

Investment Highlights

Summer 2020

Inside this report:

- Opening remarks by Bandar Alkhayef, Minister of Industry and Mineral Resources
- Special interview with Khalid Al-Mudaifer, Vice Minister for Mining Affairs
- Interview with Jerry Inzerillo, CEO of Diriyah Gate Development Authority
- Expert opinion by Bank of America Merrill Lynch
- New foreign investor projects in Q2 2020



Opening remarks



Bandar Alkhayef

Minister of Industry and Mineral Resources

As part of the comprehensive plan to diversify the national economy, the National Industrial Development and Logistics Program (NIDLP) was announced in January 2019. NIDLP targets four major sectors, with industry and mining at the forefront. As part of the program we launched the national strategy for mining and mineral industries and adopted a new mining law in May 2020 which is a key enabler for stimulating transparency and investments in the sector.

The new mining law targets the exploitation of Saudi's mineral resources and the development of the mineral manufacturing industry, all of which will increase the sectors' contribution to GDP. This contribution is projected to grow from \$17 billion to over \$64 billion. In addition, it will reduce imports by about \$10 billion and generate more than 200,000 jobs by 2030, placing the mining sector as the third pillar of Saudi industry.

In these extraordinary times for the global economy, the success achieved by Saudi Arabia's industrial sector since the outbreak of COVID-19 should be acknowledged. In a short period, the sector has consistently proven its resilience and ability to adapt to the challenges, raising their production capacity of goods, including food, healthcare and medical products which ensured that consumers were not affected by the closures and lockdowns.

This success was made possible by a combination of government initiatives, advanced industrial infrastructure, and the capacity of the industrial cities which are spread across the different regions of the Kingdom.

Today, in preparation for a new phase, we can begin to reap the rewards of these sectors that have demonstrated resilience in the face of the COVID-19 pandemic. As we prepare for this new phase with the resumption of economic activity, we are keeping in mind the lessons learned during the pandemic while formulating post-pandemic goals that will kick-start the national economy.

In conclusion, Saudi Arabia is committed to developing its industrial and mining sectors, in line with the strategy outlined in Vision 2030. This has already increased contribution to the Kingdom's economy through public and private sector cooperation which will make these sectors crucial to Saudi Arabia's future and the prosperity of its people.

Economic diversification is the foundation of Saudi Arabia's Vision 2030 and the mining and industrial sectors are strategic for increasing local production, exports, job opportunities and investments in line with the Vision 2030 targets.

In August 2019, the Ministry of Industry and Mineral Resources was established as an independent government body. This is a clear representation of the government's priority to develop these two vital sectors of the Saudi economy and provide opportunities to local and foreign investors and maximize their benefits.

A number of supporting programs were established under Vision 2030 to stimulate and enable these sectors. These include the establishment of the Local Content and Government Procurement Authority, the General Authority for Foreign Trade and the Saudi Export-Import Bank, as well as increasing the capital of the Saudi Industrial Development Fund to \$28 billion, in just a few years.

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Data highlights



In the first half of 2020, the Saudi economy was hit by “The Great Lockdown”, a term coined by the International Monetary Fund (IMF) to identify the global economic crisis ignited by COVID-19.

The global economy is expected to shrink by 4.9% in 2020, according to the latest IMF projections.



In Q1 2020, Saudi Arabia’s non-oil real GDP growth fell to 1.6% from 3.8% in Q4 2019. Overall real GDP growth fell to -1%, driven by a significant contraction in oil output. Following a sustained positive FDI momentum in Q1 2020, foreign investor projects saw a contraction in Q2, with a slight rebound in the month of June.

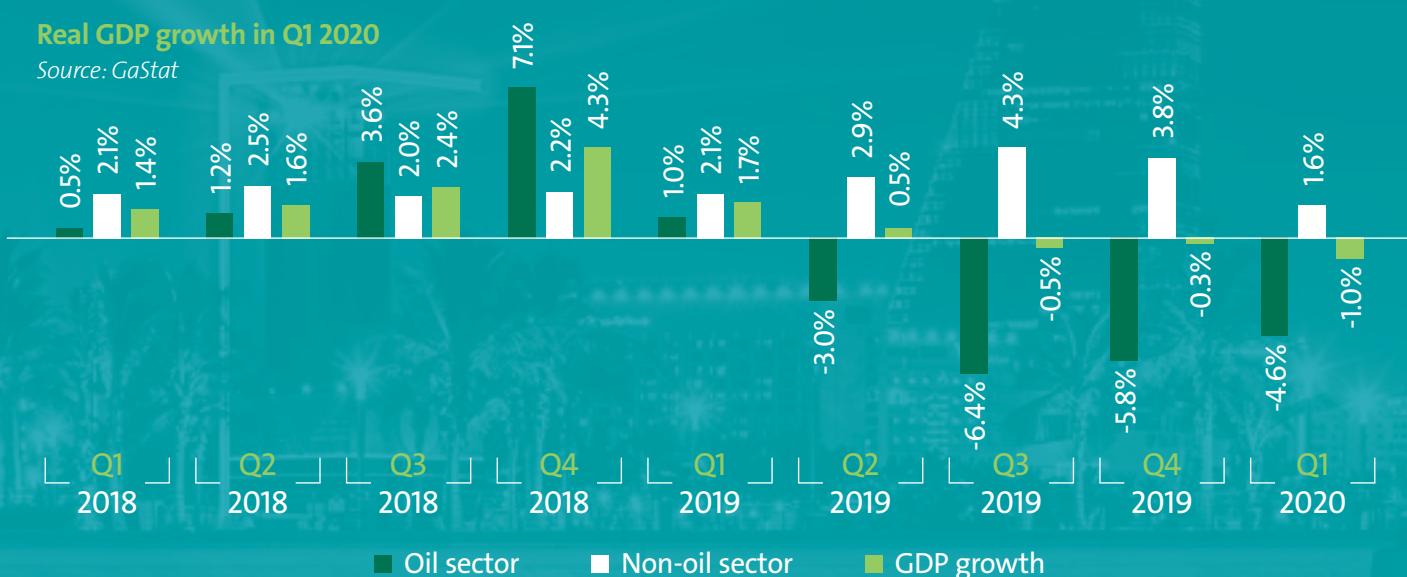
Most other figures recorded in the first half of 2020 point to a mixed economic picture, with a sharp contraction in economic activity between March and April as a result of COVID-19 lockdown measures, and early signs of recovery in May and in June of 2020. **In the following pages, we provide an overview of the latest macroeconomic and investment indicators.**



Macroeconomic outlook

Non-oil GDP grows by 1.6% in Q1 2020

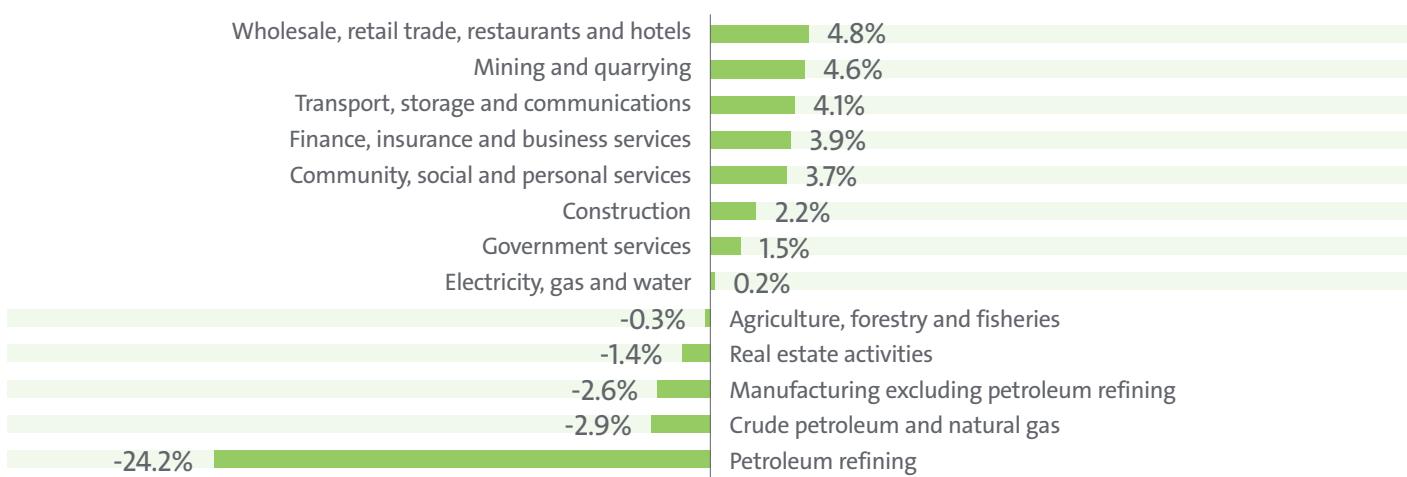
Despite the negative global economic outlook for 2020, Saudi Arabia's non-oil sector real GDP growth remained positive in Q1 of this year at 1.6% compared to 2.1% in Q1 2019. Overall, the Kingdom's economy shrank by 1%, largely due to a 4.6% contraction in the oil sector.



The growth in the non-oil sector in Q1 was mainly driven by some key sectors, including wholesale, retail and hospitality; mining (excluding hydrocarbons) and transport and communications activities. The improvement in the construction sector (2.2%) is expected to continue during the rest of 2020, with over \$12 billion worth of construction contracts awarded in Q1, according to data released by the US-Saudi Business Council. By contrast, the contraction in the oil sector's supply and demand resulted in a 24% drop in petroleum refining activities.

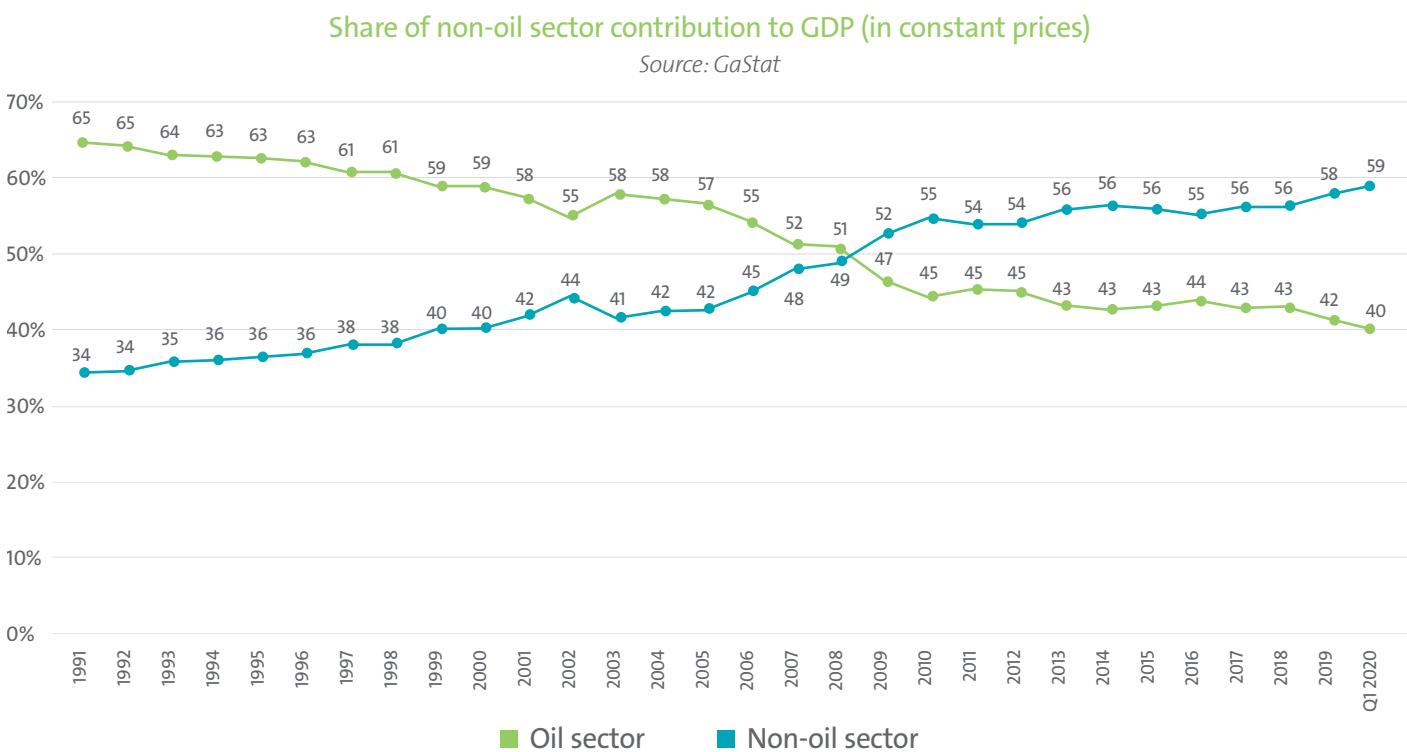
Real GDP growth by economic activity in Q1 2020

