

# **Investment Proposal: Riyadh Bus Network LED Advertising Infrastructure**

## **1. Introduction: A Strategic Vision 2030 Investment Opportunity**

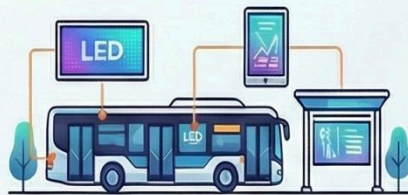
This proposal presents a premier investment opportunity to develop a state-of-the-art digital advertising network across the Riyadh bus system. This project is strategically aligned with the Kingdom of Saudi Arabia's Vision 2030 initiative, which has catalyzed an unprecedented modernization of urban infrastructure. By leveraging the extensive new transit assets of the King Abdulaziz Project for Public Transport, this initiative will transform a core public utility into a significant, high-margin commercial revenue stream.

The core value proposition is the monetization of thousands of high-visibility advertising touchpoints—including bus exteriors, interiors, and prime station locations—reaching a large and diverse urban audience. The project will deploy advanced LED display technology to create a dynamic and powerful out-of-home advertising platform, tapping into a rapidly growing digital media market.

The purpose of this proposal is to secure financing for the development, procurement, and deployment of this robust digital advertising network. The success of this venture is underpinned by an operating partnership with unparalleled financial strength and a proven track record of operational excellence in the Kingdom.

# Powering Riyadh's Vision: A Premier Digital Advertising Investment

## The Foundation: Market & Partnership



## Monetising the Entire Transit Network

Multi-channel revenue from bus exteriors, interiors, and high-dwell-time stations.

## The Financials: High Returns, Low Risk

# 24%

### 24% Projected Base Case IRR

Delivers a 4.1-year payback period, exceeding typical infrastructure investment benchmarks



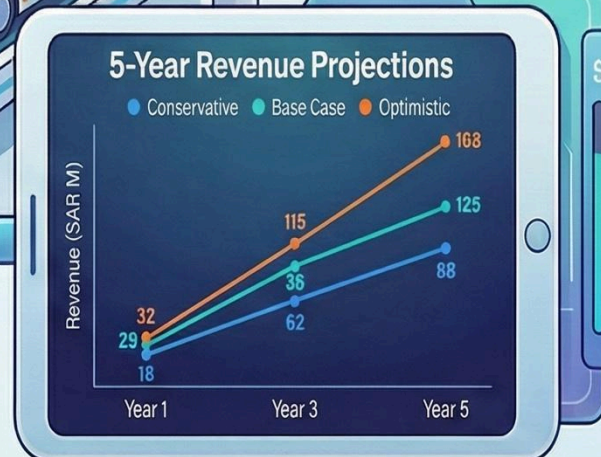
### Capital Protected by a SAR 40-50M Sinking Fund

Secures 18 months of debt service, managed by an independent bank trustee



### Fully Insured Operations

Includes comprehensive business interruption and full equipment replacement coverage.



## 2. The Operating Partnership: SAPTCO & PTC Financial and Operational Strength

Investor confidence in this project is founded upon the exceptional credibility and stability of its operators. This new advertising venture is not a startup; it is an incremental, high-growth revenue stream being built upon a proven and financially sound operational base, mitigating execution risk and ensuring long-term viability.

### 2.1 Saudi Public Transport Company (SAPTCO): The Premier Mass Transit Operator

As the Kingdom's premier mass transit operator, the Saudi Public Transport Company (SAPTCO) brings over four decades of experience and institutional strength to this initiative. Established by Royal Decree No. M/11 in 1979, SAPTCO is a Saudi Joint Stock Company publicly traded on the Saudi Stock Exchange, providing a foundation of strong corporate governance and financial transparency.

SAPTCO's consolidated financial position underscores its capacity to support and lead major capital projects.

