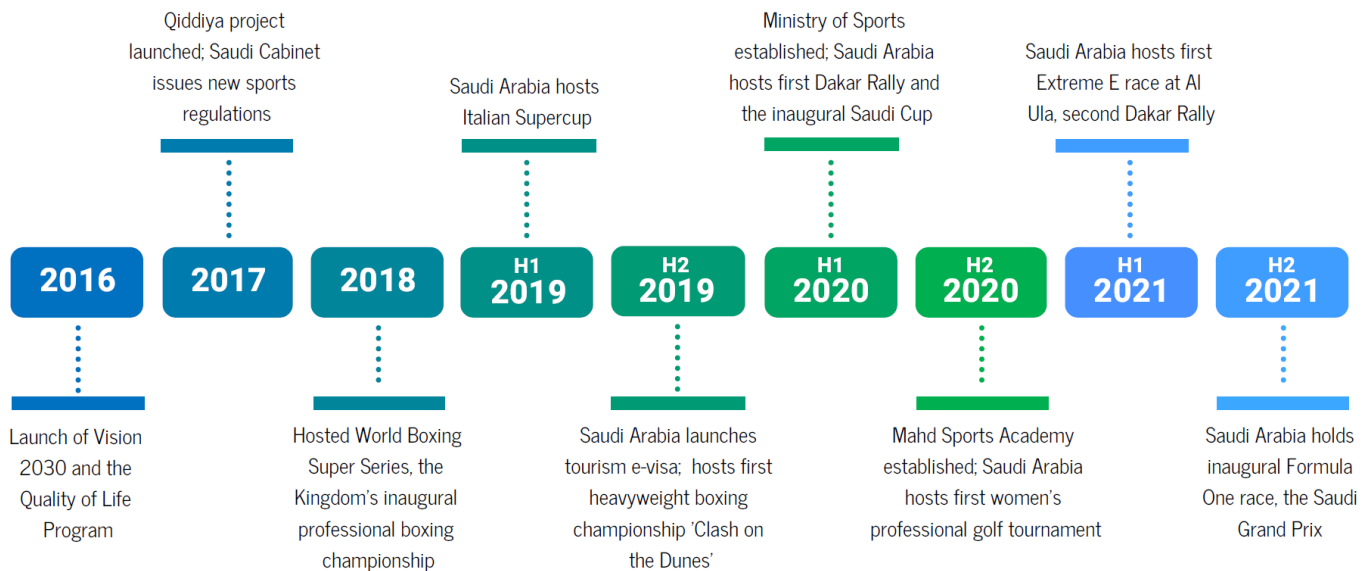
The latest figures released in 2020 before the pandemic showed participation of Saudi citizens in sports rose from 13 percent to 20 percent since the launch of the Quality of Life program, according to the General Authority for Statistics (GASat). The government aims to raise this figure to 40 percent by 2030 through investment in sporting facilities, expansion of women and children’s sports education and training, and raising the national profile of Saudi Arabia as a sporting destination.

The Public Investment Fund’s (PIF) recent five-year strategy identified sports (as part of ‘sports, recreation, and tourism’) as one of thirteen strategic sectors to fulfill PIF’s broad mandate to develop the Kingdom’s non-oil economy. The PIF will work in tandem with other government initiatives such as the tourism visa, public transportation projects in major Saudi metro areas, promotion of private investment in sports venues and facilities, international partnerships for talent development, and flagship megaprojects such as Qiddiya, NEOM, and AMAALA to grow the sector.

Sector Developments

Hosting Events

Since 2016, Saudi Arabia has actively bid to host major international sporting events and sought to attract international investment by developing venues for sports that are popular with Saudi audiences and take advantage of its dynamic topography. Soccer, boxing, and wrestling are particularly popular with Saudi



Source: Government announcements

audiences and have been among the top international events held in Saudi Arabia. Recent years have seen many firsts in the Saudi sports industry such as the Kingdom’s inaugural professional boxing championship (the World Boxing Super Series) in September 2018, the first international women’s WWE event in October 2019, the first heavyweight boxing championship event ‘Clash on the Dunes’ in December 2019, the inaugural Saudi Cup horse race in February 2020, and the Aramco Saudi Ladies International golf tournament in November 2020.



The onset of the COVID-19 pandemic suspended plans for several sporting events in Saudi Arabia, including a SAR544 million (\$145 million) deal to host the 2020-21 Spanish Super Cup at King Abdullah Sports City in Jeddah. The Ministry of Sports suspended public attendance of sports events in March 2020 as part of the government's efforts to limit the spread of COVID-19. The suspension was lifted in June 2020. Despite the pandemic, Saudi Arabia hosted the 2021 Dakar Rally, the inaugural Formula E race at Al Ula, and signed deals to host the first Saudi Formula One event and a major heavyweight boxing unification fight in 2021.