Source: GaStat



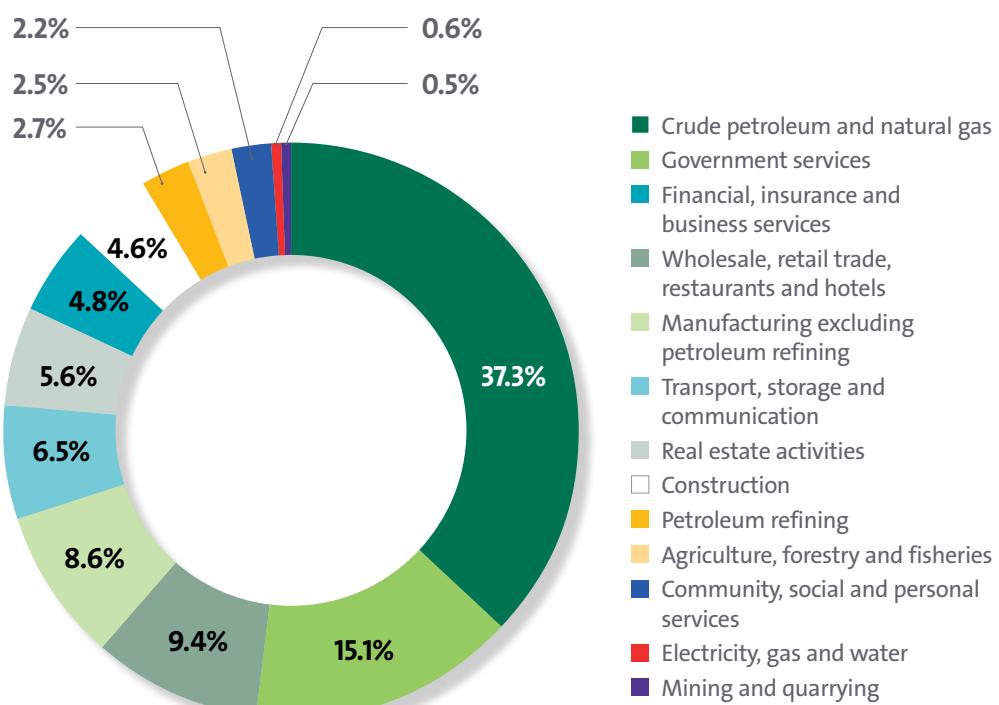
Rate of economic diversification continues to increase

In a remarkable achievement, Q1 saw a continued acceleration of Saudi Arabia's path towards economic diversification in line with the goals of Vision 2030. The non-oil sector contribution to GDP reached a new high of 59%.



In terms of economic activities, crude petroleum and natural gas remained the main contributors to GDP at 37.3%, followed by government services (15.1%), wholesale, retail and hospitality (9.4%), and non-oil manufacturing (8.6%).

Contribution to GDP by economic activity in Q1 2020 (constant prices)
Source: GaStat



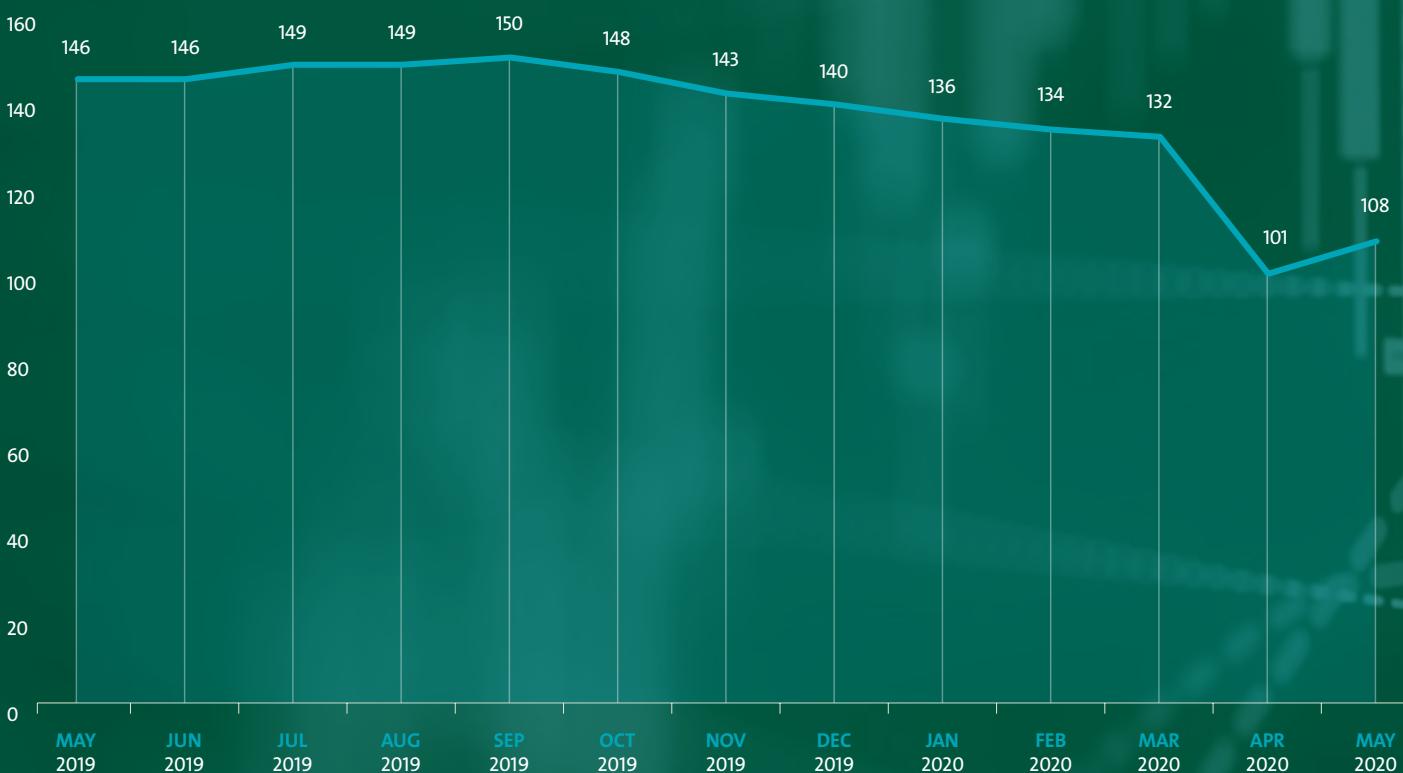
Index of manufacturing production picks up by 7% in May

As a result of the proactive measures introduced by the Saudi government to limit the spread of COVID-19, Saudi Arabia's Industrial Production Index recorded a 23% month-on-month drop in April 2020. Nevertheless, the index picked up by 7% in May, highlighting a rebound in manufacturing activity that is expected to continue in the near future, following the lifting of lockdown measures.



Industrial Production Index: Non-oil manufacturing (2010=100)

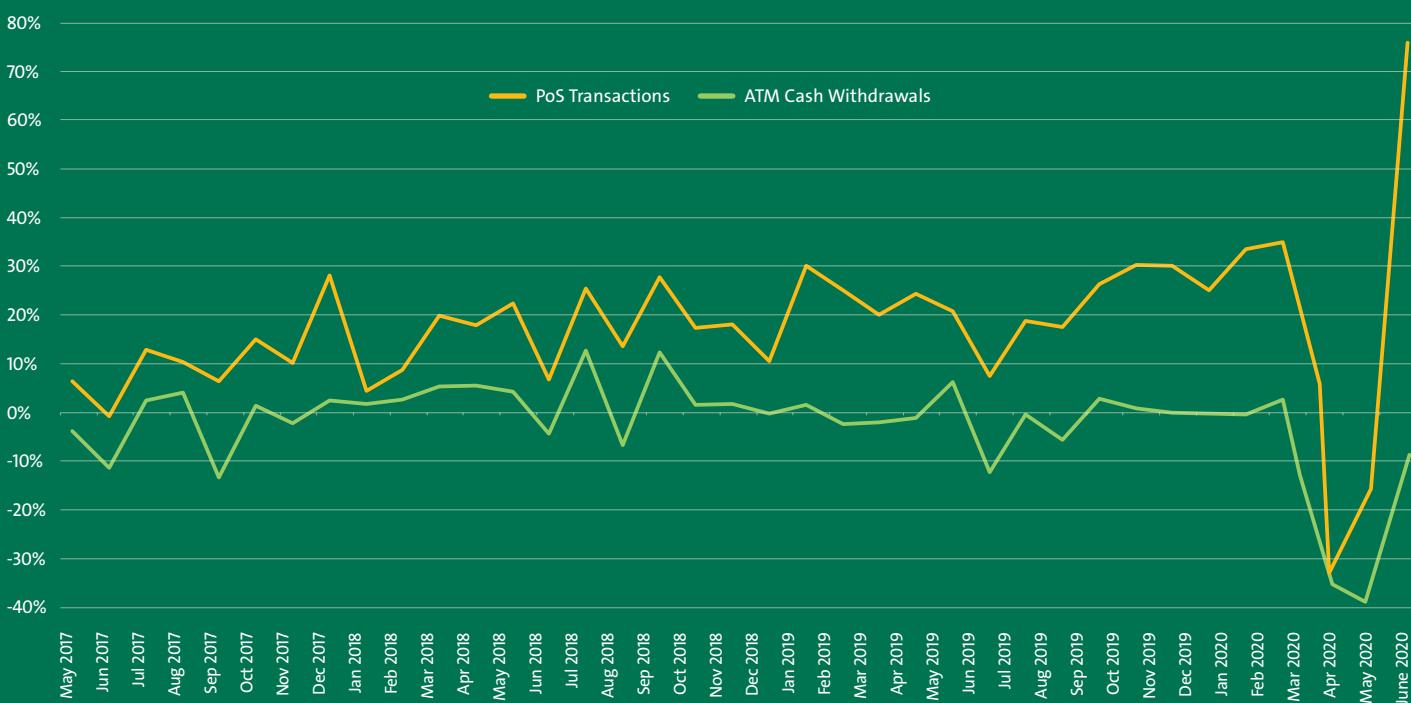
Source: GaStat



Consumer spending rebounds sharply in June to a record-setting month

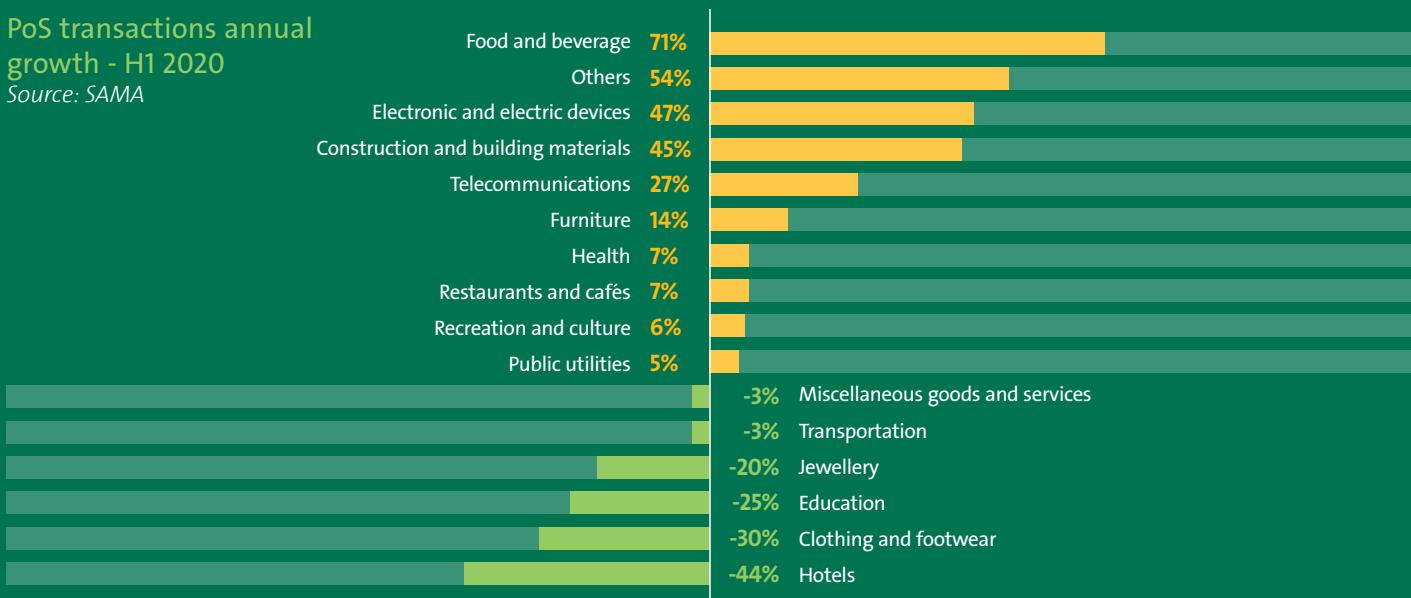
Point-of-Sale (PoS) transactions saw a positive 78.5% year-on-year jump in June to a record level of \$9.9 billion, reversing sharp declines in April and May. June's exceptional growth can be attributed to the pent-up demand following the lifting of lockdown measures, as well as a more structural shift towards cashless payments. As a result, cash withdrawals from ATMs dropped by 38% in May and 9% in June compared to the previous year.