Metric	Value (SAR)
Total Assets	4,059 million
Total Liabilities	3,104 million
Total Equity	955 million
Share Capital	1,250 million
<i>Source: SAPTCO Interim Condensed Consolidated Financial Statements (Unaudited), 30 September 2025.</i>	

## 2.2 Public Transportation Company (PTC): Proven Execution in Riyadh

The Public Transportation Company (PTC) serves as the dedicated execution arm for the King Abdulaziz Project for Public Transport in Riyadh. Its success is built on a strategic joint venture that combines dominant local expertise with global best practices. SAPTCO holds an 80% stake, ensuring deep market knowledge, while RATP Development, a renowned French transit operator, holds the remaining 20%, contributing international operational excellence.

PTC's operational and financial performance demonstrates a strong growth trajectory. For the nine months ending 30 September 2025, revenue from the urban transport segment reached **SAR 704 million**, a substantial **23% increase** from SAR 573 million in the same period of 2024. This project will be built upon the segment's existing total asset base of **SAR 2,654 million**, leveraging substantial prior investment to create new value.

This established operational strength and proven partnership model provide the ideal platform to capture the significant market opportunity in digital transit advertising.

## 3. The Market Opportunity: Monetizing Riyadh's Transit Network

The Kingdom's significant investment in public transit infrastructure has created a new, high-value channel for advertisers. As the Saudi digital advertising market rapidly expands, this project is perfectly positioned to capture a substantial share by offering brands unparalleled access to a large, diverse, and captive urban audience across Riyadh.

The Saudi Arabia digital out-of-home advertising market is on a strong growth trajectory, generating **156.2 million\*\* in 2024 and projected to reach \*\*234.3 million** by 2030. This project will establish one of the most extensive and impactful digital advertising networks in the region, capable of generating significant returns.

### 3.1 Multi-Channel Revenue Streams

The project's diversified revenue model is designed to maximize yield from every transit asset, offering advertisers a comprehensive suite of high-impact solutions.

- **Exterior & Interior Bus Advertising:** This dual-channel approach combines high-visibility mobile billboards that traverse the entire city with interior digital signage that engages a captive passenger audience. This allows for both broad brand awareness campaigns and targeted, content-rich messaging during a passenger's journey.
- **Bus Station Advertising Network:** This network capitalizes on high-dwell-time environments, where extended passenger wait times translate directly into higher ad recall and message absorption, commanding premium rates from advertisers.
- **Sponsorships & Ancillary Revenue:** Beyond standard ad sales, the project will generate high-value, long-term revenue through strategic partnerships. This includes exclusive station naming rights, route sponsorships, and other opportunities that allow brands to deeply integrate with a landmark city project.

### 3.2 Conservative Five-Year Revenue Projections

Upon full deployment, the network has a projected annual revenue potential of **SAR 45 million to SAR 120 million** within five years. The financial model includes conservative, base case, and optimistic scenarios to provide a comprehensive view of performance potential.

Year	Conservative (SAR M)	Base Case (SAR M)	Optimistic (SAR M)
1	18	25	32
2	42	58	75
3	62	88	115

4	78	110	145
5	88	125	168

### 3.3 Recommended Technology Partners

To ensure technical excellence and long-term reliability, the project will partner with global leaders in the LED display market. **Planar** and **Leyard** have been identified as preferred technology providers. Both companies offer a comprehensive portfolio of proven, transportation-grade solutions designed to perform in demanding environments, ensuring high-quality visual performance and operational durability.

This clear market opportunity will be captured through a specialized corporate structure designed for optimal governance and performance.

#### 4. Proposed Corporate Structure: Optimizing for Governance and Return

A three-entity corporate structure will be established to execute this project. This model is a proven global best practice in infrastructure and media asset management, strategically designed to isolate risk, optimize operational efficiency, ensure strong governance, and maximize financial returns for investors.