The Ministry of Sports also has an ongoing partnership with U.S.-based WWE to host two events per year through 2027. Other hosted sporting events include the Race of Champions motorsport, the Ladies European Tour in golf, the King Salman world chess championship, and several international e-sports events. The subsequent two Spanish Super Cups (2021-22 and 2022-23) are still expected to be held in the Kingdom. Saudi Arabia was also selected this year as the host nation for the 2034 Asian Games.

Established Entities

The government established a new Ministry of Sports in 2020 dedicated to the sports industry that encompasses the previous role of the General Sports Authority (GSA). Several organizations dedicated to talent development, including Mahd Academy, Leader Development Institute (LDI), and Saudi Sports for All (SFA), were introduced to drive youth participation in sports and establish partnerships with international universities and the private sector. U.S.-Saudi partnerships in this field include an agreement between Harvard Business Publications and LDI to develop and implement courses and training programs to bridge knowledge gaps in the sports sector. A two-year marketing and promotional partnership between PepsiCo and SFA to support the expansion of athletics in the Kingdom was also signed.

Under the Ministry of Sports, an extensive array of sports federations have been established to support local talent development and organization. The Ministry of Sports launched Mahd Sports Academy in July 2020 to implement a new developmental system in collaboration with numerous Saudi sports federations and international sporting bodies. Mahd Academy has signed agreements with the Union of European Football Associations, The French Football Federation, and France's National Institute of Sport and Performance (INSP). Due to its popularity among Saudi youth, soccer has been a primary focus of event hosting and talent development in Saudi Arabia. According to a 2019 survey by GStat, soccer was the most commonly practiced sport among Saudi citizens (21 percent) followed by bodybuilding (9 percent), Swedish exercises (9 percent), and swimming (5 percent). The Ministry of Sports also launched a broadcasting entity last year, Saudi Sports Company, that will pursue television rights for major events in a bid to further establish the Kingdom as a regional sporting hub.

While outside the scope of Quality of Life, the e-sports industry has proven to be a fast-growing and dynamic sector in which Saudi Arabia has been a regional leader in participation and event hosting. E-sports is broadly overseen by the General Entertainment Authority (GEA) but, more recently, the Saudi Arabian Federation for Electronic and Intellectual Sports (SAFEIS) has served as the leading entity issuing permits and licenses for e-sports events and the development of the e-sports sector. SAFEIS hosted the e-sports fundraiser Gamers Without Borders during the pandemic that was reportedly the biggest e-sports charity event on record, attracting participants from 70 countries.



Regulatory & Financing

Following the launch of Vision 2030, the Saudi Cabinet approved new regulatory arrangements for the Ministry of Sports (then General Sports Authority) which increased access to financing, the option for privatization of professional sports clubs, and new licensing and access for women's sports facilities. More recently, the Ministry of Sports has also issued regulations on the bidding process for sports projects, land investment for sports clubs, and provided online licensing services. In the e-sports sector, SAFEIS introduced an accreditation process for affiliates. The GEA recently launched a streamlined system to issue licenses for event venues and accreditation certificates for crowd management and e-sport event hosting.

Saudi Arabia also launched a SAR15 billion (\$4 billion) Tourism Development Fund (TDF) in June 2020 to develop the sector in collaboration with private and investment banks. With tourism envisioned as a new pillar of the Kingdom's non-oil economy, sports tourism will be a key element of this strategy from smaller scale amenity development to multi-billion-dollar megaprojects. TDF signed a deal with Riyadh Bank to provide funding guarantees up to 90 percent for tourism-related projects ranging from SAR1 million (\$267,000) to more than SAR100 million (\$27 million).

A growing Saudi startup scene enabled by regulatory liberalization has also seen tech SMEs disrupt the sports market with digital solutions. These include HalaYalla, a ticketing and event management platform that has sold 300,000 tickets to major Saudi sports events and Jeddah-based GetMuv which received a SAR1.8 million (\$500,000) bridge investment from the Saudi Aramco Entrepreneurship Center, Wa'ed, to provide affordable digital membership to a range of participating sports institutions throughout the Kingdom. SMEs will be supported and incentivized to identify opportunities in the sports ecosystem across tourism, health, education, and entertainment.