Consumer spending indicators (year-on-year change) *Source: SAMA*



PoS transactions annual growth - H1 2020

Source: SAMA



Investment data

Foreign investor project highlights in Q2 2020

The number of new foreign investment projects in Saudi Arabia experienced a sharp slowdown at the close of Q2 2020, due to the impact COVID-19 had on the level of investment activity, locally and globally. The impact was especially felt in the months of April and May, with growth picking up again in June.

156

-47%

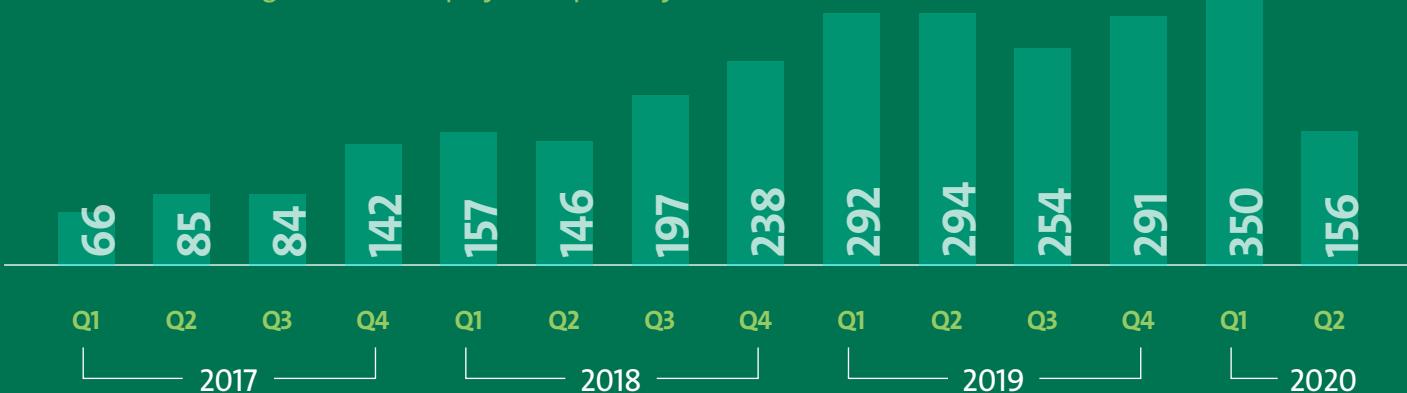
-55%

new foreign
investment
projects licensed

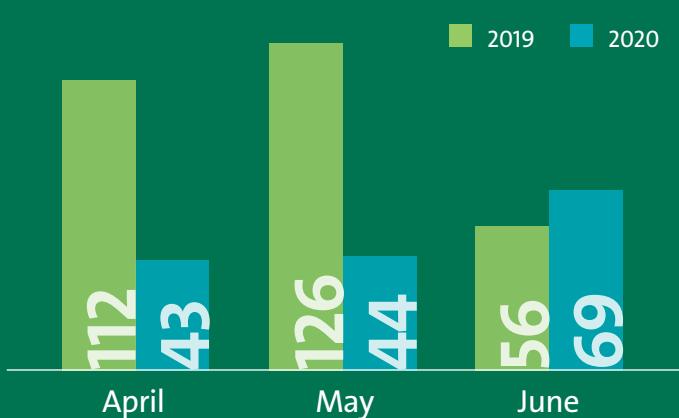
decrease relative
to Q2 2019

decrease relative
to Q1 2020

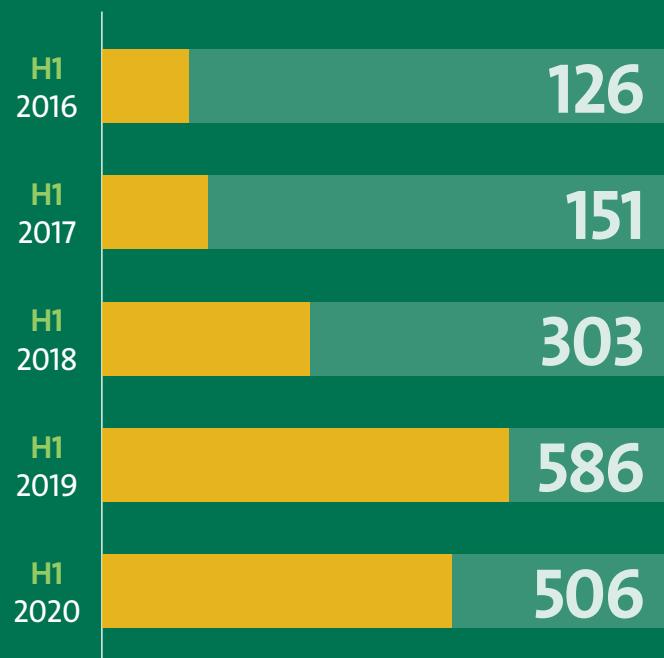
Number of new foreign investment projects - quarterly



Number of new foreign investment projects - monthly



Number of new foreign investment projects - YTD



The initiatives taken by the Saudi government and the Ministry of Investment (MISA) were able to sustain the fall in new foreign investors licenses to 14% year-on-year in the first six months of 2020. Overall, new foreign investment projects in the first half of the year remained considerably higher than previous years.

MISA's Emerging Sectors, which include education, financial services, and housing, continued to see the highest number of new foreign investment projects in Q2, followed by the industrial and manufacturing, and ICT sectors.

Number of new foreign investment projects by sector



USA (54 projects), India (49 projects), United Kingdom (47 projects) were the leading sources of new foreign investment projects.

 Healthcare & Life Sciences  Tourism, Culture & Entertainment

Number of new foreign investment projects by country



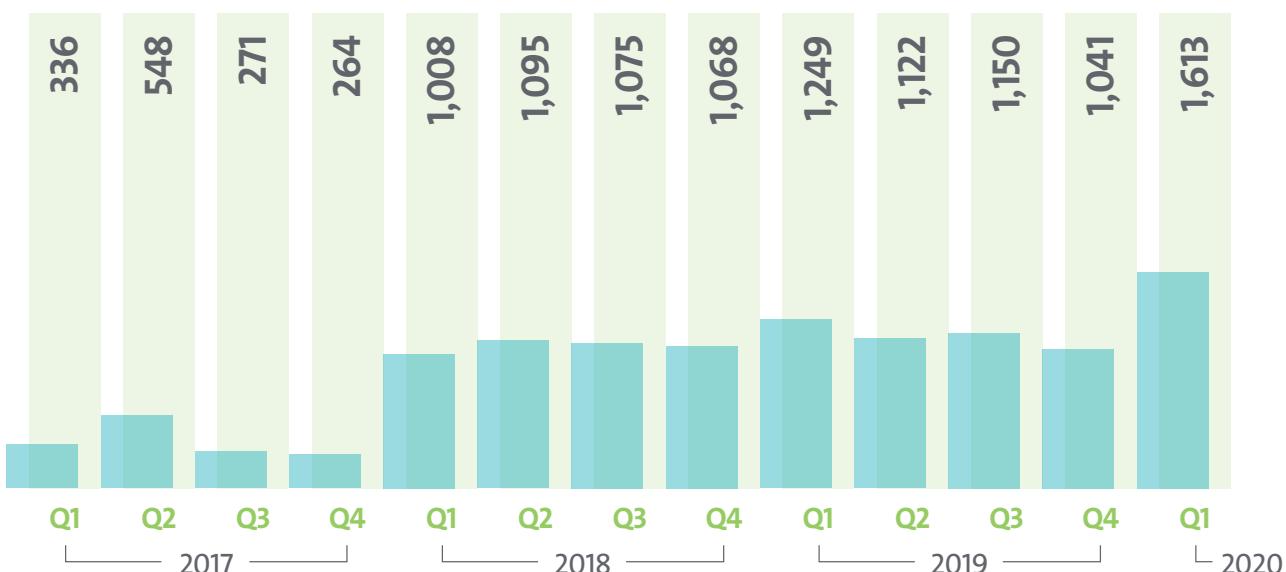
FDI inflows up 29% in Q1 2020

The first quarter of 2020 was Saudi Arabia's strongest period for investment in the past four years from an FDI perspective, according to data released by the Saudi Arabian Monetary Authority (SAMA). FDI inflows for Q1 2020 showed a 29% increase on the previous year, and a 55% increase compared to the previous quarter.



Saudi Arabia FDI inflows (USD million)

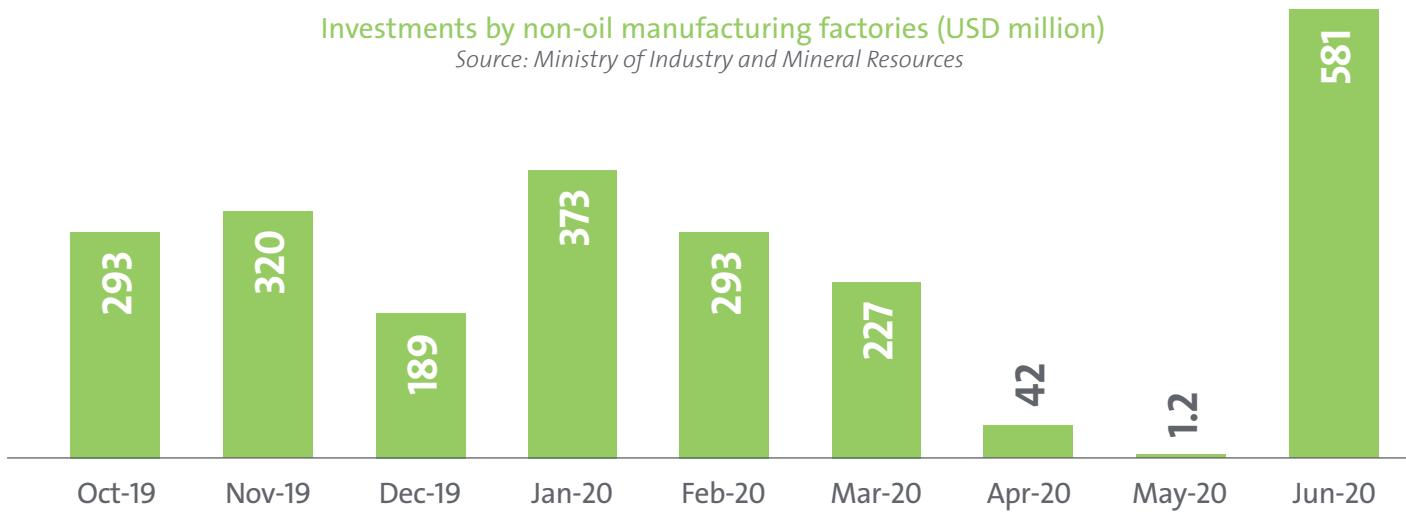
Source: SAMA



Investments in non-oil manufacturing pick up in June

Investments by newly licensed industrial factories amounted to \$581 million in June, according to data released by the Ministry of Industry and Mineral Resources. The 118 new factories are expected to generate 2,516 jobs. Following a clear slowdown from March to May, June data shows a sharp rebound in non-oil manufacturing investments.

Investments by non-oil manufacturing factories (USD million)
Source: Ministry of Industry and Mineral Resources



Foreign portfolio investment in Tadawul shows a 21% rebound in Q2 2020



In line with a global slowdown of non-resident portfolio investment flows to emerging markets in 2020, total investments by Qualified Foreign Investors (QFIs) in the Saudi Stock Exchange (Tadawul) declined to \$27.4 billion in Q1 2020 following five years of rapid growth. Nevertheless, as market conditions improved in the second quarter of the year, foreign portfolio investment picked up by 21% to \$33.1 billion, well above 2019 levels.