1. **Riyadh Bus Holding Company** (Closed Joint Stock Company)
  - o **Mandate:** To provide unified strategic direction and rigorous financial stewardship for the entire enterprise, serving as the primary interface for our investment partners.
  - o **Shareholding:** The ownership will mirror the successful PTC partnership, with **80% held by SAPTCO** and **20% by RATP Development**.
  - o **Capitalization:** An initial share capital of **SAR 200 million**.
2. **Riyadh Bus Assets Company** (Limited Liability Company)
  - o **Mandate:** To function as the legal owner of all physical LED advertising infrastructure, including bus displays and station screens. It will lease these assets to the operating company under a formal commercial agreement designed to generate a stable, long-term return on capital.
  - o **Capitalization:** A share capital of **SAR 100 million**.
  - o **Strategic Value:** This structure provides critical flexibility for future financing activities, such as sale-leaseback arrangements, and insulates the high-value physical assets from any potential operational liabilities of the media sales business.
3. **Riyadh Bus Media Company** (Limited Liability Company)

- o **Mandate:** To serve as the exclusive commercial operator, responsible for driving all revenue-generating activities. Its mandate includes advertising sales, content management, marketing, client relations, and day-to-day network operations.
- o **Capitalization:** A share capital of **SAR 50 million**, reflecting its operational focus rather than capital-intensive asset ownership.

This robust corporate framework provides the foundation for the project's compelling financial model.

## 5. Financial Analysis & Investment Requirements

The project's financial profile is exceptionally strong, projected to deliver a 24% IRR under our base case—a significant premium over typical infrastructure hurdle rates. The model, which has been stress-tested across multiple scenarios, demonstrates a clear and achievable path to profitability.

### 5.1 Capital Investment Breakdown

The total estimated capital investment required is between **SAR 230 million and SAR 280 million**. These funds will be deployed over a 24-month implementation period to procure and install the complete digital advertising network.

Investment Category	Estimated Cost (SAR)
Exterior Bus Advertising Displays	90 - 110 million
Interior Bus Displays	35 - 45 million
Station Advertising Infrastructure	75 - 95 million
Content Management & Network Systems	20 - 30 million



## 5.2 Projected Financial Performance (Base Case)

The Base Case scenario demonstrates a strong return profile that exceeds typical hurdle rates for infrastructure investments.

- **Internal Rate of Return (IRR):** 24%
- **Net Present Value (NPV @ 10%):** SAR 285 million
- **Investment Payback Period:** 4.1 years
- **10-Year Cumulative Revenue:** SAR 1,330 million
- **10-Year Cumulative EBITDA:** SAR 680 million

## 5.3 Scenario and Sensitivity Analysis

The project's financial resilience is confirmed by its strong performance across all three modeled scenarios.

Metric	Conservative	Base Case	Optimistic
<b>NPV at 10% (SAR M)</b>	95	285	465
<b>IRR</b>	14%	24%	32%
<b>Payback Period (Years)</b>	6.2	4.1	3.1

Furthermore, a Monte Carlo simulation incorporating uncertainty across all key value drivers shows a **greater than 95% probability of a positive Net Present Value**, confirming the project's robust financial viability and limited downside risk.

To protect these compelling returns, we have designed a comprehensive risk mitigation framework that insulates the investment from key financial and operational risks.

## **6. Comprehensive Risk Mitigation Framework**

A proactive and multi-layered approach to risk management has been designed to protect invested capital, guarantee revenue continuity, and ensure operational stability. This robust framework addresses financial, operational, market, and technology risks through a combination of structural enhancements and risk transfer mechanisms.

### **6.1 Financial Risk Mitigation: Bank-Arranged Sinking Fund**

A dedicated sinking fund will be established as a key credit enhancement feature. This fund serves a dual purpose: it guarantees revenue availability for all debt service obligations and provides a financial buffer to protect against unforeseen operational disruptions. The fund will be capitalized to **SAR 40-50 million**, sufficient to cover 18 months of debt service. To ensure segregation and professional oversight, the sinking fund will be managed by an **independent bank trustee**, with tightly defined conditions for fund utilization.

