

Briefing Document: Riyadh Bus Network LED Advertising Initiative

Executive Summary

This document synthesizes a feasibility study for a strategic initiative to deploy a comprehensive LED digital advertising network across the Riyadh bus system, operated by the Public Transportation Company (PTC).

The initiative is positioned to capitalize on the modern infrastructure developed under the King Abdulaziz Project for Public Transport, a cornerstone of Saudi Arabia's Vision 2030. PTC, a joint venture between the Saudi Public Transport Company (SAPTCO) (80%) and French transit operator RATP Development (20%), provides a robust operational and financial foundation for this new venture, demonstrated by its strong urban transport revenue of SAR 704 million for the first nine months of 2025, a 23% year-over-year increase.

The financial opportunity is compelling. The project is projected **to generate between SAR 45 million and SAR 120 million in annual revenue within five years of full operation**. This new income will be derived from exterior and interior bus displays as well as a network of digital advertising at bus stations. The required capital investment is estimated at SAR 180-280 million over a 24-month implementation period, with a projected payback period of 4-6 years. The base case scenario yields an attractive Internal Rate of Return (IRR) of 24% and a Net Present Value (NPV) of SAR 285 million.

The proposed implementation framework involves a sophisticated **three-entity corporate structure—comprising a holding, asset, and operating company—to optimize efficiency and manage risk**. This is complemented by robust financial structuring, including a **bank-arranged sinking fund to guarantee debt service and an extensive insurance package to protect revenue streams and capital assets**. A comprehensive risk assessment, utilizing Monte Carlo simulation and other advanced models, confirms a favorable risk-adjusted return profile. The primary recommendation is to proceed immediately with **Phase 1, focusing on corporate structuring and technology partner selection, to launch this high-potential revenue diversification project**.

Powering Riyadh's Transit: A SAR 120 Million Digital Advertising Opportunity

THE STRATEGIC OPPORTUNITY



A City-Wide Digital Ad Network on Wheels

Transforming Riyadh's bus fleet and stations into a powerful digital advertising platform.



\$234 MILLION MARKET

The Saudi digital out-of-home ad market is projected to reach \$234.3 million by 2030.



Backed by Industry Leaders

A joint venture between SAPTCO (80%) and French operator RATP Development (20%).

THE FINANCIAL BLUEPRINT



SAR 45M - 120M in Annual Revenue

Projected earnings within five years from exterior, interior, and station advertising.



24% IRR & 4.1-YEAR PAYBACK PERIOD

The base case scenario shows a highly attractive, rapid return on investment.



Secured by a Robust Structure

A three-entity corporate model and bank-managed sinking fund mitigate risk.

CAPITAL INVESTMENT:
SAR 180-280 Million

NET PRESENT VALUE (NPV):
SAR 285 Million

1. Strategic Opportunity and Context

The initiative to install a digital advertising network on the Riyadh bus system emerges from the modernization of urban infrastructure driven by Saudi Arabia's Vision 2030. The King Abdulaziz Project for Public Transport in Riyadh has created a state-of-the-art transit network, presenting a strategic opportunity to leverage these public assets for significant commercial revenue generation.

- **Core Proposal:** To establish a comprehensive LED digital advertising platform across the entire Riyadh bus network, including vehicle exteriors, vehicle interiors, and bus stations.
- **Market Context:** The Saudi Arabia digital out-of-home advertising market is on a strong growth trajectory, valued at \$156.2 million in 2024 and projected to reach \$234.3 million by 2030. This initiative is well-positioned to capture a significant share of this expanding market.
- **Reference Model:** The project draws insights from the Jeddah Bus model, which successfully pioneered a "three-pillar solution approach" to transit advertising, adjusted for Riyadh's larger market scale.

2. Key Entities and Operational Foundation

The project is built upon the established operational and financial strength of the Saudi Public Transport Company (SAPTCO) and its key subsidiary, the Public Transportation Company (PTC).

2.1. Saudi Public Transport Company (SAPTCO)

Established by Royal Decree in 1979, SAPTCO is the Kingdom's premier mass transit operator and a publicly traded Saudi Joint Stock Company.

- **Diversified Operations:** SAPTCO's activities include inter-city and intra-city transport, school transport, vehicle rental, and logistics.
- **Financial Strength (as of 30 September 2025):**
 - **Total Revenue (9M 2025):** SAR 1,209 million
 - **Total Assets:** SAR 4,570 million (segment total); SAR 4,059 million (consolidated)
 - **Total Equity:** SAR 955 million
 - **Share Capital:** SAR 1,250 million (125 million shares at SAR 10 each)
- **Audited Financials:** The interim financial statements for the period ended 30 September 2025 were reviewed by Ernst & Young Professional Services, which concluded that the statements were prepared in accordance with IAS 34.

