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SNB Capital

Saudi: World Cup 2034, Mega Event Mega Impact

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As with all investments, your capital is at risk

World Cup 2034

Mega Event, Mega Impact

December 2024

SNB Capital - Equity Research

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World cup 2034 – Mega event, Mega Impact

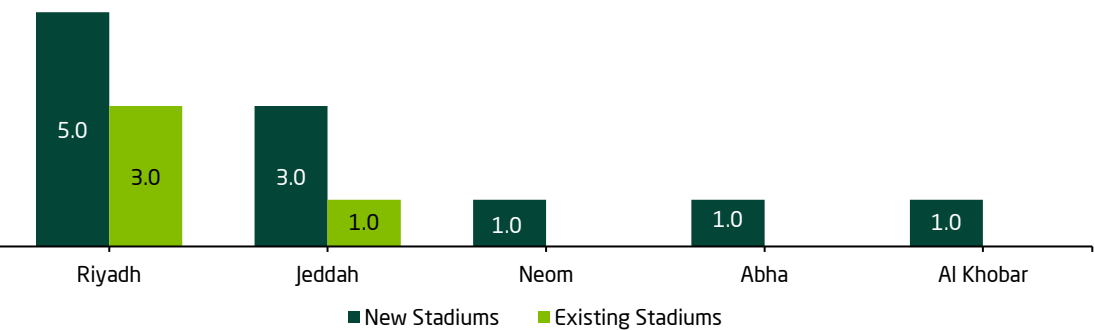
- FIFA formally announced that Saudi will host FIFA World Cup 2034, with the bid receiving the highest score on record of 419.8 out of 500. This will be the 3rd mega global event to be hosted in Saudi over the next 10 years, following Asian Cup 2027 and Expo 2030.
- Hosting the World Cup 2034 along with other mega events reflects Saudi's growing role in the global stage and its commitment to foster sports and cultural exchange. We believe this will have far reaching impact on the Saudi economy and further accelerate growth that started with Vision 2030.
- The tournament will be hosted across 5 cities and 15 stadiums. Of the total, 4 existing stadiums will be renovated, while 11 new state-of-the art stadiums will be constructed to accommodate more than 770,000 fans. We estimate the average stadium cost at cUS\$1bn, in-line with the global average.
- In addition, major infrastructure and logistic uplift is expected. However, we note that most of the investments are part of Vision 2030 programs and/or other projects such as Expo 2030 and Asian Cup 2027.
- As airports will play a major role behind the success of the tournament, the 5 main cities' airports are expected to expand, supported by expansion in major Saudi airlines' fleet.
- Moreover, Riyadh Metro will be expanded, reaching 7 lanes (from 5 currently) with a capacity of 3.6mn passengers. Jeddah will rely on the rail network and bus systems. Other cities will rely mainly on bus systems.
- Historically, the impact of the World Cup on the host economies has been substantial, due to significant investments in infrastructure and services associated with the tournament, such as hotels, transportation, and logistics. In general, the mega events help in creating permanent and temporary employment and improves the investment climate by attracting FDI. Thus, supporting the economic activity and GDP growth.
- This should also reflect positively on the equity market, leading to positive market return, valuation expansion as well as resilience and quick recovery from any potential global market headwinds.
- Given the long timeline, we divided the period into 3 stages, short-term (1-4 years), medium-term (4-8 years) and long-term (8-10 years). We believe different sectors will benefit from each specific time-frame.
- We believe certain sectors will play an important role during all the stages namely, banks and manpower. We note that some sectors such as infrastructure and construction should benefit from the early stage, while tourism, consumer discretionary and car rental will experience higher growth levels as we approach the mega event. We believe overall improvement in the economic activity would drive the F&B and Consumer Staples too.

FIFA World Cup 2034 - Stadiums

Welcome to the world

- In December 2024, FIFA announced that Saudi will host FIFA World Cup 2034, with the bid receiving the highest score on record of 419.8 out of 500. This will be the 3rd mega global event to be hosted in Saudi over the next 10 years, following Asian Cup 2027 and Expo 2030.
- Saudi will be the 1st single country to host 48 national teams, as upcoming World Cup 2026 and World Cup 2030 will be hosted by 3 and 6 countries, respectively.
- The tournament will be played across 5 cities and 15 stadiums. Of the total, 4 existing stadiums will be renovated, while 11 new state-of-the-art stadiums will be constructed to accommodate more than 770,000 fans.
- We estimate the average stadium cost at cUS\$1bn, in-line with global averages. Of the new stadiums, 5 will be built in Riyadh, 3 in Jeddah, and 1 each in Abha, Neom, and Khobar.
- The stadiums will be completed gradually over the next 10 years, and the vast majority will be air-conditioned. In total, 5 stadiums will be completed by 2027f, 2 by 2029f, 3 by 2030f and 5 by 2032f.
- Moreover, the development of these stadiums will contribute not only for the World Cup 2034 but also as part of Vision 2030.

15 state of the art stadiums



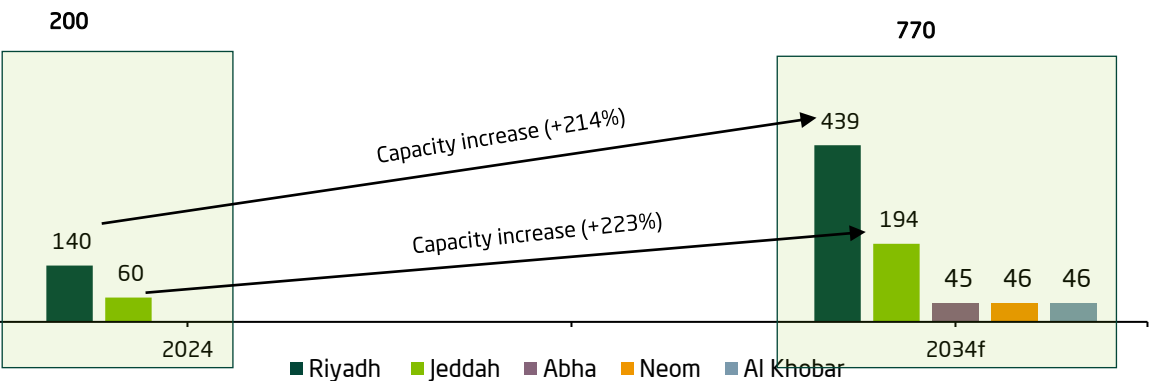
Source: Saudi 2034 Bid, SNB Capital Research