Projects

According to MEED Projects, Saudi Arabia currently has SAR11 billion (\$3 billion) major sports projects planned or under construction. These include megaprojects like NEOM, Qiddiya, AMAALA, Al Ula, and the Riyadh City project as well as municipal projects that include a new motor park at King Abdullah Economic City (KAEC) and construction of new recreational and university fitness facilities. These projects employ a range of companies including local construction firms, international design and consulting firms, international EPC firms, and leading sports bodies with specific domain knowledge.

Megaprojects

Saudi Arabia's Qiddiya megaproject is a planned entertainment and sports city that will encompass a wide range of amenities including a motorsports speed park, a 20,000-seat clifftop stadium, an 18-hole championship golf course, an 18,000 seat multi-purpose indoor arena, and numerous other attractions across an 8,400-acre development site. A planned SAR1.1 billion (\$300 million) sports complex is currently in the design phase. The Qiddiya Golf Course Project has completed its design phase in partnership with U.S. firm Nicklaus Design and is currently in the bid evaluation phase. Other major Qiddiya projects in the design or study phase include Qiddiya City Center, which will house the stadium and indoor arena, and the Qiddiya Motion Core, which will include a motorsports park and amenities for recreational adventure sports.



In Focus: Key Insights from Mr. Abdullah Hammad, President of Mahd Academy

Vision 2030 and the Saudi sports industry

“The level of impact that Vision 2030 has on sports is vast. Saudi Vision 2030 was announced in April 2016 and represents Saudi Arabia's plan not only to diversify its economy and address the challenges brought by low global energy prices, but also to implement far-reaching social and lifestyle changes. Saudi Vision 2030 acknowledges that opportunities for playing sports in Saudi Arabia have previously been limited and recognizes the importance of sports as part of a healthy lifestyle. Therefore, Saudi Vision 2030 includes the aim of encouraging widespread and regular participation in sports and athletic activities, working in partnership with the private sector to establish additional dedicated facilities and programs. Saudi Arabia aspires to excel in sports and be among the leaders in selected sports regionally and globally.

As well as targeting significantly improved performance at international sporting games, there is a heavy emphasis on initiatives that improve sports infrastructure and facilities at the grassroots level. An example of this can be seen in schools, through the addition of women's sports facilities and through local communities, where previously investment has generally been minimal. One of Vision 2030's targets is to increase the scale of community participation in sports from 13 percent to 40 percent by 2030. Mahd Academy originated from these programs.”

Opportunities for U.S. companies in the Saudi sports industry

“Developing talent within the sports industry is at its nascent stage in the Kingdom and Mahd Academy was created to address this opportunity. U.S. companies are crucial to the success of the sports industry in Saudi. The knowledge and expertise of the U.S. are what Saudi sports strive for. For example, the U.S. excels in terms of college sports, infrastructure and sports complexes, TV rights, PR and media, coaching methodology, and fan engagement. U.S. companies can participate in offering their services for Saudi sports and exploring the Saudi market, in areas such as talent ID technology and methodology, sports infrastructure, and best coaching principles and licensing.”

Talent development for different age groups

“Mahd Academy believes talent development that starts from ages 5-10 should be built around multi-sports development and fundamental movements, and then after that age, the athletes can start focusing on 1-3 sports. We have the under-ten program, which demands a lot of creativity to introduce fundamental movement training and different sports. Additionally, there are specific sports programs for over 20 different sports such as soccer, tennis, volleyball, athletics, fencing, rowing, and many more. Mahd Academy is built to help kids from age 6 in over 20 sports and develop them to become champions in their sports and represent Saudi on the most significant world stages. Mahd Academy's goal is for Saudi Arabia to excel in being a global leader in discovering and developing talents and exporting the best methods and practices to the world.”

Key Mahd Academy projects

“Facilities that have been built or are currently under construction include the Mahd headquarters in Riyadh, five tennis courts, an archery field, an artificial football field, and 3 6v6 soccer fields. Projects we have planned include Mahd Academy branches in Jeddah and Dammam, as well as other multisport complexes, air domes, performance centers, and football fields.”

NEOM, Saudi Arabia's SAR1.9 trillion (\$500 billion) gigaproject city, is envisioned to be a global destination for sports tourism, including water sports, adventure sports such as rock climbing, kite surfing, and scuba, Formula E racing, and e-sports. NEOM hosted the inaugural Beach Soccer Cup in 2019 and is expected to return in 2021 after a COVID-enforced break in 2020. NEOM has also sought international sponsorships and partnerships in the sports sector by signing a long-term sponsorship agreement to become the principal partner of the Mercedes-Benz EQ Formula E team and a separate agreement to become a global partner of the Asia Football Confederation (AFC) through 2024.