2.2. Public Transportation Company (PTC)

PTC is the operational entity for the King Abdulaziz Project in Riyadh, established in 2014 as a Limited Liability Company.

- **Ownership Structure:** A strategic joint venture with SAPTCO holding an 80% stake and the French global transit operator RATP Development holding 20%. This structure combines local expertise with international best practices in transit management and revenue diversification.
- **Operational Performance (Urban Transport Segment):**
 - **9M 2025 Revenue:** SAR 704 million (a 22.9% increase from SAR 573 million in 9M 2024).
 - **Total Assets:** SAR 2,654 million.
 - **Intangible Assets:** SAR 588 million, primarily representing contractual rights to the residual value of buses and depots, underscoring long-term operational stability.
- **Revenue Stability:** A significant portion of PTC's revenue (approximately SAR 595 million in 9M 2025) is derived from government entities, providing strong revenue visibility and credit quality.

2.3. The King Abdulaziz Project for Public Transport

This is one of the most ambitious transit development programs in the Middle East, encompassing an extensive fleet of buses, hundreds of stations, and supporting depot facilities. The sheer scale of this infrastructure provides a natural, multi-channel ecosystem for advertising.

3. LED Advertising Revenue Model

The revenue generation strategy is based on three primary advertising channels, each targeting different audiences and environments.

3.1. On-Bus Advertising

- **Exterior Displays:** Each bus functions as a mobile billboard with high visibility across the city. This channel is projected to generate **SAR 15-25 million annually** in the conservative case, with potential to reach **SAR 35-50 million**.
- **Interior Displays:** Digital screens inside buses target a captive audience with an average journey time of 20-45 minutes, allowing for higher engagement. This is estimated to generate **SAR 5-10 million annually**.

3.2. Bus Station Advertising Network

This is considered **the most valuable component of the ecosystem**, leveraging fixed premium locations with high foot traffic and passenger dwell times.

- **Primary Formats:** Large-format LED video walls at major hubs, smaller digital displays, and interactive kiosks.
- **Revenue Potential:** Station advertising is projected to generate **SAR 20-40 million annually**.
- **Sponsorships:** Opportunities for station naming rights and other sponsorships could contribute an additional **SAR 5-15 million annually**.

3.3. Technology Partners (EXAMPLE)

Selection of reliable technology is critical.

The study identifies two leading global manufacturers as preferred candidates:

- **Planar:** A US-based company known for premium, fine pixel pitch LED solutions (e.g., DirectLight Ultra Series) suitable for high-profile interior and station installations.
- **Leyard:** The world's largest LED display manufacturer, headquartered in China, offering competitive and durable solutions (e.g., LN Series) ideal for high-brightness exterior bus applications.

4. Financial Projections and Investment Analysis

The project demonstrates a robust financial profile with attractive returns across conservative, base, and optimistic scenarios.

4.1. Capital Investment Requirements (Total: SAR 230-280 million)

| Investment Category | Estimated Cost (SAR Million) | Description |
|-------------------------|------------------------------|--|
| Exterior Bus Displays | 90 - 110 | Equipping ~800 buses with high-brightness, outdoor-rated LED screens. |
| Interior Bus Displays | 35 - 45 | Installing 3-4 digital screens per bus across the fleet. |
| Station Infrastructure | 75 - 95 | Deploying a mix of large video walls and smaller displays across 200 stations. |
| Content & Network Mgmt. | 20 - 30 | Central servers, software, and network operations center infrastructure. |

4.2. Ten-Year Revenue Projections (Base Case: SAR 1,330 million Total)

| 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 |
| 6 | 92 | 135 | 185 |
| 7 | 95 | 142 | 198 |
| 8 | 97 | 146 | 205 |
| 9 | 98 | 148 | 210 |
| 10 | 98 | 150 | 212 |

4.3. Key Financial Metrics and Performance

The analysis confirms the project's financial viability, with returns significantly exceeding typical corporate hurdle rates for infrastructure investments.

| Metric | Conservative | Base Case | Optimistic |
|-------------------------------|--------------|------------|------------|
| 10-Year Revenue (SAR M) | 778 | 1,330 | 1,825 |
| 10-Year EBITDA (SAR M) | 310 | 680 | 1,025 |
| EBITDA Margin | 40% | 51% | 56% |
| NPV at 10% (SAR M) | 95 | 285 | 465 |
| IRR | 14% | 24% | 32% |
| Payback Period (Years) | 6.2 | 4.1 | 3.1 |

5. Proposed Corporate and Financial Structure

A sophisticated structure is proposed to ensure operational efficiency, clear accountability, and effective risk management.