Foreign portfolio investment flows into Tadawul (USD million)
Source: Capital Market Authority



Expert opinion



Hootan Yazhari

Head of MENA & Global Frontiers Equity Research, Bank of America Merrill Lynch

- **The COVID-19 pandemic is the type of event that resets the entire economy. How can markets embrace this change as the global economy goes through this recessionary period?**

COVID-19 is likely to be a catalyst for further tectonic shifts in the US and China decoupling, peak globalization of supply chains and central bank quantitative failure. We expect markets will focus on the likely secular beneficiaries: healthcare, digital consumer brands, ESG, food staples, industrial real estate and technology. Some of the sectors are likely to face particular challenges including fossil energy, commercial real estate, automotive, legacy brands, and the sharing economy.

- **How well-positioned is Saudi Arabia relative to other G20 economies to cope with the current economic challenges?**

The room for Saudi policymakers to apply discretionary stimulus measures is relatively constrained, in our view. Monetary policy is constrained by the USD peg, and fiscal policy is constrained by the financing gap caused by low oil prices and the recessionary backdrop. However, Saudi Arabian policymakers enjoy flexibility thanks to a) influence in global oil markets; and b) large FX reserves and low government debt.

- **As Saudi Arabia's economy adjusts to the new global market conditions, which sectors should investors prioritize and why?**

We see the global pandemic accelerating a number of trends, which we believe will materially impact investment strategy going forward. In particular, we see five themes for the post-pandemic world, including the rising importance of healthcare,

the emergence of the “new consumer”, tech wars and the rising importance of AI and data, the rising importance of government, and increased geopolitical tensions that could accelerate de-globalization of some supply chains. We advocate investors to look towards sectors and companies that are well aligned with these themes. Potential examples could include the healthcare sector, state-owned enterprises with national champion status and companies that are adapting to the changing demands of the new consumer (e.g. strong online presence). That said, with the Saudi market now trading towards the higher end of its historical valuation range (approximately 21x 12-month forward earnings), we believe a highly selective approach with a particular focus on stock selection (rather than sector selection) is warranted.

- **How successful have the stimulus measures taken by the Saudi government been in kick-starting the economic recovery and ensuring business continuity?**

The government has taken appropriate, targeted and temporary measures to support the economy and accommodate higher health spending within the budget envelope. SAMA measures help support liquidity in the banking sector and support corporate cashflow through a delay in loan repayments. The Private Sector Support Package temporarily suspends government tax payments, fees, customs duties and other dues on the private sector, while the SANED unemployment scheme helps minimize impact on Saudi employment in the private sector. On the other hand, the fiscal measures introduced from mid-May (VAT and customs duties hike, discontinuation of the cost-of-living allowance) have a permanent impact on the economy but help minimize the budget deficit and showcase the government's discipline.

- **In the new economic environment, what investments and reforms should the Saudi government prioritize and why?**

The government should put the focus back on economic diversification as per Saudi Vision 2030. This would help mitigate oil price volatility and its impact on fiscal and external accounts. The increase in potential job opportunities in the private sector should be coupled with a focus on reform of labor markets. Improvements in the business climate could support an increase in foreign direct investment and attract private sector cofinancing of mega projects and industrial development projects. A focus on finTech and digital transformation may be helpful, as has been demonstrated during the current crisis.

Sector highlights - Mining and metals

Mining sector outlook

Saudi Arabia's mining and mineral processing industry in 2019

\$17+ billion
GDP contribution

15% upstream mining activities

85% midstream and downstream processes

\$7 billion
in gross exports

250,000
people employed

2,000+

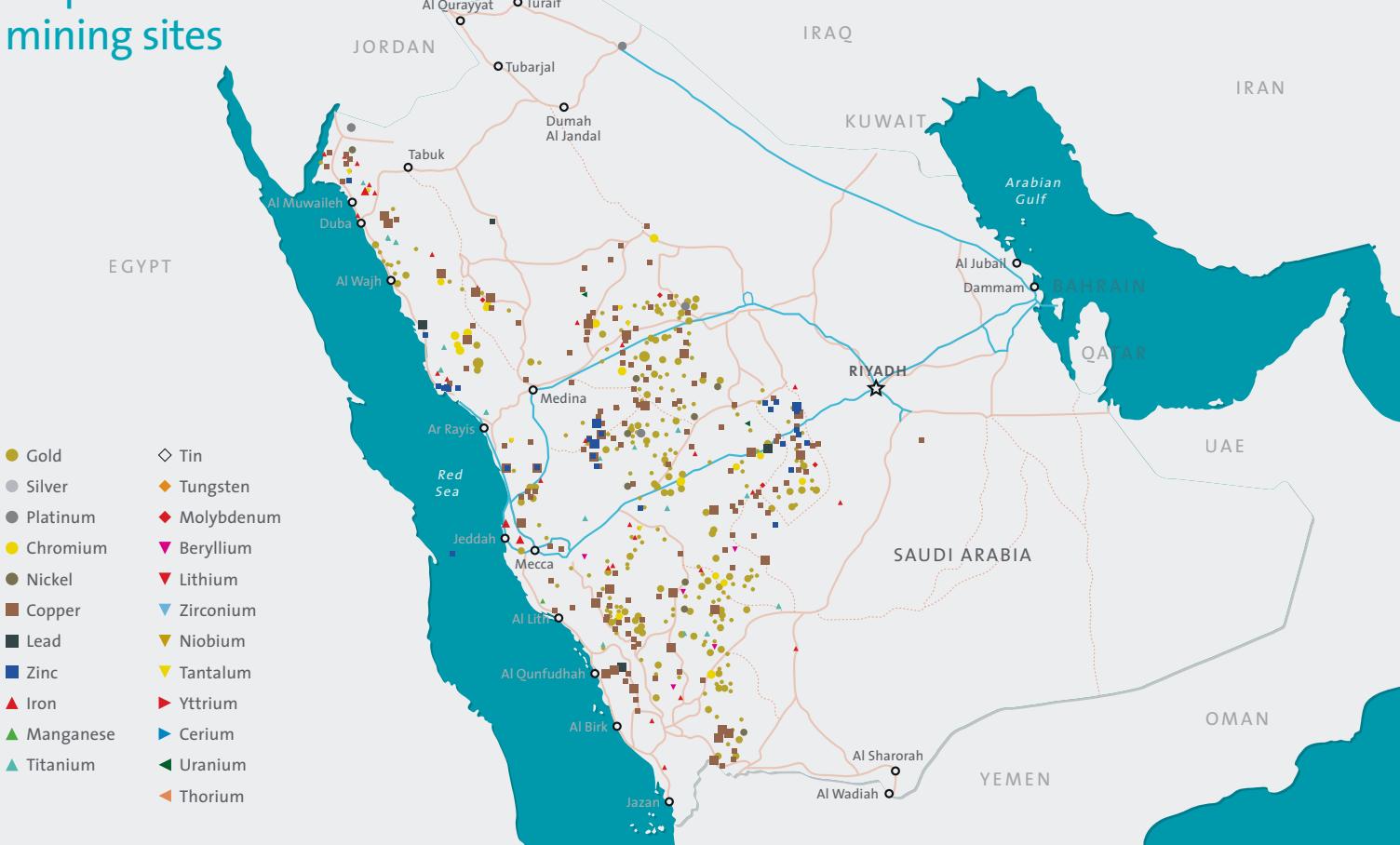
licenses issued for reconnaissance,
exploration and mining

Vision 2030 targets for the mining sector

\$70 billion
in GDP contribution

250,000
new job opportunities

Map of Saudi Arabia's mining sites



Interview



Khalid Al-Mudaifer

Vice Minister for Mining Affairs, Ministry of Industry and Mineral Resources (MIM)

➤ **What are some examples of mining opportunities that are ready for investors to access?**

The Saudi mining sector today offers meaningful investment opportunities across the entire mining value chain. We are developing several high-grade investment opportunities in iron and steel, aluminum and base metals like copper and zinc.

In terms of exploration, MIM has earmarked over 40,000 km² with 54 occurrences across a variety of minerals such as gold, silver, copper, silica, rare earth elements, zinc, manganese and iron ore. In addition, we have streamlined the licensing process making these areas available for in-depth exploration and development.

Further downstream, there are opportunities for investors to leverage Saudi Arabia's growing mineral and metal production to serve both domestic and international demand in phosphate-based products and aluminum. The Kingdom is the world's fourth largest importer of mineral and metal products. This provides investors with a strong, pre-existing regional market for downstream products, and because of the Kingdom's excellent geographic position, global markets are easily accessible.

➤ **How is the ministry enabling small and medium enterprises (SMEs) to thrive within the sector?**

Ensuring SME participation in the entire mining value chain and support services, will support the sector's long-term sustainability. The new mining law caters to SMEs by allowing them to mortgage their licenses for funding, while granting them large exploration areas and small mine exploitation licenses. The new mining law also lowers the mineral exploitation severance fee for all investors, across the entire mineral value chain in the Kingdom.

With its newly reformed mandate, the Saudi Industrial Development Fund (SIDF) now provides up to 75% of SMEs' total funding requirements for late exploration, mine development or industrial manufacturing. Small building material quarries are now more attractive to SMEs because the licensed area size can be quadrupled—up to 1 km². Such investments are attractive for SMEs because they do not require significant capital upfront.

The Saudi mining strategy identifies several opportunities for SMEs in downstream sectors, which leverage the Saudi mineral endowment, competitive cost structure and local demand. The industrial minerals sector presents opportunities across several value chains including silica, barite, bentonite, dolomite, bauxite and iron ore. For example, based on the availability, demand and low cost of dolomite and manganese in the Kingdom, there is an opportunity for the development of a 100 kiloton-per annum manganese smelter. Additionally, Saudi Arabia has raw materials and logistical advantages for the production of specialty silica, which has the potential to meet the growing demand for precipitated silica, fumed silica and colloidal silica.

➤ **To what extent has mining in Saudi Arabia been affected by COVID-19 and what measures has MIM taken to mitigate its impact?**

As with all industries, COVID-19 had an effect on the mining sector and measures were taken to reduce the worst impact. These include the two-month deferral of over \$106 million in fees for rent and severance, to the benefit of 156 license holders. All effective licenses, which were due to expire within 180 days were given a 90-day extension, which benefited 285 license holders. In addition, 615 license holders were granted a 90-day extension to complete their requirements for new licenses or extensions, and all current valid licenses were granted 90-day extensions of exploration work programs allowing companies to postpone expenses.

In terms of investor support, a mining sector crisis management room was created to respond to investor inquiries 24/7 and support other government crisis management rooms. A "Corona Virus Precautionary Measures" self-assessment form was launched on the TAADIN online platform and inspections of labor housing were also conducted in partnership with government committees; approximately 84,700 housing units were checked in Jeddah, Yanbu and Medina. Lastly, mining site inspections continued to operate during the quarantine period with 43 visits of 200 mining sites.

➤ **How is the newly launched mining law expected to impact the sector?**

The new mining law was benchmarked against global legal frameworks and will lay the foundations required to build the mining sector according to international best practice. The law increases transparency and signals the Kingdom's commitment to the sector. New investments are expected to increase the sector's contribution to GDP by more than \$64 billion, reduce imports by around \$7 billion, create 219,000 direct and indirect jobs for Saudi nationals and, lastly, ensure sustainability through environmentally safe processes.

Saudi Arabia's new mining law receives green light

In a strategic move to optimize the Kingdom's mineral industry, on June 11 Saudi Arabia approved a new mining law in accordance with Vision 2030's aspirations to diversify the economy and unlock the full potential of Saudi's rich mineral reserves.

The Ministry of Industry and Mineral Resources (MIM) said that the new mining investment law will come into effect in Q4 2020, 180 days after its publication, following the approval of the executive regulations.

The new law's industry targets are:

\$64+ billion

GDP contribution

\$7+ billion

in imports savings

200,000+

new direct and indirect jobs

What is the mining law and why is it important?

- The new law consists of 63 articles and is considered a major catalyst to unlock the potential of Saudi Arabia's mining industry.
- It was developed in close coordination with the private sector.
- It will bring the regulatory environment of Saudi Arabia's mining industry in line with international standards, following benchmarking against some of the most advanced mining systems globally.