5 cities to host the World Cup



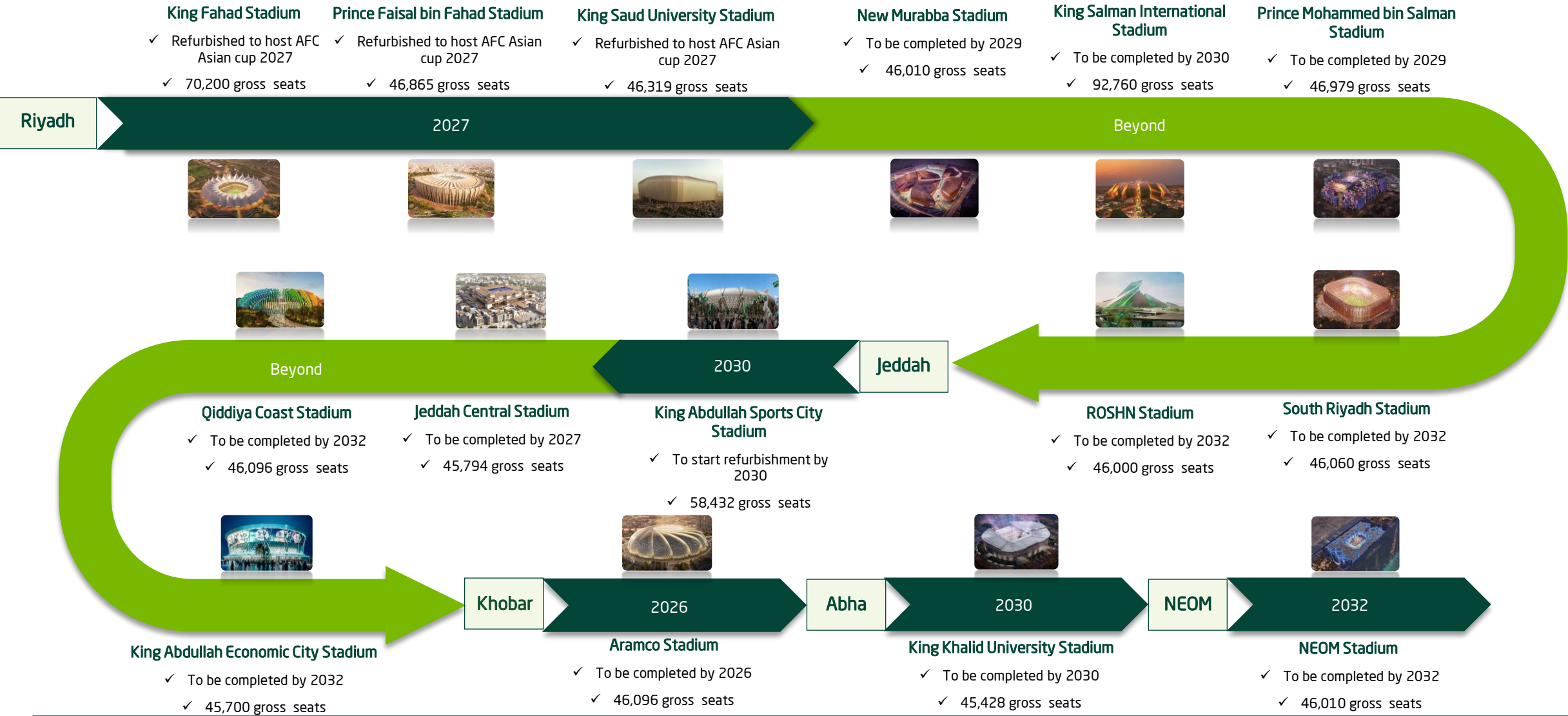
Source: Saudi 2034 Bid, SNB Capital Research

Major stadiums' capacity growth (000 seats)



Source: Saudi 2034 Bid, SNB Capital Research

Stadiums Timeline

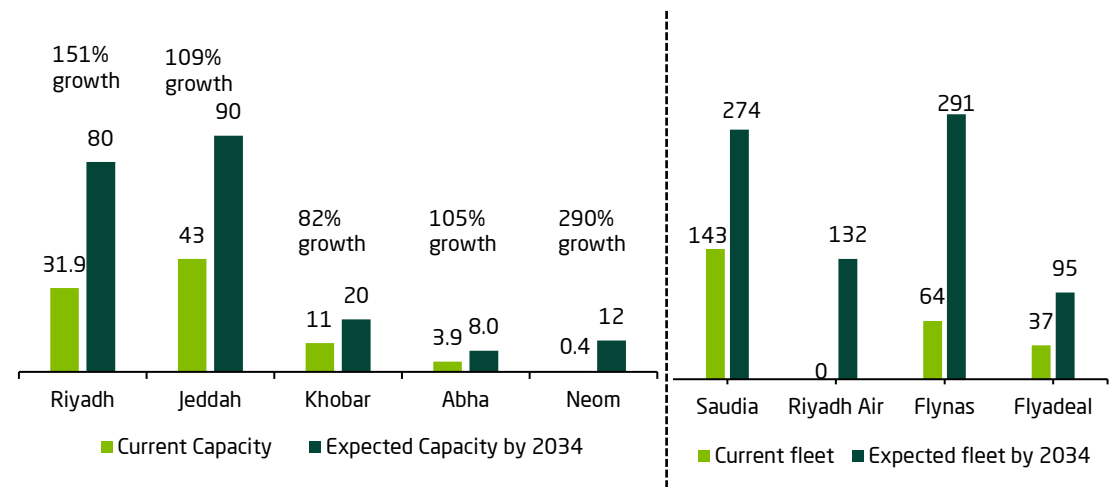


World Cup 2034 - Infrastructure

Beyond Stadiums

- In addition, major investment is expected in infrastructure and logistics uplift. However, we note that most of the investments are part of Vision 2030 programs and/or other projects such as Expo 2030 and Asian Cup 2027.
- Transportation is one of the main criteria for selecting host countries. Saudi bid was rated at 4.2/5 in this criteria
- Location is a key strength in Saudi's bid file as 60% of the world is within 8 hours flying time, with a solid interconnectivity (air and rail). As airports will play a major role behind the success of the tournament, the 5 main cities' airports are expected to expand, supported by growth in major Saudi airlines' fleet
- Moreover, Riyadh Metro will be expanded, reaching 7 lanes (from 5 currently) with a capacity of 3.6mn passengers. Jeddah will rely on the rail network and bus systems. Other cities will rely mainly on bus systems.