### **6.2 Operational Risk Mitigation: Comprehensive Insurance Package**

A comprehensive insurance program will be implemented to transfer key operational risks and protect the project's high-value assets.

1. **Business Interruption Insurance:** Protects against the loss of advertising revenue that could result from physical damage to equipment or other covered operational disruptions, ensuring income stability.
2. **Equipment Breakdown Coverage:** Covers the full replacement cost (estimated at **SAR 250 million**) for the entire LED infrastructure against damage from internal electrical or mechanical failures, safeguarding the core capital investment.
3. **Credit Default Insurance:** Mitigates accounts receivable risk by protecting against an advertiser's failure to pay for contracted services, thereby securing projected cash flows.
4. **Additional Coverage:** To ensure thorough protection, comprehensive **Public Liability** and **Cyber Liability** policies will also be secured.

### 6.3 Market and Technology Risk Assessment

Key market risks, such as competition and economic cycles, and technology risks, including equipment obsolescence, have been identified and quantified within the financial models. To address technology risk, the financial projections include a dedicated **technology refresh reserve** to fund future upgrades, ensuring the network remains competitive and state-of-the-art.

This risk management plan underpins a clear, actionable timeline for project execution.

## 7. Phased Implementation Roadmap

The project will be executed according to a structured, four-phase implementation plan designed to manage complexity, validate technology, and progressively scale operations. This disciplined approach ensures a clear path from initial investment to full-scale revenue generation over a 24-month period.

1. **Phase 1: Corporate & Financial Setup (Months 1-6):** This foundational phase will establish the complete legal and financial architecture for the project. Key activities include:
  - o Legal formation of the Holding, Asset, and Media companies.
  - o Selection of technology vendors via a formal RFP process.
  - o Placement of the comprehensive insurance program to protect capital prior to deployment.

2. **Phase 2: Procurement & Installation (Months 7-18):** This phase will commence with a pilot deployment on **50 buses and 10 stations** to test and validate all technical and operational procedures. Following the successful pilot, a full network rollout will proceed in managed waves to ensure strict quality control and operational efficiency.
3. **Phase 3: Advertiser Acquisition (Ongoing):** Sales and marketing activities will begin as soon as the pilot network is operational. The commercial team will focus on building relationships with major advertising agencies and direct clients to secure foundational contracts and build a strong revenue pipeline ahead of the full launch.
4. **Phase 4: Full Operation & Optimization (Month 19 Onward):** With the network fully deployed, this phase focuses on maximizing revenue through sophisticated yield management, enhancing operational efficiency to improve margins, and driving long-term, sustainable growth.

This implementation plan provides a clear and disciplined path to realizing the full value of this investment.

## 8. Conclusion and Recommendation

This proposal outlines a rare convergence of national strategic priority, proven operational partners, and compelling financial metrics, creating a de-risked investment opportunity with superior return potential. The investment thesis is supported by a clear and robust set of strengths:

- **Strong, Credible Partnership:** The project is backed by the financial strength and proven operational track record of SAPTCO and its successful joint venture, PTC.
- **Strategic National Alignment:** The initiative directly supports the transformative goals of Saudi Vision 2030 by leveraging public infrastructure for economic diversification and commercial growth.

- **Attractive Financial Returns:** A base case IRR of 24% and a 4.1-year payback period demonstrate superior, risk-adjusted returns that significantly outperform typical infrastructure investment benchmarks.
- **Robust Risk Mitigation:** A comprehensive framework, including a dedicated sinking fund managed by an independent trustee and a full insurance package, is designed to protect investor capital and ensure financial stability.
- **Clear Implementation Plan:** A structured, phased roadmap ensures a disciplined and transparent path from investment to full-scale revenue generation, minimizing execution risk.

It is recommended that this project proceed immediately with Phase 1 implementation. This includes the legal formation of the corporate entities, the commencement of detailed engineering and technology vendor selection, and the finalization of all financing arrangements to capitalize on this timely and strategic opportunity.