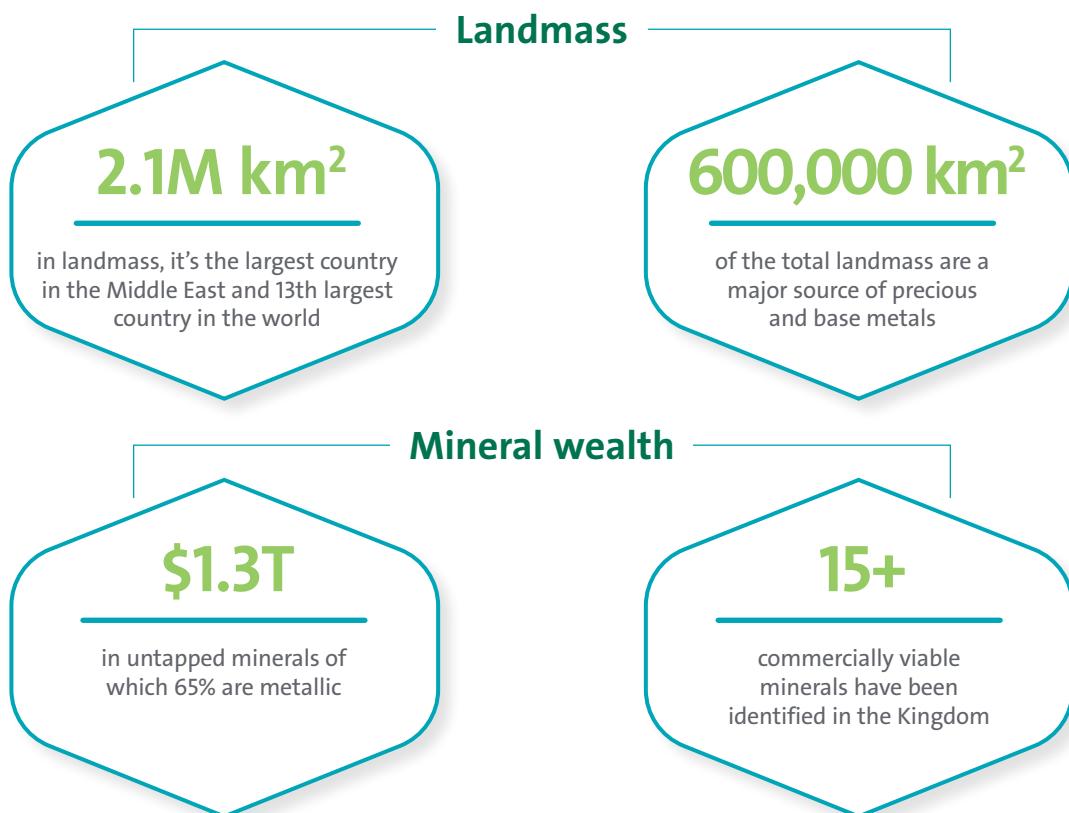
The new law is expected to:

- Optimize Saudi Arabia's untapped mineral industry
- Develop funding guidelines and sustainable investments
- Focus on governance, accountability, transparency and a well-defined licensing program
- Provide investors with financial mechanisms and sustainable financing
- Establish a new mining fund to support geological exploration programs and surveying activities

In addition, the new mining law focuses on sector sustainability - particularly in the conversion of raw materials into industrial components and semi-manufactured products - environmental protection and compliance with health and safety regulations.

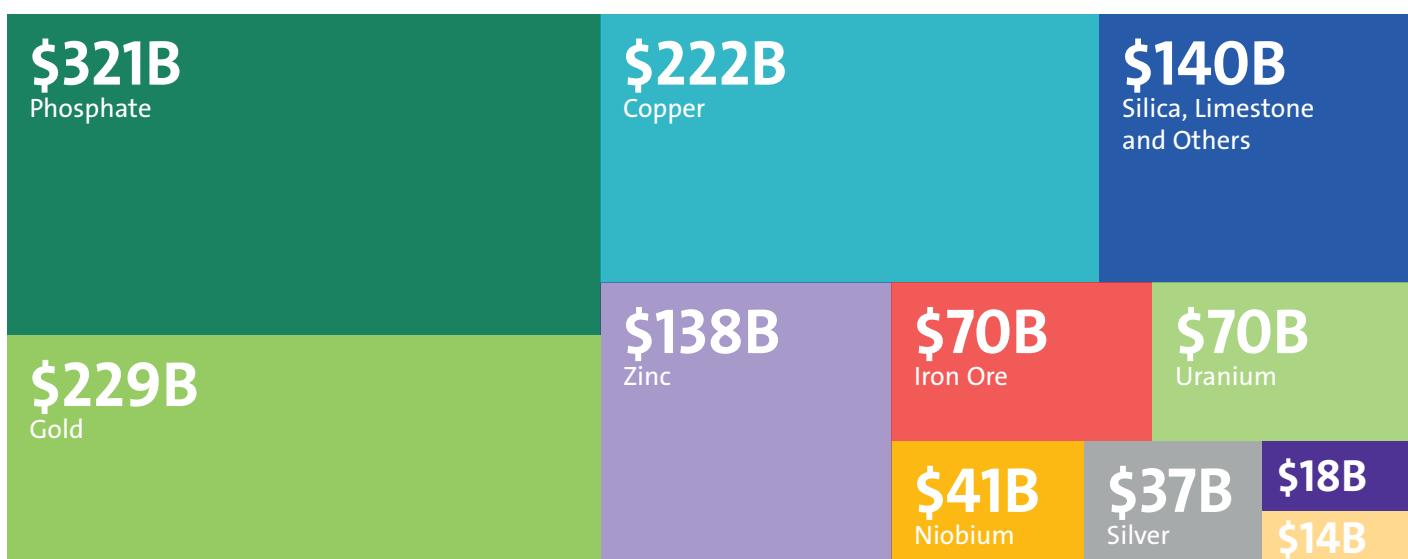
Why Saudi Arabia is the destination for mining

► 1. Large and untapped mineral resources



Total estimated value of the mineral resources in Saudi Arabia (USD billion) Source: NIDLP

■ Feldspar ■ Bauxite



➤ 2. Large and growing local demand

Current consumption

4th largest net importer of mineral products globally

Future consumption growth drivers

75%

oil and gas localization target by 2030, up from 45% in 2016

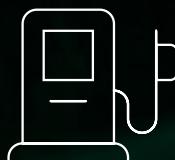
50%

military spending localization target by 2030, up from 2% in 2016

➤ 3. Competitive factors and input costs



Land cost



Fuel cost



Electricity cost



Construction cost



Unit labor cost

➤ 4. Strategic location with easy access to major importing countries



Who is here already

Ma'aden (Saudi Arabia)

Ma'aden is among the fastest growing mining and metals companies in the world. It has experienced rapid growth over the past decade, becoming the largest multi-commodity mining company in the Middle East and a global mining industry leader in terms of market



capitalization. Its international marketing and sales network have also experienced growth, paving the way for Ma'aden to become a global supplier of phosphate products, industrial minerals, aluminum, gold and copper concentrate.

Ma'aden at a glance:



Ma'aden sales by segment (USD million)

Source: Ma'aden



Alcoa

Project investment

\$10.8 billion

Investment year

2009



Alcoa and Ma'aden established a \$10.8 billion joint venture (75% Ma'aden, 25% Alcoa) named Ma'aden Aluminum Company (MA). The JV established the world's first fully integrated high efficiency aluminum production complex in Ras Al Khair Industrial City. The complex includes a bauxite mine, refinery, smelter, cast house, can recycling unit, and the world's most advanced rolling mills. The company established a 1.8 million tons-per annum refinery, a 740,000 tons-per annum smelter, a bauxite mine with an annual capacity of 4 million tons and a rolling mill with a capacity of up to 460,000 tons. The refinery aims to make Saudi Arabia and the Middle East a major hub for aluminum production and its associated downstream industries.

Mosaic

Project investment

\$8 billion

Investment year

2013



Mosaic, Ma'aden and SABIC established an \$8 billion joint venture (60% Ma'aden, 25% Mosaic, 15% SABIC) named Ma'aden Wa'ad Al Shamal Phosphate Company (MWSPC). The JV constructed a complex to extract phosphate and develop it into fertilizer products for the global agriculture sector. MWSPC produces 3.5 million tons-per annum of phosphate fertilizers and other products.

Tronox

Project investment
\$1.5 billion

Investment year
2019

TRONOX



Tronox, a global mining and inorganic chemicals company, bought a 90% stake in the titanium dioxide (TiO_2) business of National Titanium Dioxide Company Limited (Cristal). Cristal which is 79% owned by Tasnee (a listed Saudi joint-stock company) and 20% by Gulf Investment Corporation (GIC) operates a titanium smelter in the southwestern city of Jazan, which has the capacity to supply up to 500 kilotons-per annum of TiO_2 slag and 220 kilotons of crude iron.

Barrick Gold

Project investment
\$216 million

Investment year
2014

BARRICK



Barrick Gold acquired a 50% stake in the Jabal Sayid underground copper and platinum mine located 120 km southeast of Medina. The remaining 50% is owned by Ma'aden. The mine produces between 45,000 and 59,000 metric tons of copper concentrate annually. In 2019 Barrick's share of production from its Saudi mine operations amounted to \$83 million of copper.

Toho Titanium

Project investment
\$120 million

Investment year
2016

TOHO TITANIUM



Toho established a titanium sponge production facility in a joint venture with Advanced Metal Industries Cluster Company Limited (AMIC). The project included the construction of a 15,600 tons-per annum titanium tetrachloride plant to produce and sell titanium sponge in the Yanbu Industrial Complex.

Investor highlights

Government deals and licenses

Modon's investors show commitment to business continuity

In Q2 2020, investors in Modon's industrial cities experienced some interesting production trends as a result of the COVID-19 pandemic. There was an increase in activity from the food industry, medical supplies and pharmaceuticals to meet the rising demand from the local population.



\$1,365,055

total investment

275,886 m²

newly leased area

44

new contracts

13

'ready built' factory contracts



SAMA welcomes two new FinTech players into the market

SAMA announced the licensing of two new payment companies **Tap** (Kuwait) and **Brightware** (Saudi Arabia) on June 9th. This is expected to enhance Saudi Arabia's FinTech ecosystem and ease the transition to a cashless economy, a cornerstone of Vision 2030. The two new companies are among a group of 18 that have joined Saudi Arabia's FinTech sandbox, which is designed to help SAMA better understand the impact of new technologies on the Kingdom's financial sector.



CITC awards licenses to six new delivery apps

The Communications and Information Technology Commission (CITC) announced licenses for six new parcel delivery companies in Saudi Arabia on June 16th, as it rolled out a new licensing plan for the postal sector. Companies can now register online via a [special portal](#).



الهيئة العامة للصناعات العسكرية
General Authority for Military Industries

GAMI brings 18 new companies on board

The Saudi General Authority for Military Industries (GAMI) announced on June 18th, that it had licensed an additional 18 companies to work in the sector, bringing the total number to 38.

A [new digital platform](#) was created to receive, request and issue licenses in the areas of military manufacturing, military service provision, and the supply of military products or services.

Domestic logistics



Saeed | Saudi Arabia



Mkhdoom | Saudi Arabia



Aymakan | Saudi Arabia



Jones Transport | USA

Almajdouie Logistics | Saudi Arabia

Domestic and international logistics

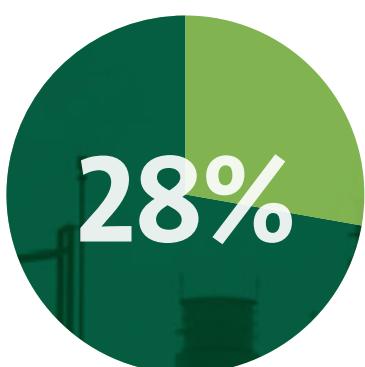
fetchr | **Fetchr** | UAE

Monsha'at conducts a COVID-19 impact survey across 900+ MSMEs

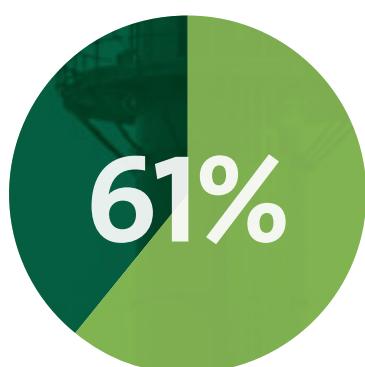
In April, Monsha'at conducted a survey of the impact of COVID-19 on MSMEs in Saudi Arabia. The survey was conducted in partnership with the Global SME Policy Network (GSPN) at Prince Sultan University. A total of 918 MSMEs (Micro, Small and Medium Enterprises) from 13 regions participated in the survey.