Airports and Airlines expansion plans (mn passengers, planes)



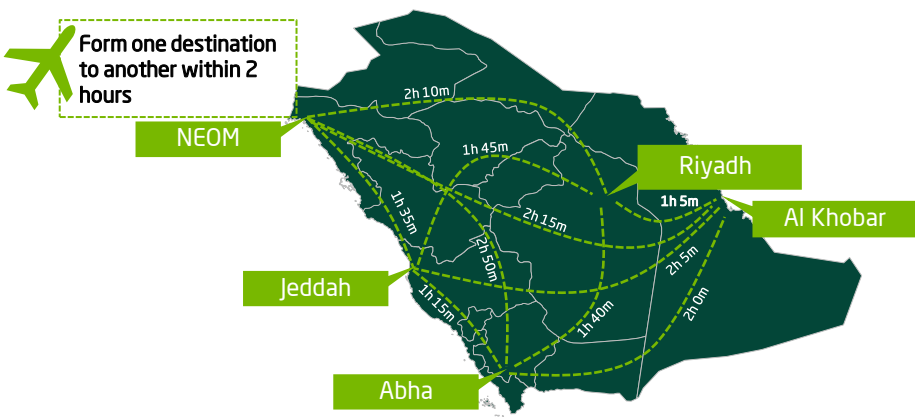
Source: Saudi 2034 Bid, SNB Capital Research

FIFA transportation criteria and Saudi rating

Transportation weight	7.5%
International accessibility	60.0%
International connectivity	40.0%
Saudi rating	4.2/5

Source: Saudi 2034 Bid, SNB Capital Research

Solid city interconnectivity



Source: Saudi 2034 Bid, SNB Capital Research

World Cup 2034 - More Cities

More and more cities

- Another 10 cities will also help host the World Cup by providing associate services. These cities include: AlBaha, Jazan, Taif, Madinah, Alula, Umluj, Tabuk, Hail, AlAhsa and Buraidah. The cities will mainly host referees and training camps.
- In general, Saudi will provide 72 teams training base camps and 2 referee camps with a total of 134 facilities. We note that this item was rated at 4.2/5 in the bidding file.
- For the hotels, 96 are existing and 38 are planned. The vast majority of the facilities are within 20min drive from the hotels and the airports.
- For the facilities, 71 are planned facilities while 63 are currently available. The file noted that the budget has already been approved and allocated for building and renovating these facilities.

Selected items from Team/referee hotel (50%)

Suitability	30%
Room inventory	20%
Distance to training site	20%

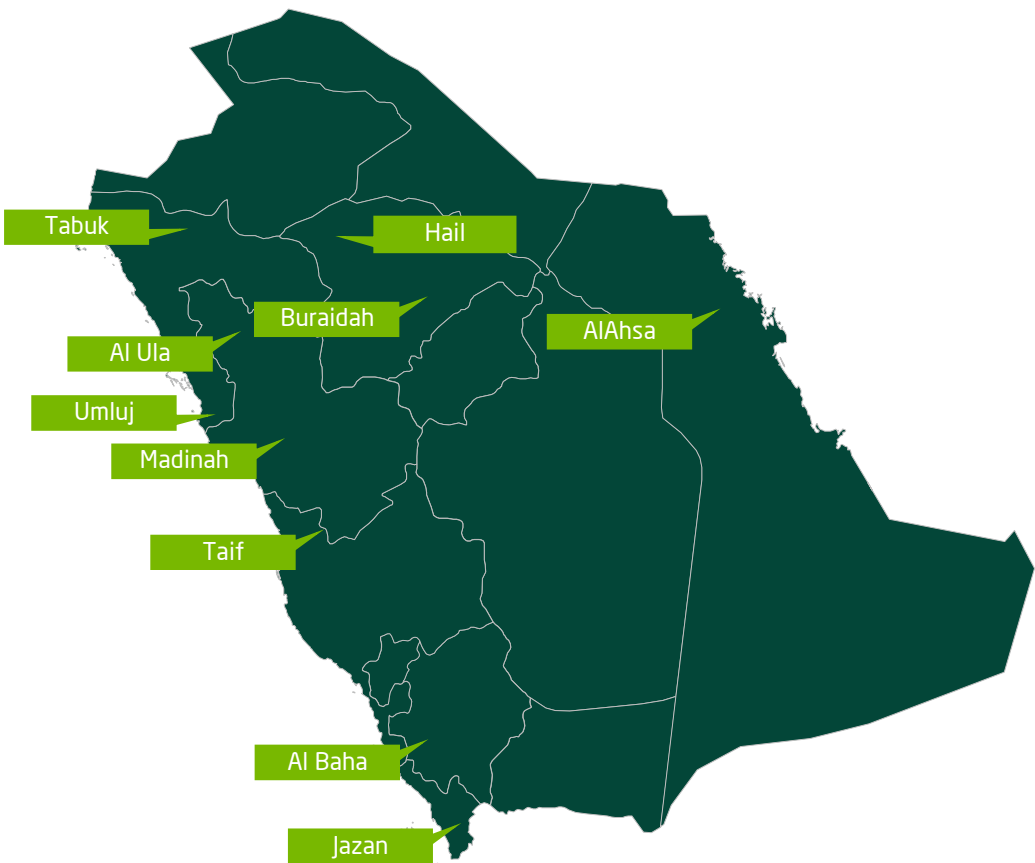
Source: Saudi 2034 Bid, SNB Capital Research

Selected items from Training site (50%)

Suitability	30%
Pitches	20%
Saudi rating	3.9/5

Source: Saudi 2034 Bid, SNB Capital Research

10 cities to have infrastructure investments



Source: SNB Capital Research

Major potential for hospitality

- More than 500,000 hotel rooms are expected to be available by 2034 across Saudi cities, from c280,000 in 2023. This indicates a major expected investment and opportunity in the hospitality sector.
- Accommodation & hospitality has a weight of 7.5% in FIFA bidding file, with Saudi rating of 4.1.
- Saudi is expected to offer a wide range of hotel classifications and room sizes to meet various needs. It is estimated that c65,000 new rooms to enter the market in the coming years.
- Moreover, each city will include 2 fan festival zones (a total of 10). Saudi is expected to offer large zones, exceeding the minimum capacity requirement of 37,500sqm and 15,000 people. In general, 5 currently exist and 5 are still in the planning phase. The locations are set to be in popular/iconic with accessibility to hotels and public transportation.