The Ministry of Sports signed a memorandum of understanding with NEOM to support employment and investment opportunities in sports at NEOM. NEOM is expected to pursue hosting rights for major international events in other sports as it develops the necessary infrastructure to highlight the city's tourism potential. NEOM also signed an agreement with SAFEIS to capitalize on tourism and investment potential of the e-sports industry.

Other megaprojects that tie in with the Saudi sports sector include Al Ula, which aims to be a global destination for “desert-friendly” sports. Al Ula marked a significant milestone in April 2021 when it hosted its first Extreme E motorsport race. AMAALA, a luxury tourism megaproject on the Red Sea, hired U.S.-based Parsons to serve as a project management consultant on the Triple Bay project, which will construct a sports performance academy, an equestrian resort, a polo academy, and a range of sports facilities across golf, tennis and traditional regional sports like camel-racing and falconry. The Diriyah Gate Development Authority and Golf Saudi are collaborating with U.S. firm Greg Norman Golf Course Design to build a 27-hole championship golf course in Diriyah. Diriyah also hosted the Middle East's first Formula E race in 2018.

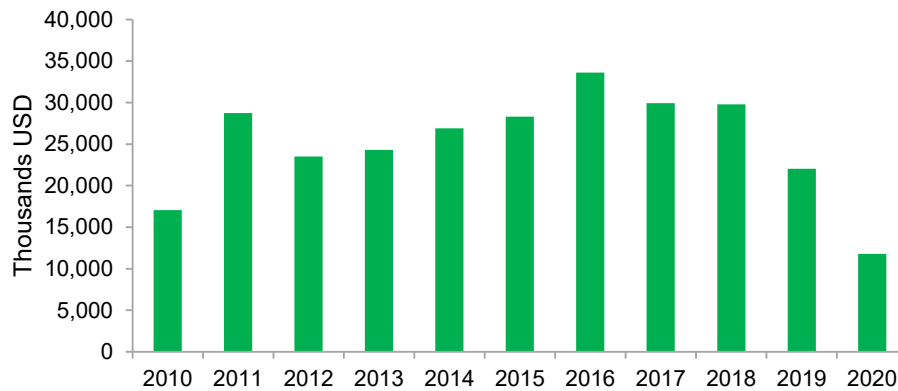
The Royal Commission for Riyadh City (RCRC) is also developing a SAR1.9 billion (\$500 million) Sports Boulevard project that encompasses broad design, engineering, and construction works to provide 60 sports sites including 16 soccer pitches, 18 covered basketball and tennis courts, 12 volleyball courts, a ski park, a 53km boulevard along Al Sulai Valley for professional cycling and horse riding, an equestrian center, and a high-rise sports tower that will contain various sporting facilities. U.S. firms Parsons, Coen+Partners, and Hill International all serve as project consultants on the Riyadh Sports Boulevard project. With numerous design and construction elements of these sports megaprojects yet to be completed, demand for U.S. knowledge and expertise will continue to be strong to fill experience gaps in developing world-class sporting facilities.

Fitness Centers

As the broader push for greater physical activity and sports participation in Saudi Arabia expands, business opportunities also exist for SMEs to address gaps in training capacity, facilities management, and local gym offerings. Existing gym subscriptions in Saudi Arabia are estimated to generate around SAR3 billion (\$800 million), according to an industry source. A growing rate of physical activity and an underdeveloped female gymnasium market segment will provide support for a growing consumer market for fitness and training centers in the Kingdom. Saudi Arabia's gym and personal fitness market has also proven to be an opportunity for international partnership and investment.

The Kingdom's largest club chain, Fitness Time, signed a SAR188 million (\$50 million), five-year contract with Italian fitness company Technogym to supply smart equipment and digital solutions for Fitness Time's 138 clubs across the Kingdom. The agreement also includes the opening of 70 new clubs over the next 5 years. Armah Sports Company signed a SAR75 million (\$20 million) agreement with U.S. firm Life Fitness to supply cardio and strength equipment to Armah clubs over the next five years. Since the launch of Vision 2030, the U.S. exported SAR311 million (\$83 million) in exercise equipment to Saudi Arabia. As the global economy recovers from the COVID-19 pandemic, we expect demand for U.S. fitness equipment and digital service providers to address pent-up demand.

U.S. Exports to Saudi Arabia (Physical Exercise Equipment)



Source: U.S. Census Bureau

E-Sports

As the 19th largest gaming market in the world, Saudi Arabia has embraced the economic potential of the e-sports market by hosting international gaming competitions, signing deals with international gaming companies, and making significant investments in video game developers. The Saudi online gaming market is valued between SAR3.1 billion (\$837 million) and SAR4.1 billion (\$1.1 billion), according to industry sources. The market is reportedly growing at a 22.5 percent compounded annual growth rate (CAGR), making it one of the fastest growing economic segments in Saudi Arabia.