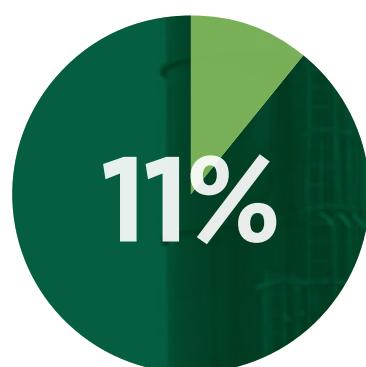
Several MSMEs benefited from government support and initiatives



Micro-enterprises



Small enterprises

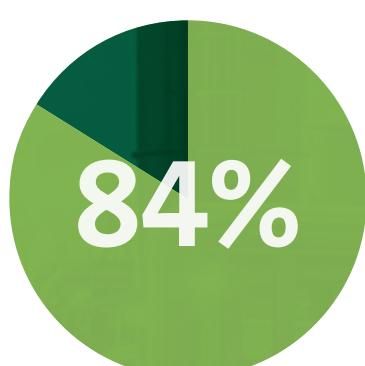


Medium-sized enterprises

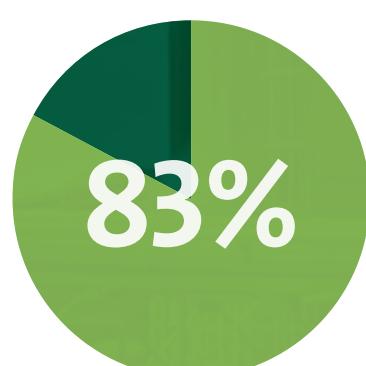
However, several companies are still in need of additional support to overcome the crisis



Micro-enterprises



Small enterprises



Medium-sized enterprises

In Q2, Monsha'at, in cooperation with the Kafala program and the National Development Fund (NDF), launched several initiatives to support MSMEs to shift their business model to online in response to the COVID-19 pandemic.



Investor story spotlight



Amazon launches in Saudi Arabia

Amazon (USA) launched its dedicated store for customers in Saudi Arabia on June 17th amid a surge in demand for online retail services as a result of COVID-19. The website www.amazon.sa was launched as a rebranding of Souq.com, a Middle East, e-commerce start-up that Amazon acquired in 2017 for \$580 million. Saudi shoppers' information has been transferred from Souq.com to Amazon. The e-commerce giant is building an operations network that will cover the entire country and already consists of:



3 fulfilment centers



11 delivery stations



1,400+ workforce at Jeddah's new fulfilment center



Saudi Post partnership since 2019



“The Amazon.sa launch, rebranding from Souq.com, in June 2020 marked a key milestone in our promise to both customers and businesses across the Kingdom of Saudi Arabia. An increasing number of people are turning to online shopping to find their everyday needs while businesses are working in parallel to establish their online presence and integrate e-commerce, to reach customers. We are committed to doing everything we can to support our customers safely, while investing to unlock growth opportunities for local businesses.”



Ronaldo Mouchawar
Vice President of Amazon MENA and Co-Founder of Souq.com

Project groundbreakings and case studies



Oil & Gas

**Honeywell**

Honeywell

The multinational conglomerate announced on June 2nd that it will open a factory to produce gas detection devices, the first of its kind in Saudi Arabia. Located in Dhahran, the Honeywell facility will produce 10,000 portable gas detectors and 800 fixed gas detectors annually when it reaches full production capacity in 2022.



F&B

**Jahez**

Jahez

On June 3rd, 2020, the food delivery app raised \$36 million in investments, the largest sum ever raised for a Saudi startup in the country's history. Launched in 2016, Jahez serves over 3 million customers through a fleet of 15,000 freelance couriers and is on course to exceed orders worth \$266 million in 2020.

**Bindawood**

Bindawood Holding

The group that controls Danube and Bindawood supermarkets, with 73 stores across Saudi Arabia, announced plans for an IPO in June 2020. This would make it the first Middle Eastern share sale since the COVID-19 pandemic shutdown. The company worked with Goldman Sachs Group Inc., JPMorgan Chase & Co. and GIB Capital on the IPO. The company's retail revenue exceeded \$1 billion in 2019. Additionally, it is planning to open 90 stores by the end of 2020.

**NOVATON**

Novaton

The Kingdom's first fully closed shrimp farm was launched in June in coordination with Novaton. With the introduction of the new closed system for shrimp farming and the establishment of the first commercial hatchery in the Kingdom, an increased investment in aquaculture is anticipated. This project is an excellent indicator that Saudi Arabia can keep up with global trends in closed-system fish farming.



Finance



MoneyGram

MoneyGram International

The global leader in cross-border payments and money transfers announced a strategic partnership with Al Rajhi Bank, on June 4th. The deal covers both digital and walk-in channels and will enable strong customer growth in one of the world's largest remittance markets. Saudi Arabia is home to over 11 million immigrants who transfer around \$33.6 billion in remittances annually.



Wahed

Wahed Invest

A New York-based online Islamic investing platform secured funding from Saudi Aramco's Entrepreneurship Ventures as part of a \$25 million funding round on June 8th. Wahed Invest, founded in June 2015, has already received a license to operate in Saudi Arabia. The platform is currently running in the US and UK and has more than 100,000 clients globally. It plans to grow in the largest Muslim markets, including Indonesia, Nigeria, India and the CIS.



NCB الراجحي



National Commercial Bank & Samba

National Commercial Bank (NCB), Saudi Arabia's largest lender, is exploring a takeover of its rival Samba Financial Group in a deal that could be worth as much as \$15.6 billion. If completed, the merger would create one of the region's largest lenders with assets of around \$214 billion. NCB, which is being advised by JPMorgan Chase & Co., reported that it would issue as many as 1.54 billion new shares to Samba shareholders. Samba is working with Morgan Stanley. Saudi Arabia's Public Investment Fund (PIF) owns a 44.29% stake in NCB and 22.91% in Samba.



tabby®

Tabby

The Emirati buy-now, pay-later FinTech startup secured \$7 million worth of investment on June 8th to support its launch in Saudi Arabia. Founded in 2019, with an initial \$2 million in seed funding, Tabby enables customers to pay for products online in installments using only their mobile phone number and email address.



Logistics



The CMA CGM Group

The CMA CGM Group, a world leader in shipping and logistics, announced the launch of its new “JEDDEX” service connecting Saudi Arabia and East Africa. Through Jeddah, this service will provide a connection between the US, the Mediterranean Sea, Europe, Kenya and Somalia with an improved transit time that will positively impact the cargo trade and the sensitive cargo in the dry box. The service will deploy four dedicated vessels on a weekly basis. Transit times to Mombasa will significantly improve by up to 7 days. While Mombasa is reached, via Jeddah, from Antwerp and Genoa in 29 days.



DP World

On June 25th, the Emirati-based logistics company teamed up with Mawani (the Saudi Ports Authority) to launch the first container shipping line connecting Jebel Ali Port in Dubai with Egypt's Suez Canal Port via Jeddah Islamic Port. DP World is set to invest up to \$500 million to improve and modernize Jeddah Islamic Port, including the ability to serve ultra-large shipping containers.



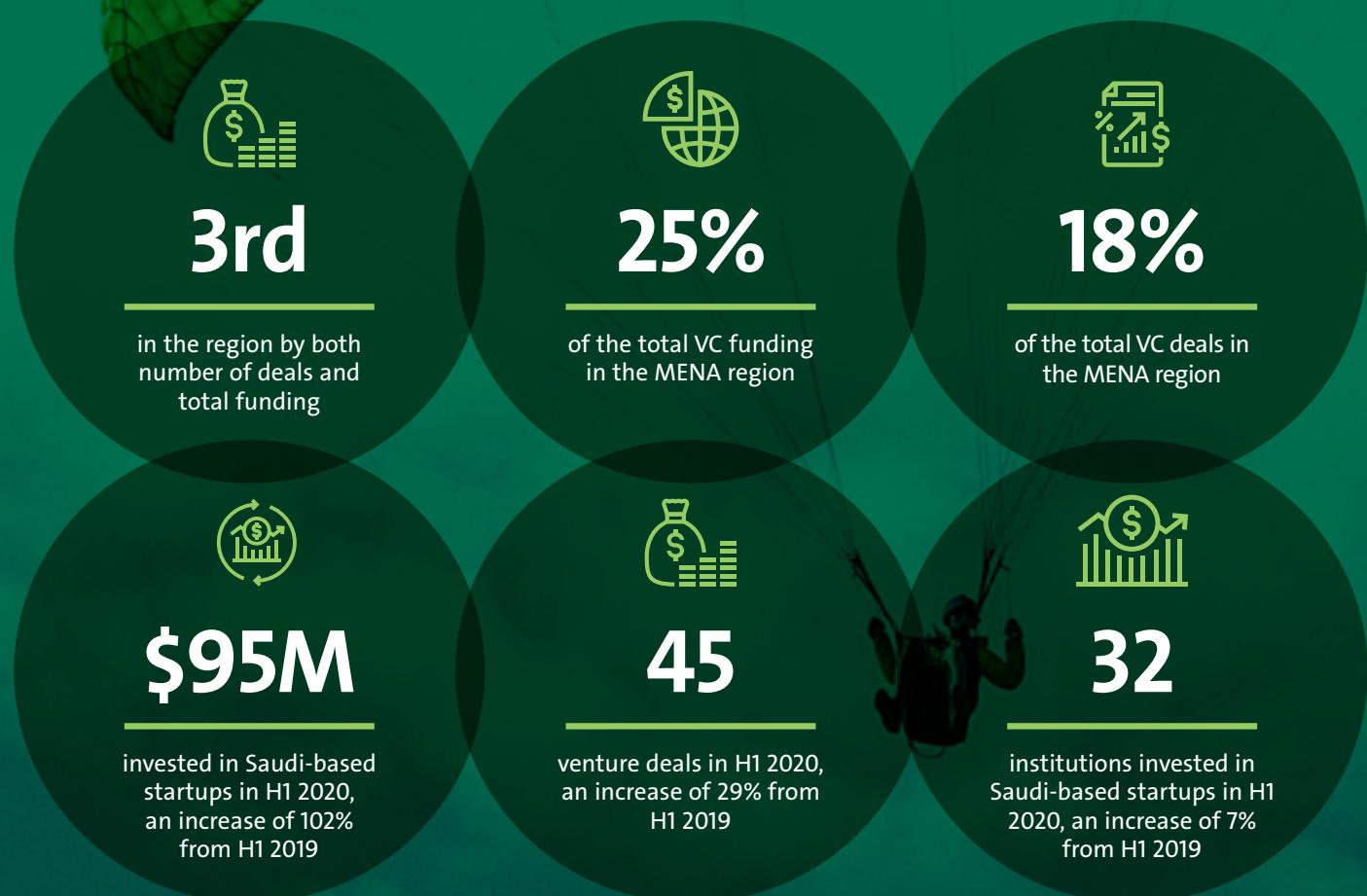
Saudi Global Ports

Saudi Global Ports (SGP) won a build, operate, transfer (BOT) contract worth \$1.9 billion to increase the handling capacity of the King Abdulaziz Port in Dammam by 120%. SGP, a joint venture by PIF and PSA International, will develop the King Abdulaziz port to be able to handle around 7.5 million containers annually, creating 4,000+ jobs in the process.

Venture Capital

Funding of Saudi startups has grown significantly faster than the average in the MENA region

MAGNiTT, the region's startup data platform, in partnership with Saudi Venture Capital Company (SVC) published a report in June on the region's venture capital market. The report shows that despite the COVID-19 pandemic, the total funding of Saudi-based startups in H1 2020 surpassed the funding for the entire year of 2019.



Saudi Arabia's top 5 industries by number of VC deals in H1 2020



Mega projects highlights

Interview

**Jerry Inzerillo**

CEO, Diriyah Gate Development Authority

➤ **How can investors access these opportunities and what economic incentives are available to them?**

Diriyah Gate offers a dynamic environment for investment attraction, inspired by the directives of Vision 2030. Accordingly, the Authority has developed a flexible approach towards investment partnerships that suit the different needs of different investors. Economic incentives are linked to specific structures agreed upon with investors, and they differ depending on the type of offering invested in.

➤ **What kind of investors and business partners is DGDA looking to attract to the project and in what forms?**

DGDA is looking to partner with third parties that add value and share its long-term vision and aspirations. Our growing investor database consists of first-rate businesspeople with vast experience in multiple industries, with a strong focus on tourism and commercial players. DGDA is keen to attract more symbiotic investors and businesses that can support in the realization of this ambitious undertaking.