FIFA accommodation criteria and Saudi rating

Accommodation weight	7.5%
FIFA Core group accommodation	50.0%
General accommodation	50.0%
Saudi rating	4.1/5

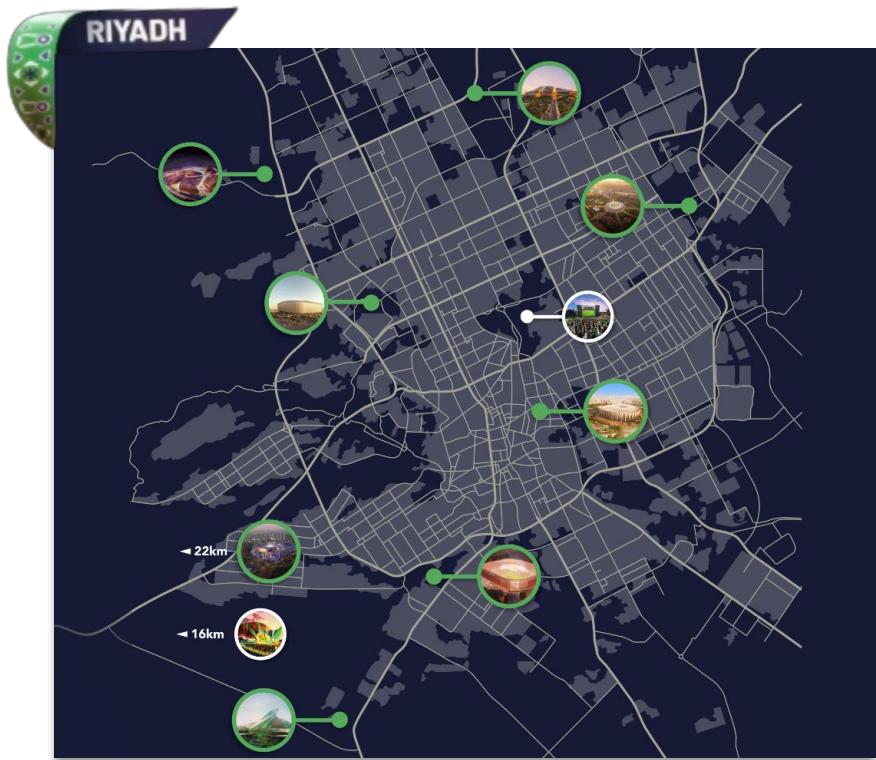
Source: Saudi 2034 Bid, SNB Capital Research

FIFA fan zones criteria and Saudi rating

Fan zones weight	5.0%
Capacity	35%
Location	35%
Security	20%
Quality	10%
Saudi rating	3.9/5

Source: Saudi 2034 Bid, SNB Capital Research

World Cup 2034 - Key Figures



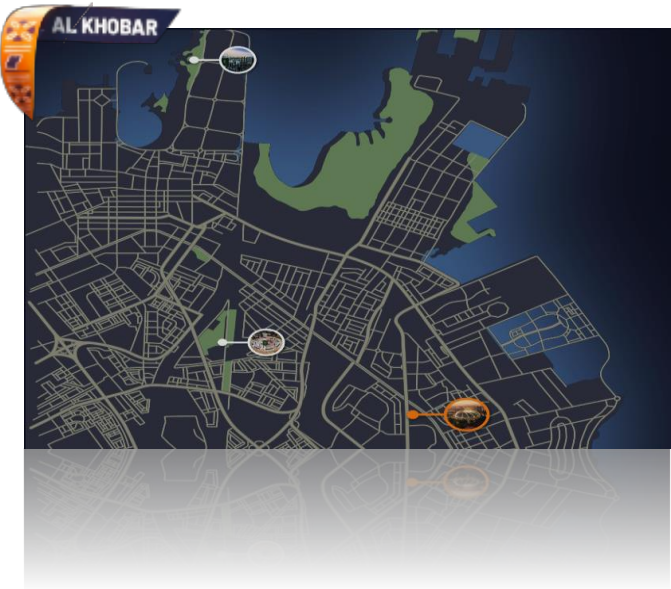
7M+ Population	74 International destination connections in 2023	8 Proposed stadium
127k+ Tournament rooms keys	20M+ Visitors in Riyadh Season in 2023	54 Training sites



3.8M+ Population	114 International destination connections in 2023	4 Proposed stadium
43k Tournament rooms keys	6.1M Visitors in Jeddah Season in 2022	30 Training sites

Source: Saudi 2034 Bid, SNB Capital Research

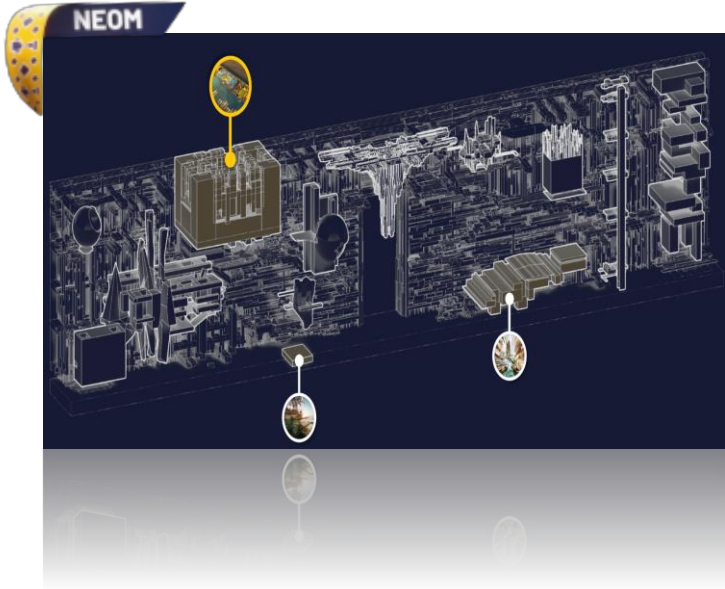
World Cup 2034 - Key Figures



2.7M+ Population	42 International destination connections in 2023	1 Proposed stadium
17k+ Tournament rooms keys	3.3M+ Visitors in Sharqiyah Season in 2019	12 Training sites



