

DESTINATION MANAGEMENT COMPANY
INVESTMENT OPPORTUNITY SCORECARD
TOURISM & QUALITY OF LIFE

MAY 2021

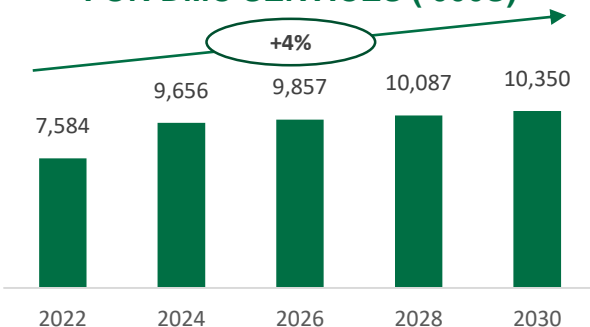


Destination Management Company

OPPORTUNITY'S DESCRIPTION: Opportunity to Create a 'Destination Management Company' (DMC) that promotes Hajj & Umrah, post pilgrimage destinations and activities to future guests and businesses

DEMAND

MARKET SIZE - POTENTIAL MARKET FOR DMC SERVICES ('000S)



INVESTMENT HIGHLIGHTS

- Expected investment size of USD 5.45Mn
- Investment IRR: 24.9%
- Payback period: 7.5 years
- Opportunity to consider different operating models – FDI with 100% ownership or joint venture with local private sector player(s)

INVESTMENT OVERVIEW

VALUE PROPOSITION

- KSA government targets to host 30 Mn international Umrah pilgrims under Vision 2030 initiative which will create opportunity to serve additional 20 Mn visitors in the upcoming 10 years
- Enriching Hajj and Umrah experience for visitors is one of the main goals set under Vision 2030 and the government has initiated several measures to support the stakeholders and prospective investors
- DMC will help the local economy by organizing events, activating dormant touristic assets, and optimizing active assets and fill the current market gap for leisure tourism

KEY DEMAND DRIVERS

- Expansion project of the two Holy Mosques, government investments in infrastructure and online visit visa issuance initiative will boost pilgrimage visits and create perennial demand for accommodation options in the holy cities
- Religious tourism remains the main driver of Saudi Arabia's tourism industry with millions of Muslim pilgrims visiting the country annually, driven by significant intrinsic motivation attached to the Hajj and Umrah. There is a latent need for touristic, cultural and entertainment activities
- Makkah and Madinah host Umrah/Hajj pilgrims throughout the year, enabling effective campaign and efficient utilization of DMC resources, as well as that of OTAs, EAs, pilgrims, other businesses that can be easily approached

MARKET OVERVIEW

MARKET READINESS AND COMPETITOR ANALYSIS

- Existing DMCs are not specialized and focused on Hajj and Umrah sector
- Umrah companies have extensive experience in organizing basic packages (flights, hotels and basic ground services), yet lack the expertise and know-how of extra activities that DMCs specialize in

COMPETITOR ANALYSIS



- These DMCs are not specialized in Hajj and Umrah

GLOBAL TRENDS

- DMCs are the critical link connecting travelers and service providers globally and are most preferred option for experiencing leisure tourism through B2B and B2C channels
- Increasing trend amongst tourists to balance religious visits with cultural and heritage experience to enrich tourism experience
- Additional precautionary and safety measures adopted across the globe due to Covid – 19 induced pandemic are leading to increased operational costs



TOURISM & QUALITY OF LIFE DESTINATION MANAGEMENT COMPANY

Public / متاح

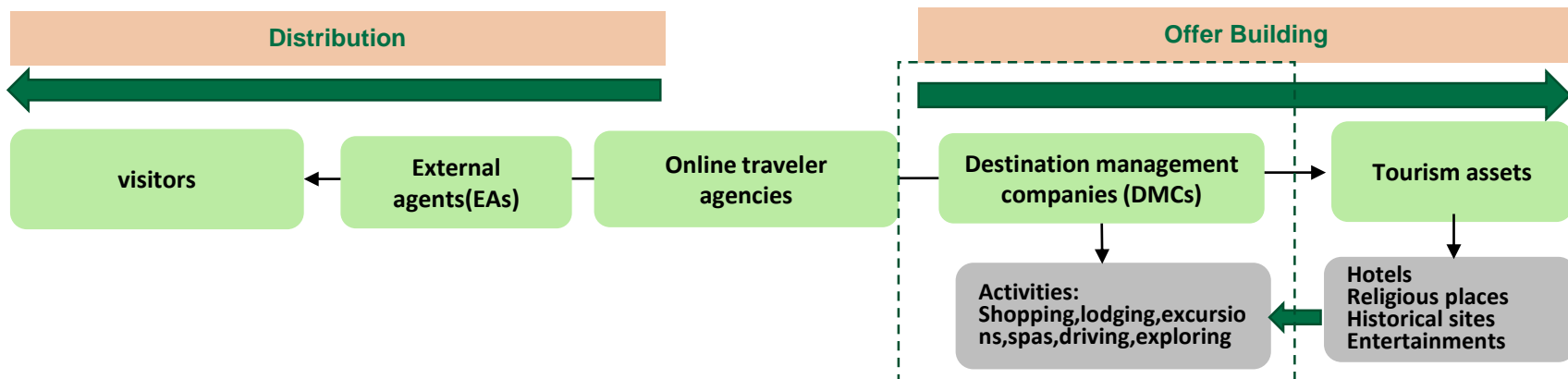
SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- The government has already started restructuring visa processes and issuing online visas. This will boost pilgrimage and touristic visits to KSA in the coming years
- Low cost of construction, labor wages and utility fees combined with availability of trained hospitality resources to support low capital and operating expense for the investor and maximize investment returns
- Early market entry to potentially benefit investors to increase geographic footprint in the two Holy Cities and capture larger market share in medium-long term
- Low setup time of 6 months (including time for regulatory approvals) prior to commercial commencement