➤ **What measures are being taken to mitigate against external project development risks, such as COVID-19 or other economic uncertainties?**

Our development pipeline remains on track. DGDA is taking a proactive approach to mitigate the risk of economic fluctuations and ensure that adequate response measures are in place when facing adverse situations such as COVID-19. DGDA is deeply invested in proper planning of the project, including prudent phasing that allows organic growth aligned with market capacity and absorption potential. Future proofing the different asset classes making up the project provides DGDA with flexibility and allows it to adjust to changing trends and consumer behavior.

➤ **What is your outlook regarding the tourism and culture sectors recovery in the short to medium term?**

The Saudi government has enacted a smart, staged strategy for opening up to tourists and becoming a cultural icon, and it is investing heavily in these two sectors. This allocation of capital towards infrastructure and the giga-projects will allow Saudi Arabia to benefit from recoveries in the aviation, hospitality, retail and other fields, starting with its own huge domestic potential and continuing with international interest, that is coupled with a diverse landscape of attractions and activities suiting all ages, backgrounds, interests and budgets.

➤ **In its first phase, what specific business opportunities does the Diriyah Gate project offer local and foreign investors?**

Diriyah Gate intends to be one of the world's greatest gathering places and a global cultural hub. As a mixed-use development, it offers potential investors a wide array of attractive opportunities across multiple asset classes that range from hospitality to commercial to residential. The Authority aims to complement these opportunities by key anchor assets it aims to develop itself, including museums and cultural attractions, art-centered districts, retail and lifestyle destinations. Investors will have a very interesting palette to choose from depending on their background, investment ethos and risk appetite.



Diriyah Gate Development Authority (DGDA) starts work on a \$20 billion heritage project

DGDA is entering the first phase of its \$20 billion reconstruction to transform the city of Diriyah into a cultural hub celebrating Saudi Arabia's heritage.

7 Km²

of Diriyah will be transformed into a prominent tourism destination in Saudi Arabia

20+

hotels, a diverse collection of museums, a bustling retail heart and 100+ places to dine will be available to visitors

25M

expected visitors annually

1.32 Km²

will be covered in the development of the first stages of the project, approximately the size of 185 soccer pitches

At-Turaif

UNESCO World Heritage Site sits at the heart of the development



نيوم NEOM

NEOM signs \$5 billion agreement to build a green hydrogen facility

Work on NEOM, Saudi Arabia's first fully integrated smart city, took a positive turn this quarter with the signing of a \$5 billion deal with **ACWA Power** (Saudi Arabia) and the US chemical industry company, **Air Products**. The agreement is to build a world-scale green hydrogen-based ammonia production facility for export to global markets.

In line with NEOM's objective to become a world-leader in green energy standards, the new facility will be powered entirely by renewable energy. On completion, the facility will be the world's largest renewable hydrogen project.

\$5B

worth of investment

650

tons of carbon-free hydrogen will be produced daily

4GW

of renewable energy to be utilized

3M

tons of expected decrease in CO₂ emissions annually

700,000+

eliminate emissions and pollutants equivalent to 700,000+ cars

Qiddiya moves ahead with construction

In February, the Qiddiya Investment Co. (QIC) awarded the first construction contract of the year to two Saudi companies, **Abdul Ali Al-Ajmi Company** and **Saudi Pan Kingdom (SAPAC)**. As construction continues at the Qiddiya site, work begins on the mass grading and site preparation of two anchor development areas: The Resort Core and the City Center.



Earthworks to prepare the ground



Security fencing to control access to the site for security purposes



Moving of overhead powerlines to enable a solid power supply throughout the construction phase

High voltage transmission lines

92 towers

40 km cables

Medium voltage overhead power lines

720 towers

70 km cables



The Red Sea Development Company

Red Sea Project awards medical service contract for construction phase

The Red Sea Development Company (TRSDC) has awarded a contract to **International SOS (Singapore)** to provide medical services during the initial construction phase of the project, which will welcome its first visitors by the end of 2022. The agreement between TRSDC and **International SOS** will ensure the highest quality medical care and assistance are provided to the site's estimated 28,000 construction workers.



The first phase of the project includes:



16

luxury hotels



1

marina



1

airport



14

island resorts



3,000

hotel rooms



2

inland resorts



AMAALA unveils mirage-inspired airport design and appoints Parsons and BINYAH for Triple Bay

In June, Amaala unveiled plans for the new international airport designed by UK-based firm **Foster + Partners**, the structure of which is inspired by a 'desert mirage'. The airport master plan was designed by international consultancy and engineering group **Egis** (France).

2023 opening

1+ million travelers per year

In the same month, **Saudi Arabian Parsons Limited** (Parsons Corporation) won the construction supervision contract of Phase 1 of the Triple Bay masterplan, while the **Saudi Real Estate Infrastructure Company (BINYAH)** was awarded the contract for the excavation, backfilling, and earthworks required for the formation levels and grading.

Together with The Coastal Development and The Island, Triple Bay is one of three communities being developed by AMAALA. The Bay will offer a holistic wellness retreat, state-of-the-art diagnostic medical facilities and authentic treatments designed in harmony with the local environment. Triple Bay will also be home to a fully integrated sports and entertainment community.

الهيئة الملكية لمدينة الرياض
ROYAL COMMISSION FOR RIYADH CITY



\$800 billion plan will turn Riyadh into a cultural hub in the Middle East

Saudi Arabia is launching an \$800 billion plan to double the size of Riyadh in the next decade while transforming it into an economic, social and cultural hub in the region.

18 megaprojects worth over \$250 billion have already been launched

The ambitious strategy for Saudi Arabia's capital city was unveiled by the Royal Commission for the City of Riyadh and aims to:

Improve

living standards

Increase

economic growth

Create

jobs

Double

the city's population in the next 10 years

Reform highlights



New Tourism Development Fund to provide the sector with a funding boost

Saudi Arabia's Ministry of Tourism in June announced a \$4 billion Tourism Development Fund (TDF) to boost the local tourism sector. In line with the National Tourism Strategy (NTS), the TDF will support private sector development and incentivize further investment across the tourism industry.

The TDF will launch a range of equity and debt investment vehicles and has \$45 billion in memorandum of understandings signed with private banks. The funding will support mixed-use destinations, address gaps in the tourism value chain, and enable technologically-enhanced tourism. The Ministry of Tourism, Saudi Tourism Authority and TDF collaborate to evolve and enhance Saudi Arabia's tourism ecosystem.

Saudi Arabia is the MENA region's largest destination for travelers and accounts for about one-fifth of its travel and tourism GDP.

Source: WEF 2019



The **Ministry of Tourism (MT)** was created by Royal Decree in February 2020 as a distinct ministry with overarching strategic and regulatory control of tourism in Saudi Arabia. Its main goal is to create an environment in which a framework of certified protocols and measures is in place to reassure visitors that they are safe to travel.

The **Saudi Tourism Authority (STA)**, launched in June 2020, is responsible for marketing Saudi Arabia's tourism destinations worldwide and developing the Kingdom's offering through programs, packages and business support. Its mandate ranges from developing unique assets and destinations, hosting and participating in industry events, and promoting Saudi Arabia's tourism brand locally and overseas.

Travel and tourism sector targets

10%+

annual GDP by 2030, compared to 3% today

\$1.3B

in FDI attraction

150,000

hotel rooms by 2022

30%

of hotel projects will be driven by the government

70%

of hotel projects will be driven by the private sector

500,000+

hotel rooms will be added across the country by 2030

100+M

passengers in total airport capacity annually by 2030

260,000+

new jobs by 2022

1.6M

people employed in the sector by 2030



“Saudi Summer” tourism campaign launched in close collaboration with the private sector

“Saudi Summer” is the largest domestic tourism campaign in Saudi history. Driven by STA, the campaign runs from June 25th to September 30th and aims to encourage Saudi nationals and residents to discover their own country.

The campaign will support the local tourism industry and promote socio-economic growth by preserving existing jobs and creating new seasonal job opportunities in the tourism sector, which was significantly impacted by COVID-19.

Private sector support

STA is working closely with tour operators and guides to develop a mix of package tours, self-drive and guided itineraries



10 destinations showcasing the wide diversity of Saudi Arabia's landscapes: **Tabuk, Umluj, Yanbu, King Abdullah Economic City (KAEC), Jeddah, Taif, Bahia, Abha, Aseer, Riyadh and Eastern Province**



100 tourism offers and packages across multiple price points for families, groups and single travelers



90 partners including hotels, hospitality, tour operators and destination management companies



Saudi Arabia continues its ascent in global competitiveness rankings



In the recent World Competitiveness Yearbook 2020 published in June by the International Institute for Management Development (IMD) Saudi Arabia ranked:

- **24th most competitive among 63 countries in 2020 - up from 26th in 2019 and 39th in 2018**

Saudi Arabia is the only country in the GCC and in the Middle East region climbing global rankings.

- **8th most competitive G20 economy**
- **15th most competitive economy in Europe, Middle East and Africa**

With improvements in the following areas:

- **19th in business efficiency, up from 25th in 2019**
- **20th in economic performance, up from 30th 2019**
- **36th in infrastructure, up from 38th in 2019**

Achieving exceptional ranks in the following indicators

➤ 1st

- Labor force growth

➤ 8th

- Subsidies
- Social cohesion

➤ 9th

- Development and application of technology

➤ 10th

- Resilience of the economy
- Investment incentives
- Financial and banking services for businesses

➤ 12th

- Regulatory compliance (banking laws)

➤ 14th

- Digital transformation in companies
- Energy infrastructure

➤ 15th

- Start-up procedures for business

➤ 3rd

- Exports of commercial services

➤ 4th

- Pension funding
- Central bank policy
- Adapting of government policy
- Total public expenditure on education

➤ 6th

- Gasoline prices
- Foreign currency reserves per capita
- Unemployment legislation
- Overall productivity

➤ 7th

- Total indigenous energy production
- Funding for technological development

SIDF launches \$1 billion industrial support package



In June, The Saudi Industrial Development Fund (SIDF) launched a \$1 billion stimulus plan to support industrial projects affected by the COVID-19 pandemic.

The stimulus package aims to provide:

Support to 500+ industrial projects by deferring and restructuring loan installments for small, medium and large industrial enterprises (SMEs)

Credit to finance up to three months of operating expenses for qualified SMEs

Loans for medical and pharmaceutical supplies producers for up to six months

\$213 million

381 small enterprises

\$213 million

121 medium-sized enterprises

\$19 million

14 medical sector enterprises

\$346 million

15 large enterprises

SIDF funding provided

MISA COVID-19 Response Center resolving investor issues through tailored solutions



وزارة الاستثمار
Ministry of Investment

The COVID-19 Response Center (MCRC) was established in March 2020 by the Ministry of Investment (MISA). MCRC supports business continuity and mitigates negative business impact for all investors in the Kingdom. The MCRC offers investors support 24/7 to through various services and requests.

Top 3 MCRC stories in Q2:

LuLu Hypermarket



LuLu Markets faced an unexpected increase in transportation costs for its imported goods through traditional cargo channels due to COVID-19 travel restrictions.

MISA's team coordinated with Saudia Airlines, who agreed to make an exception and use Saudia's grounded commercial passenger aircrafts to transport Lulu Markets' goods to avoid any supply gap in the market.

Informa Middle East



Informa Middle East, a leading publishing, business intelligence and exhibitions company, was unable to establish short-term training centers in Saudi Arabia as current regulations prohibit it.

In response, the MISA licensing department and the Technical and Vocational Training Corporation revised the private training regulations to allow foreign investors to establish short-term training centers in addition to training institutes.

BNP Paribas



BNP bank financial guarantees were being rejected by government entities due to its classification as a foreign bank.

MISA collaborated with the Saudi Arabian Monetary Agency (SAMA) and the Ministry of Finance and a decision was issued by the Minister of Finance to amend the executive regulations allowing foreign banks to be treated as local banks.

G20 highlights

B20 special report



B20 Saudi Arabia, as the official business voice of the G20, announced a special report in July detailing a six-point plan designed to combat the current global pandemic and lay a foundation to address potential future crises that could disrupt societies and economies. The plan was developed in collaboration with business leaders and major multilateral organizations around the world in order to ensure business continuity, maintain employee well-being, initiate global economic recovery while expediting vaccine development and supporting society at large.