1.1M+ Population	4 International destination connections in 2023	1 Proposed stadium
19k+ Tournament rooms keys	1.3M Visitors in Aseer Summer Season in 2023	9 Training sites



300K Population by 2030	29 International destination connections in 2023	1 Proposed stadium
24k+ Tournament rooms keys	38K Attendees of NEOM Beach Games	4 Training sites

Source: Saudi 2034 Bid, SNB Capital Research

Economic impact on previous hosts

Positive long-term impact on the economy

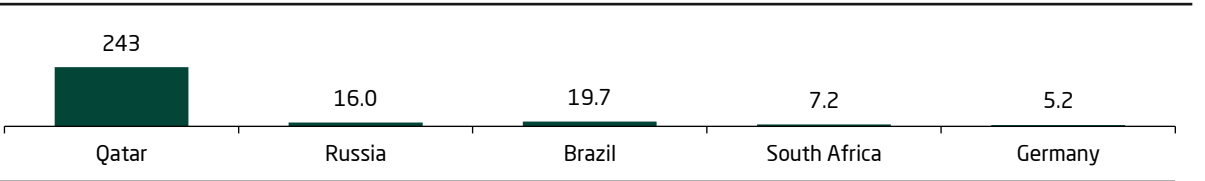
- Historically, the impact of the World Cup on host economies has been substantial, due to significant investments in infrastructure and other associated services with the tournament, such as hotels, transportation, and logistics.
- Moreover, spending by tourists and fans from around the world will have a positive impact on the tourism sector, leading to higher revenues. The event will also create permanent and temporary jobs across various sectors, reducing unemployment and boosting disposable income.
- Amongst the previous hosts, Qatar invested the most with a total of US\$240bn and exceeded the combined outlays of 4 previous hosts as it focused on constructing long-term infrastructure. We note that stadium related investments was c6.0% with a total of US\$14.4bn.
- For others, Brazil spent US\$19.7bn to host the 2014 World Cup followed by Russia US\$16.0bn and South Africa US\$7.2bn. Germany's total spending stood at US\$5.2bn, which we believe is primarily due to utilization of the existing infrastructure.
- For Saudi, the initial estimates is cUS\$26bn. However, we believe the total cost of the World Cup might be lower as the investment on infrastructure is already part of Vision 2030 plans and it follows another global major event (Expo 2030).

Snapshot of the previous World Cups

	2006	2010	2014	2018	2022
Host	Germany	South Africa	Brazil	Russia	Qatar
Official Announcement	07-Jul-2000	15-May-04	31-Jul-07	02-Dec-10	02-Dec-10
Start	9 Jun	11 Jun	12 Jun	14 Jun	20 Nov
End	9 Jul	11 Jul	13 Jul	15 Jul	18 Dec
No. of days	30	30	31	31	28
No. of cities	12	9	12	11	5
World Cup attendance (mn)	3.37	3.17	3.44	3.03	3.40
Total in-home TV viewers (mn)	-	-	3,191	3,262	+5,000
TV viewers % to total world pop.	-	-	44%	47%	-