5.1. Three-Entity Corporate Structure

1. **Riyadh Bus Holding Company:** A closed joint stock company (SAPTCO 80%, RATP Dev 20%) to provide strategic oversight, manage capital allocation, and hold intellectual property. Initial share capital proposed at SAR 200 million.
2. **Riyadh Bus Assets Company:** A limited liability company to own all physical LED infrastructure. It will lease the assets to the operating company, facilitating clean asset management and potential future financing. Proposed share capital of SAR 100 million.
3. **Riyadh Bus Media Company:** A limited liability company to serve as the operational arm, responsible for advertising sales, content management, and client relationships. Proposed share capital of SAR 50 million.

5.2. Bank-Arranged Sinking Fund

A segregated fund managed by a bank trustee will be established to guarantee revenue continuity for debt service and provide a buffer against operational disruptions. The target fund size is **SAR 40-50 million**, sufficient to cover 18 months of debt service under stressed conditions.

6. Risk Management and Mitigation

A comprehensive risk assessment was conducted using ten distinct methodologies, including Monte Carlo simulation, to stress-test financial projections.

6.1. Key Risks Identified

- **Technology Obsolescence:** The rapid evolution of display technology. Mitigation includes procuring upgradeable hardware and reserving SAR 5 million annually from year 5 for technology refresh.
- **Regulatory & Compliance:** Adherence to Saudi Arabia's advertising content and placement regulations. Mitigation includes establishing a dedicated internal compliance function.
- **Market & Competition:** Potential for lower-than-expected market share capture or economic downturns impacting ad spend. Mitigation involves competitive pricing and building a strong sales organization.
- **Cybersecurity:** Threats to the centralized content management system. Mitigation includes robust network security, access controls, and incident response planning.

6.2. Comprehensive Insurance Package

A multi-layered insurance program is recommended to transfer key financial risks:

- **Business Interruption:** To cover lost advertising revenue due to physical damage to equipment (recommended limit: SAR 30-40 million).
- **Equipment Breakdown:** To cover repair/replacement costs for the LED infrastructure (recommended limit: SAR 250 million, the full replacement cost).
- **Credit Default:** To protect against advertiser payment defaults.
- **Additional Coverage:** Including Public Liability, Professional Fees, Key Person, and Cyber Liability insurance.

7. Implementation Plan

A phased, 24-month implementation timeline is proposed to ensure a structured and manageable rollout.

- **Phase 1: Corporate Structure Setup (Months 1-6):**
 - Legal formation of the three proposed companies.
 - Selection of technology vendors via a competitive RFP process.
 - Design and placement of the comprehensive insurance program.

- **Phase 2: LED Procurement and Installation (Months 7-18):**
 - A pilot deployment on 50 buses and 10 stations to validate procedures.
 - A full rollout across the remaining fleet and stations in four managed waves.

- **Phase 3: Advertiser Acquisition (Ongoing):**
 - Begins during Phase 1 with market research and agency outreach.
 - Formal sales activities commence after the pilot deployment.
 - Recruitment of an experienced advertising sales team of 12-15 professionals.

- **Phase 4: Full Operation (Month 19 Onward):**
 - Focus on revenue optimization, yield management, and operational efficiency.
 - Continuous platform enhancement and long-term strategic planning.

8. Conclusion and Strategic Recommendations

The Riyadh Bus LED advertising initiative presents a well-defined and financially attractive opportunity to generate substantial, high-margin revenue by leveraging existing, state-of-the-art public transit infrastructure.

Key Recommendations:

1. **Proceed Immediately:** Advance to detailed planning and Phase 1 implementation.
2. **Adopt the Three-Entity Structure:** Establish the Holding, Asset, and Operating companies as proposed.
3. **Engage Key Technology Partners:** Initiate a competitive procurement process with Planar and Leyard.
4. **Implement Robust Financial Safeguards:** Finalize the comprehensive insurance package and establish the bank-arranged sinking fund as part of the financing plan.

By executing this disciplined strategy, the initiative is poised to deliver significant value to its shareholders while enhancing the transit experience for the citizens of and visitors to Riyadh.