CLOUD

INVESTMENT OPPORTUNITY SCORECARD

ICT

SEPTEMBER 2020

INVEST SAUDI

High Potential | Moderate Potential | Low Potential

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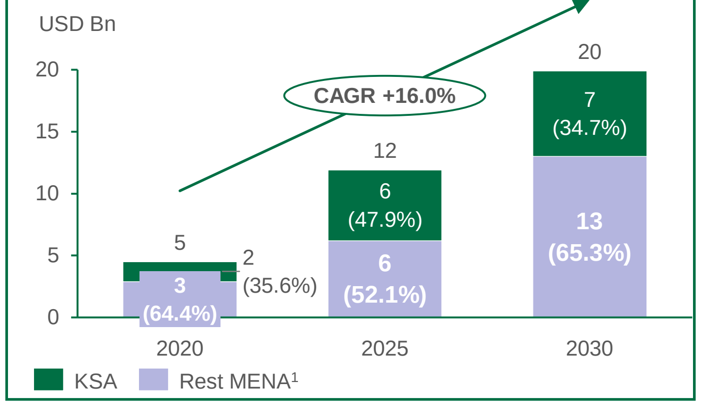
OPPORTUNITY DESCRIPTION: Attract top global Cloud Service Providers (CSP) to localize their services in KSA.

DEMAND

MARKET SIZE, USD BN



INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- Opportunity for global CSPs2 to enter KSA market by setting up data centers and offer cloud services
- An initial investment of ~USD 748 Mn can lead to generate revenues (from Saudi and MENA region) of ~USD 1.2 Bn in ten years of operations through a market share of ~18%

VALUE PROPOSITION

- Opportunity to enter fast growing cloud services market characterized by relatively low competition
- Large and growing market
- Attractive power tariff and special tax treatment available.
- First mover advantage given the limited presence of major international player as competition
- 400+ Data centers with average utilization of 18% presenting largely untapped opportunities

KEY DEMAND DRIVERS

- Increasing preference of companies to reduce complexity of enterprise ICT environment, coupled with increasing demand for computing, storage capacity
- Desire of organizations to consolidate ICT infrastructure and improve cost efficiency
- Growing maturity of the provider ecosystem in the form of increased service availability and market development activities
- Government is leading a comprehensive digitization strategy of Saudi Arabia

MARKET OVERVIEW

MARKET READINESS AND COMPETITOR ANALYSIS

- Most public entities in KSA in early stages of cloud migration
- Existing cloud infrastructure largely under-utilized leaving scope for offering cost efficient services to consumers

COMPETITOR ANALYSIS

- Few international players have entered the market (eg Oracle and SAP)
- Increasing interest by local investors – STC, Faisaliah

GLOBAL TRENDS

- SaaS (Software as a Service) and IaaS (Infrastructure as a Service) to represent ~70% of the total cloud services
- Major cloud services currently dominated by select international players
- With growing prominence of SaaS, more specialized platforms are emerging to manage migrations and operations

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[1] *Includes Bahrain, UAE, Kuwait, Oman, Jordan, Lebanon, Egypt, Algeria, Tunisia and Morocco*

[2] *CSP: Cloud Service Providers*

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SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low | Medium | **High**

- KSA offers good infrastructure and customer base with potential scalability to neighboring markets
- Absence of any major local / global player creates further scope of localization of services
- KSA's strategic location to allow global Cloud Service Providers to serve larger MENA market and ramp up product portfolio in short time

IMPORT DEPENDENCY

- Due to early stage of development in KSA and minimal presence by local player, currently the demand is mostly catered by international service providers leading to high import dependency

ENABLING FACTORS

ENABLERS

- SDA conducts regular training programs to build cloud capabilities with local content
- CITC launched National Center for Information Security to enhance cyber security and provide healthy environment for electronic transactions and attract FDI

ECOSYSTEM ANALYSIS

Managed IT as cloud services	SaaS enablement	Public cloud integration
Cloud business services development	Application migration and management	Open source private cloud
Cloud platform SI		

Network connectivity and hardware → Infrastructure and hosting → Platform and application services → Application management and service bundling → Service delivery and customer support → Consulting and systems integrating

Current opportunities in KSA

COST OF DOING BUSINESS IN KSA

Factor	Ranking amongst regional peers
ICT Access Index (1 – 10)	7.4 (Top 50%)
ICT Use Index (1 – 10)	6 (Top 50%)
Government online services (0 – 1)	0.77 (Top 25%)
EIU Index on education quality (0 – 100)	58.3 (Top 75%)
Ease of doing business	62 (Top 50%)

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

KEY STAKEHOLDERS

وزارة التجارة والصناعة Ministry of Commerce and Industry

وزارة الاستثمار Ministry of Investment

هيئة الاتصالات وتقنية المعلومات Communications and Information Technology Commission

National Industrial Development and Logistics Program

الجمارك السعودية SAUDI CUSTOMS

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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

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