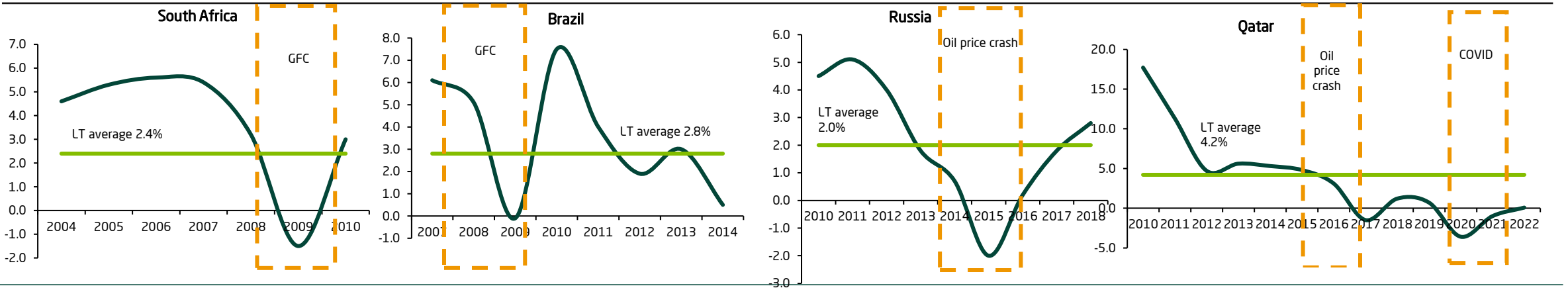
Source: FIFA, SNB Capital Research

Investment by host countries for World-Cup



Source: Bloomberg, SNB Capital Research

GDP performance during the run-up to the World Cup

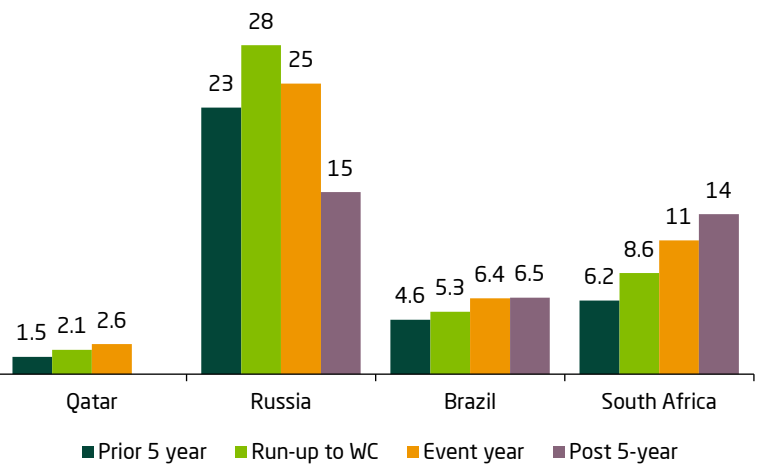


Economic impact on previous hosts

Mega event, mega impact

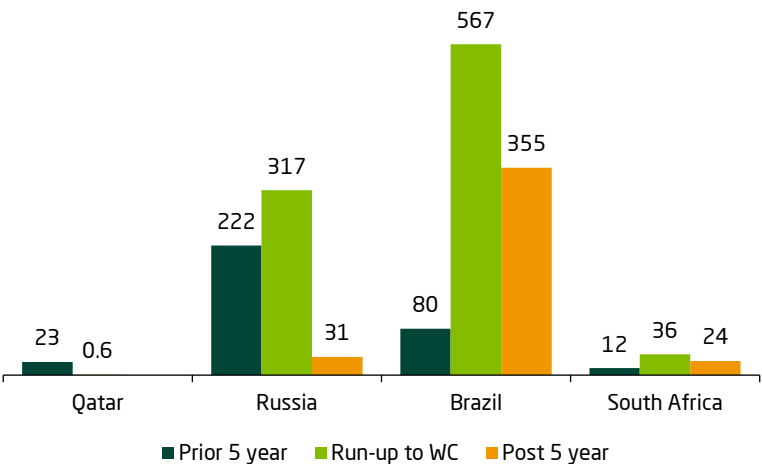
- There are 3 main sources of revenue from the event; broadcasting revenue, ticketing and merchandise sales.
- In World Cup 2022 in Qatar, the total reimbursement from FIFA to Qatar was US\$1.7bn plus all the retail sales. The total impact on Qatar's economy (including the tourism income) is estimated at 1%-1.5% of GDP.
- However, the increase in economic activity due to development and infrastructure expenditures results in job creation, both on temporary and permanent basis. The total jobs created were 1.5mn in Qatar while for Russia, Brazil and South Africa it stood at 0.32mn, 1.0mn and 0.38mn, respectively.
- The World Cup boosts tourism in host countries as South Africa, Brazil and Qatar recorded tourist arrivals of 11.3mn, 6.4mn and 2.6mn during the World Cup year, up from an average 5.3mn, 8.6mn and 2.1mn in the years leading up to the event, respectively.
- Moreover, FDIs to host countries increased in the years leading up to the World Cup as Brazil, Russia and South Africa's net FDI inflows totaled US\$567bn, US\$317bn, and US\$36bn, vs US\$80bn, US\$222bn, and US\$12bn, respectively 5 years prior to the event.

Tourists arrivals (mn)



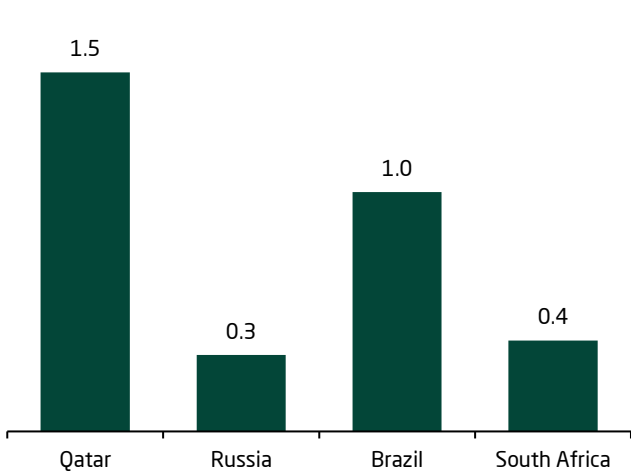
Source: World Bank, SNB Capital Research

Net FDI inflows (US\$ bn)



Source: World Bank, SNB Capital Research

Jobs creation (mn)



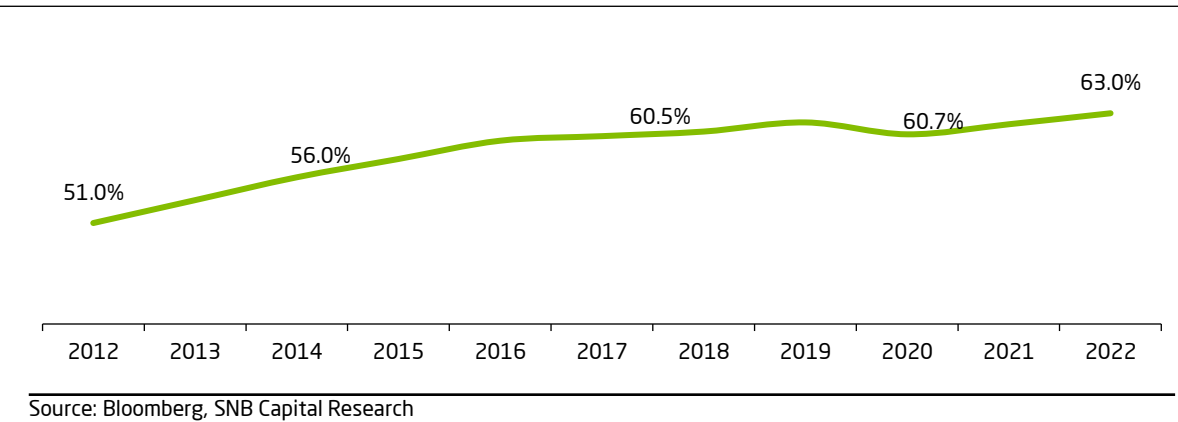
Source: IMF, various government websites, SNB Capital Research