B20 Saudi Arabia proposes a set of actionable recommendations to address the immediate health crisis and commence a post-COVID-19 recovery phase:

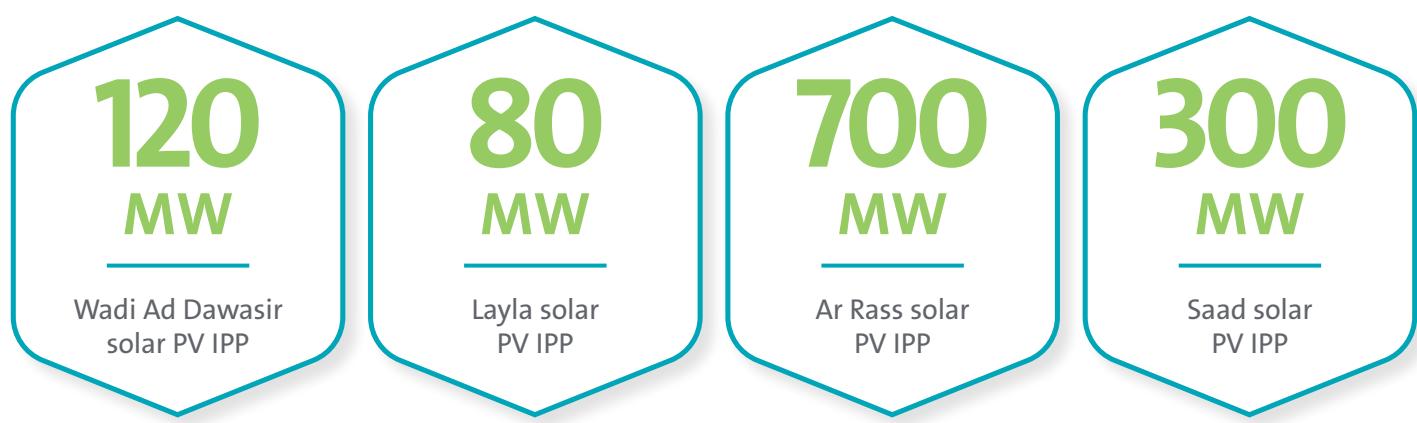
Build health resilience	<ul style="list-style-type: none">• Accelerate development and availability of COVID-19 vaccine• Strengthen future pandemic preparedness• Oppose new trade restrictions• Address the risk of corruption in public procurement
Safeguard human capital	<ul style="list-style-type: none">• Avoid restriction on movement of human and intellectual capital• Minimize unemployment and increase employability• Ensure implementation of OHS requirements suited for minimizing infection risks
Prevent financial instability	<ul style="list-style-type: none">• Avoid negative spillovers on financial markets• Increase support to vulnerable economies• Increase capital allocation to enterprises and infrastructure projects
Unclog global supply chains	<ul style="list-style-type: none">• Immediate restoration of supply chains• Recapitalize global supply chains• Reduce corruption risks in supply chains
Revive productive sectors	<ul style="list-style-type: none">• Cooperate in stimulus design• Make stimulus sustainable• Ensure energy market stability
Digitalize responsibly and inclusively	<ul style="list-style-type: none">• Accelerate digital transformation

Opportunity highlights

Saudi Arabia invites bids for round three of the National Renewable Energy Program (NREP)

On April 8th, the Ministry of Energy issued an RFP for round three of solar PV independent power producers projects as part of Saudi Arabia's NREP.

Round three is comprised of four projects with a combined capacity of 1,200 Megawatts (MW) of solar PV.



49 companies pre-qualified to bid

28 of the bidding companies are from Saudi Arabia

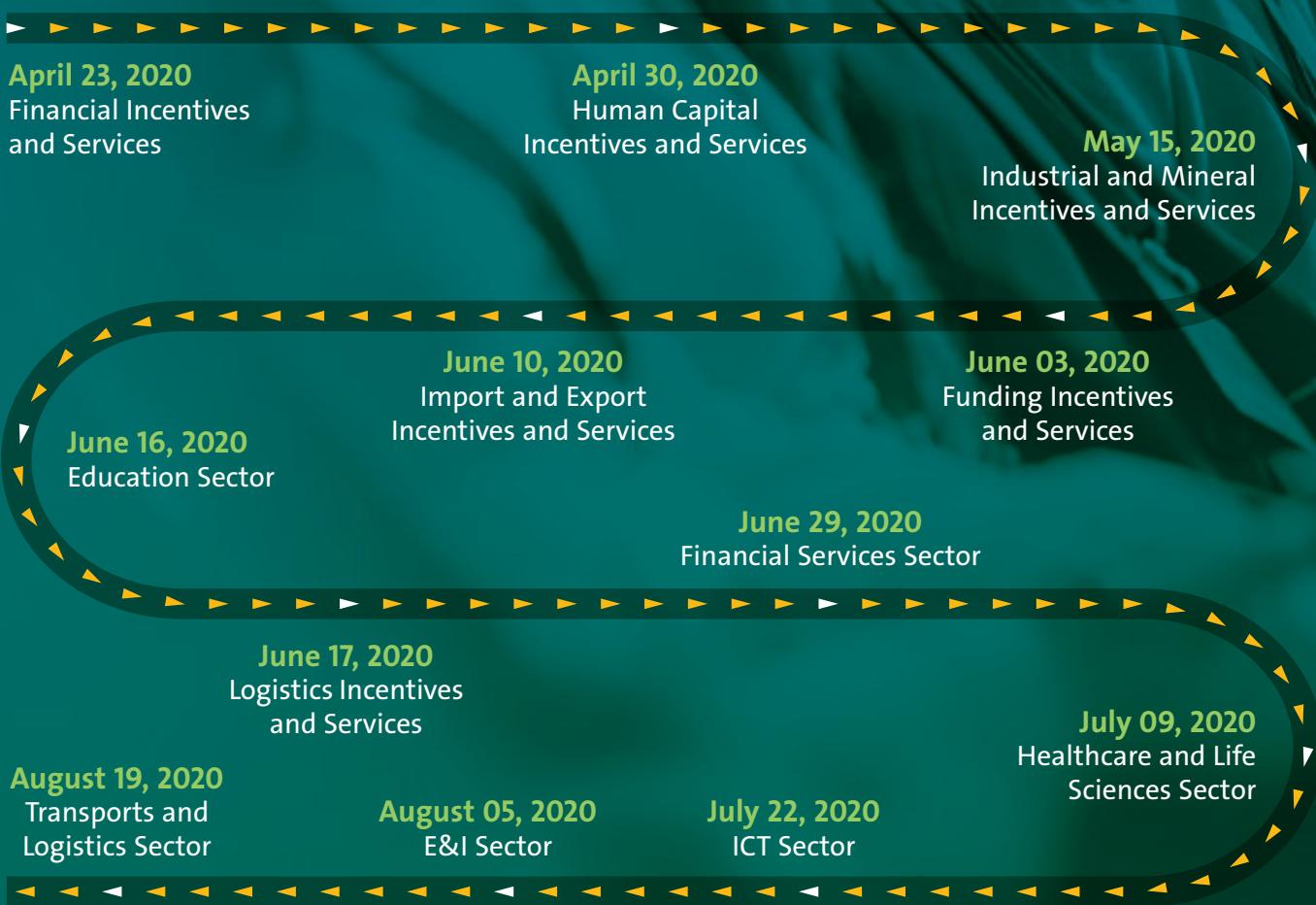
Round three of the NREP carries a minimum requirement of 18% local content to increase the value-added contribution of services and products in the Saudi economy.

Find out more on the bidding process at
www.powersaudiarabia.com.sa

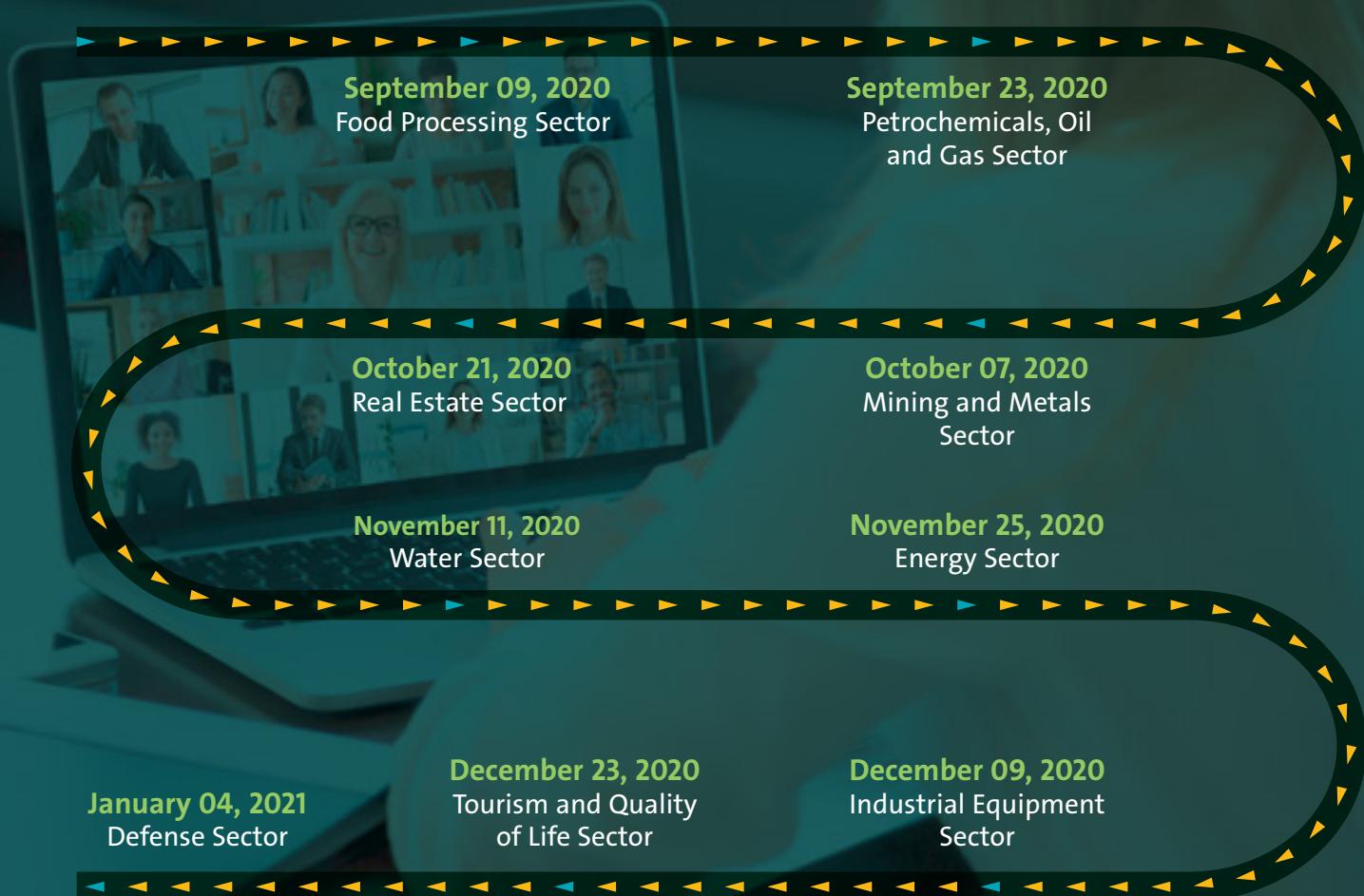
Event highlights

Invest Saudi Live

As COVID-19 brought a halt to investment promotion activities, particularly events, exhibitions and roadshows, Invest Saudi made use of digital solutions to connect with existing and potential investors.



Invest Saudi webinars planned for the next few months



BMG Economic Forum 2020

BMG Economic Forum hosted its first ever virtual event on July 15th offering first-hand insights from senior government officials and international corporate leaders into the post-COVID-19 economy. The forum also included expert economic forecasts and updates on key industries such as transportation and logistics in Saudi Arabia.



The forum ended with a G20 orchestra concert that was broadcasted live from Ehrbar Seal, the great music hall in Vienna, Austria in the Presence of Saudi Ambassador to Vienna Prince Abdullah Bin Khaled Bin Sultan as the guest of honor, together with other G20 Ambassadors.



In line with Vision 2030's goals, the newly established Saudi Import and Export Bank is working to increase the reach of Saudi exports to the regional and global markets.



Bandar Alkhayr
Minister of Industry and Mineral Resources, at the BMG forum



الاستثمار
Ministry of Investment

INVEST
SAUDI

Invest in Saudi Arabia Getting an investor license takes just:



2 Documents



3 Hours

Find out more at investsaudi.sa

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