PILGRIM'S JOURNEY



KEY STAKEHOLDERS



ENABLING FACTORS

ENABLERS

- The Ministry of Municipality and Rural Affairs has created supporting regulatory ecosystem for easy issuance of necessary permits
- Unification of the licensing authority for hotels and residential units in the two Holy Cities
- Establishing a unified center for investor services in Hajj and Umrah in cooperation with MISA

COST OF DOING BUSINESS IN KSA

Factor	Ranking Amongst Regional Peers
Macroeconomic risk (100=high)	30
Productivity adjusted wages	\$3.3 /hour
Ease of getting credit (0 – 100)	50
Contract enforcement (0-100)	55
Construction Costs (Indexed to US, % 0 is cheapest)	74



Sources for Cost of Doing Business: EIU, World Bank

Bottom 25% Top 75% Top 50% Top 25%

DEFINITIONS

#	SCORECARD SECTION	DEFINITIONS
1	Market size	Size of market in value/volume in KSA and/or Region (MENA/GCC) covering future projections based on available estimates from published /government sources
2	Demand drivers	A select number of factors that will influence future demand for the related product/service
3	Investment highlights	An overview of key financial metrics summarizing the investment opportunity along with the expected return based on the suggested investment size
4	Value proposition	Summary of key differentiators that position KSA as a strategic choice over other regional/global peers
5	Market readiness	An overview of KSA market structure, market maturity and level of participation by local and global players
6	Competitor analysis	List of the local & international players manufacturing the underlying product in Saudi Arabia and their market share
7	Global trends	Latest business developments within the sector/product category
8	Scalability and localization	Ease of scaling the business across the value chain or into new adjacent products or geographies that would maximize the opportunity's investment returns and the ability and potential to locally manufacture the product and its components
9	Import dependency	An overview of the countries from which Saudi Arabia is importing the product and their value/volume and share in total imports
10	Value chain analysis	The process or activities that would potentially need to be carried out to deliver the underlying product or service
11	Key stakeholders	Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
12	Enablers	Factors that enable investment in the underlying opportunity
13	Cost of doing business in KSA	Key factors that position KSA as a competitive destination for investment in the region. Productivity adjusted wages do not include cost of \$1.23/hour towards annual recurring charges including work permit, resident identity (iqama) and health insurance

DISCLAIMER

- This report must be used only to access information, and the information must not be construed, under any circumstances, explicitly or implicitly, as an offer to sell or a solicitation to buy or sell or trade in any opportunity herein mentioned.
- Ministry of Investment (MISA) has no undertaking to update these materials after the date, with the understanding that such information may become outdated or inaccurate.
- Mentioned information in this report is obtained from reliable sources but its accuracy and reliability are in no way guaranteed. No guarantee of any kind is tacit or explicit when projections of future conditions are attempted. MISA has used public/or confidential data and assumptions and has not independently verified the data and assumptions used in the analyses. Changes in underlying data or operating assumptions will clearly impact the analyses and conclusions.
- The financial evaluations, projected market and financial information, and conclusions contained in these materials are based upon standard methodologies, are not definitive projections, and are not guaranteed by MISA
- The content of this report must not be construed as an implied promise or guarantee for profit or limited loss express or implied by or from MISA or any of its officers, directors, employees and affiliates. All mentioned investments in this report are subject to risk, which should be considered prior to making any investment decisions
- MISA shall have no liability whatsoever to any third party, and hereby any third party waives any rights and claims it may have at any time against MISA with regard to this report, any services or other materials, including the accuracy or completeness thereof.

CONNECT WITH US FOR MORE DETAILS:
TQoL@misa.gov.sa

investsaudi.sa



@investsaudi