Potential impact on Saudi Economy

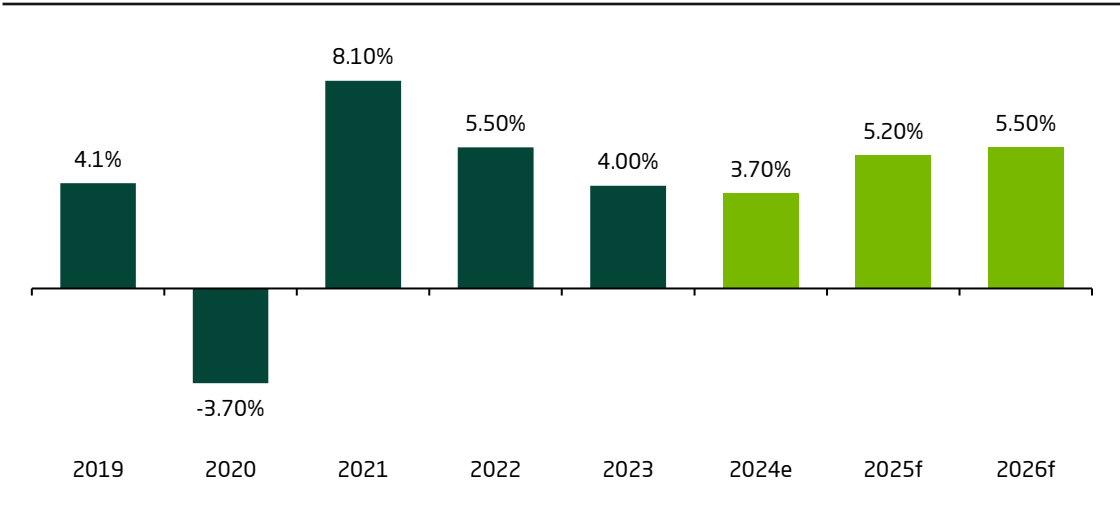
A major economic driver

- Hosting global events such as FIFA World Cup is part of the wider Saudi economic strategy and Vision 2030 with an aim to diversify the economy.
- Qatar made huge investments in its infrastructure, such as hotels, underground transportation, railway, port and airports which pushed the share of its non-hydrocarbon economy to 63% in 2022, from 51% in 2012. Saudi is expected to record similar levels of growth and contribution on non-oil sector.
- Under Vision 2030, Saudi is already working on multiple major infrastructure projects which will supplement the spending for FIFA World Cup. As a result, Saudi's non-oil GDP is expected to grow on average by 4%-5% in the medium term.
- A successful hosting of the World Cup will also leave a legacy of high quality infrastructure which will help Saudi to cater to the potential pickup in tourism demand beyond 2034.

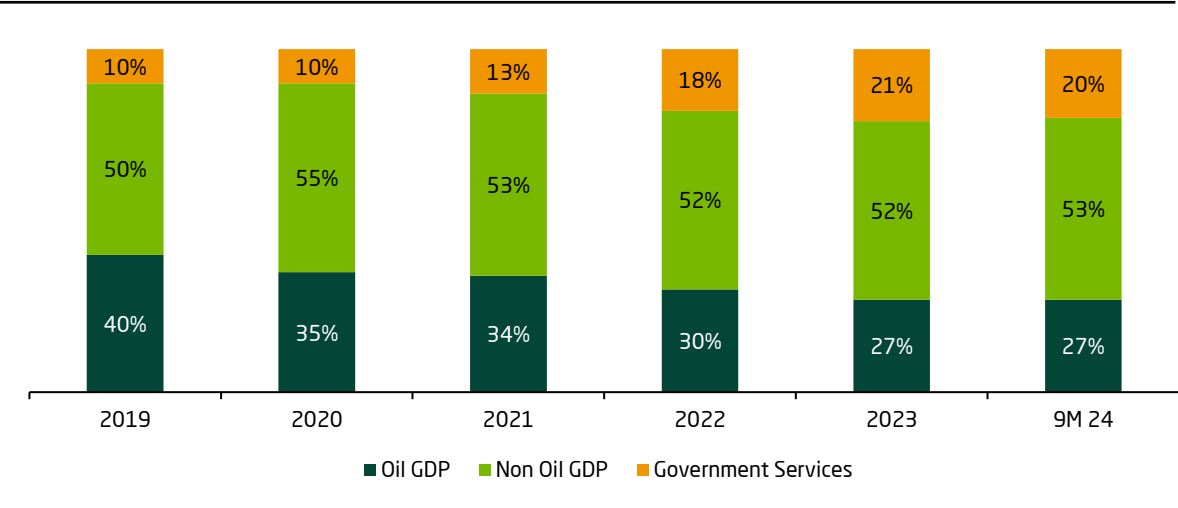
Steady rise in the share of non-hydrocarbon in Qatar's GDP (%)



Saudi Non-oil GDP growth (%)



Saudi GDP breakdown (%)