Saudi Arabia took advantage of the pandemic-induced pause in the global sports economy to host a record-setting e-sports charity event, Gamers Without Borders. The recent hosting of other tournaments, including the PUBG Mobile Star Challenge, have put Saudi Arabia on the global gaming map. Saudi Arabia's rapid deployment of 5G technology in recent years positions the country to be a regional hub for e-sports competitions. Saudi Arabia currently utilizes more than 7,000 5G towers, according to the Ministry of Communications and Information Technology (MCIT), and its 5G network ranks as the fourth fastest in the world. U.S. technology company NVIDIA announced in January 2021 it would partner with Zain KSA to introduce GeForce NOW, a low-latency cloud streaming service, to the Saudi market. This year, the Ministry of Communications and Information Technology (MCIT) launched new initiatives as part of Gamers Without Borders to stimulate business entrepreneurship in smartphone gaming, organize conferences to coordinate local and international expertise in e-sports, and develop Saudi youth skills in programming languages such as C# and the Unity game design engine.

The PIF has also made investments totaling SAR23 billion (\$6 billion) in U.S. video game companies, according to SEC filings. PIF's holdings include a SAR11.6 billion (\$3.1 billion) stake in Activision Blizzard, a SAR7.2 billion (\$1.9 billion) stake in Electronic Arts, and a SAR3.7 billion (\$1 billion) stake in Take Two Interactive. The MiSK foundation also recently acquired a one-third stake in Japanese game developer SNK through its subsidiary Electronic Gaming Development Company with an option to take a controlling share of the company. The Kingdom's modern telecom infrastructure, strong youth interest in e-sports, and sizeable investments in video game developers indicate the gaming industry will be an important emerging sector over the next decade.



Economic Impact

The contribution of sports to Saudi Arabia's GDP grew from SAR2.4 billion (\$640 million) in 2016 to SAR6.5 billion (\$1.7 billion) in 2019. That figure is expected to grow to SAR18 billion (\$4.8 billion) by 2030, according to the Ministry of Sports. Most of the economic benefits will flow to Saudi companies, which do the majority of business associated with sports in the Kingdom. This includes construction, facilities management, and project logistics. However, foreign companies and associations are actively partnering with Saudi firms to elevate specific sports domains. Women's sports in particular represent a significant economic opportunity for both local and international firms to address a growing and underdeveloped market segment. The Ministry of Sports estimates that female participation in sports has increased by nearly 150 percent in the past five years. According to a 2019 GStat survey, 10 percent of males that did not practice sports cited lack of facilities as a reason compared to 25 percent of females, highlighting an addressable market opportunity for sports and fitness companies.

Saudi Arabia's megaproject pipeline will continue to provide numerous projects and job opportunities for sports infrastructure. As talent identification and development programs become more established, demand for sporting goods, facilities, and international investment will increase. Large developments like Qiddiya and the Riyadh Sports Boulevard are expected to produce tens of thousands of jobs during construction and also provide permanent job opportunities in sports and tourism for Saudi nationals.

Saudi Arabia is expected to continue pursuing opportunities to host sporting events popular with Saudi audiences such as boxing, soccer, and e-sports, as well as sports that cater to the natural environmental advantages of the Saudi landscape such as desert sports in Al Ula and water sports at NEOM and the Red Sea project. While the Kingdom holds high ambitions for its competitiveness in professional sports under Vision 2030, recreational and tourism-related sports represent a broader array of activities and a sustainable market opportunity to build a new pillar of Saudi Arabia's non-oil economy. Following the launch of Saudi Arabia's tourism visa in late 2019, sports tourism projects have become a key part of the development strategy in attracting domestic and international tourists.

Disclaimer:

The information contained in this document was gathered from sources believed to be accurate at the time, and the U.S.-Saudi Business Council accepts no liability from errors or omissions in any part due to human or mechanical error. The above information should not be taken as investment advice or as trading recommendation on behalf of the U.S.-Saudi Business Council.

This report may not contain all material terms, data or information and itself should not form the basis of any investment decision and no reliance may be placed for any purposes whatever on the information, data, analyses or opinions contained herein. You are advised to consult, and make your own determination, with your own independent legal, professional, accounting, investment, tax and other professional advisors prior to making any decision hereon.

This report may not be reproduced, distributed, transmitted, published or further distributed to any person, directly or indirectly, in whole or in part, by any medium or in any form, digital or otherwise, for any purpose or under any circumstances, by any person for any purpose without the U.S.-Saudi Business Council's prior written consent.