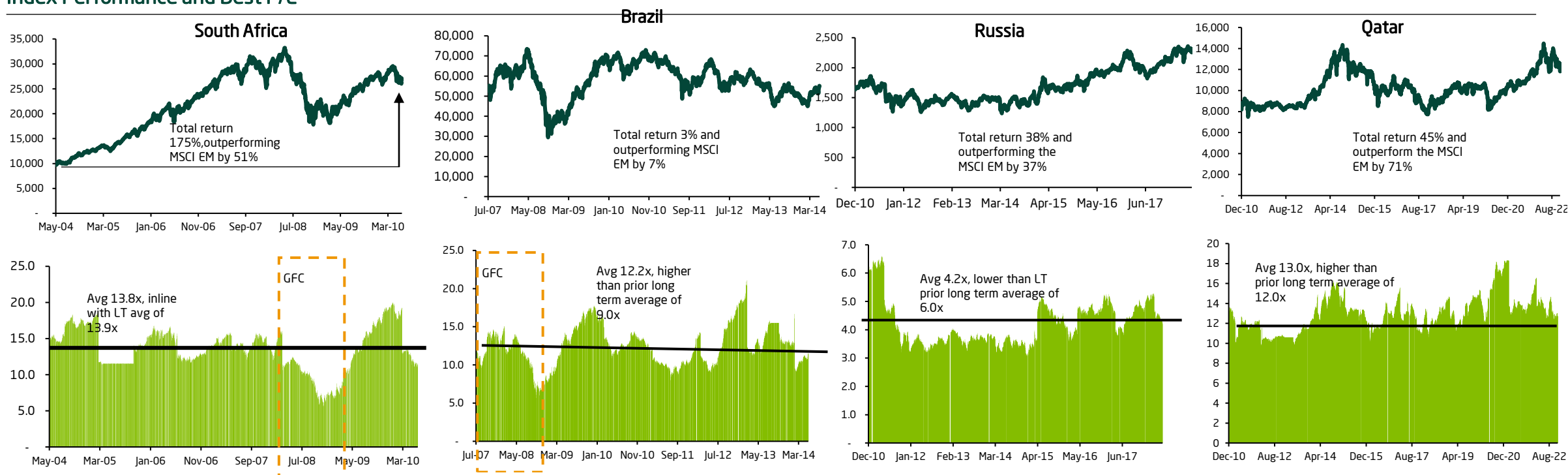


Equity Performance - A positive trajectory

Positive impact on equity markets

- We analyzed the equity market performance of the previous 4 hosts from the day of the official announcement to the beginning of the tournament. The decision for the host is usually made roughly 7 to 12 years in advance.
- Post announcement, equity markets generally performed well with South Africa showing the strongest return, followed by Qatar and Russia. Although the returns were non-linear and varied given the indigenous and exogenous effects such as GFC of 2007-09 and COVID-19, these markets have significantly outperformed the benchmark MSCI EM. Qatar recorded the highest outperform of c71%, followed by South Africa 51% and Russia 37%.
- Moreover, the analysis shows 1) valuation expansion in selected markets and 2) a quick recovery from any global macro headwinds. Therefore, we expect the Saudi market to outperform EMs in the coming period.

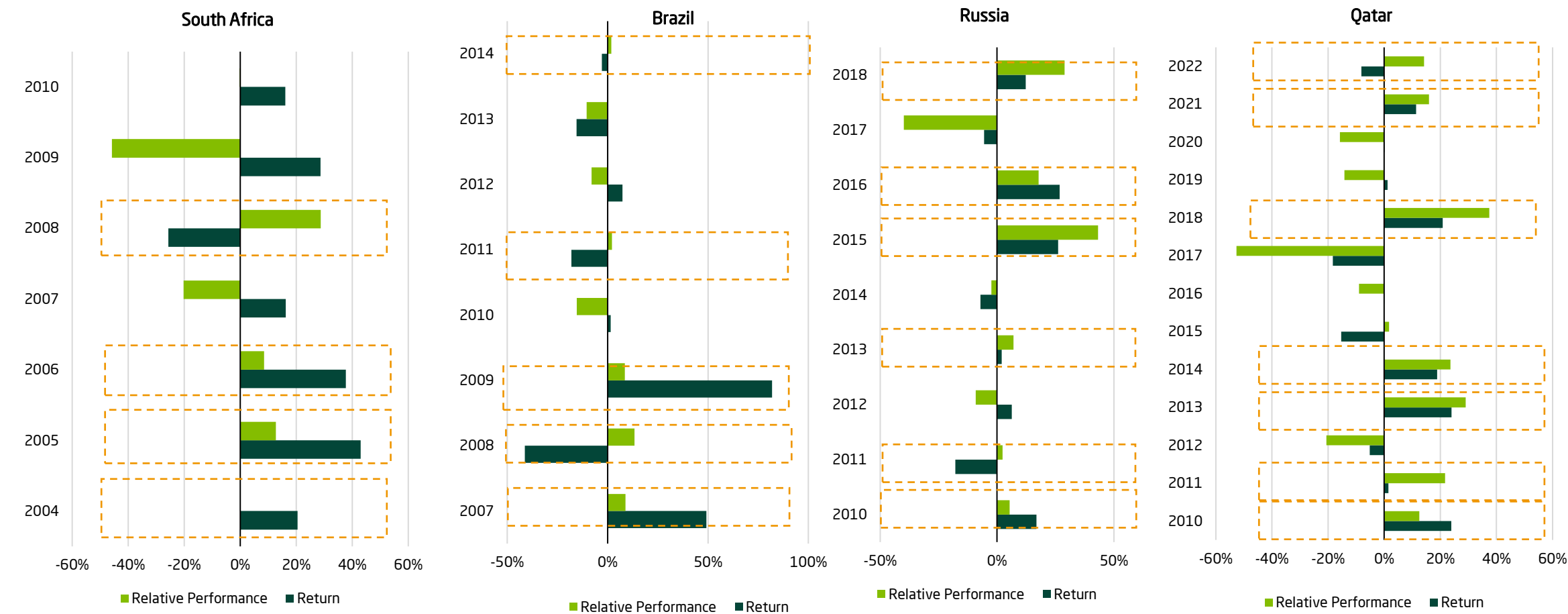
Index Performance and Best P/E



Source: Bloomberg, Saudi Exchange, SNB Capital Research

Equity Performance - Outperform!

Annual return and relative performance vs MSCI EM



Source: Bloomberg, Saudi Exchange, SNB Capital Research

How to win the World Cup in TASI?

Various winners in a long journey

- Hosting FIFA World Cup 2034 reflects Saudi's growing role in the global stage and its commitment to foster sports and cultural exchange. We believe this will have far reaching impact on the Saudi economy and further accelerate growth that started with Vision 2030.
- Accordingly, we believe this will have a broader economic impact, driving growth in multiple sectors and improve the prospects of the Saudi stock market.
- We expect the progress in developing the infrastructure to be gradual given the long period before the start of tournament. We also highlight the intersection of some of the projects with FIFA World Cup 2034 such Expo 2030, Asian Cup 2027 and other mega projects.
- In-line with historical trends, we expect faster growth in non-oil GDP, higher FDIs and major job creation. Moreover, the multiples are expected to expand from the current P/E levels of c17x.
- Given the long timeline, we divided the investment horizon into 3 stages, short term (1-4 years), medium term (4-8 years) and long term (8-10 years). We believe different sectors will benefit from each specific time-frame.

Short Term

- As a host, the country will have extensive infrastructure spending including stadiums, transportation network and urban development. We believe infrastructure and construction sectors will be the main beneficiaries. This include steel, cables, cement and contracting companies.
- **Top picks:** Riyadh Cables, Yamama Cement, Riyadh Cement, Maharah, Mawarid, Alinma, Riyadh Bank

Medium Term






- As projects completion phase starts, we believe later stage construction stocks would benefit. Moreover, we believe that growing population and travel should impact the demand for F&B, consumer staples and tourism sectors.
- **Top picks:** Yamama Cement, Riyadh Cement, Maharah, Mawarid, Alinma, Riyadh Bank, Aldawa, Savola, SGS, SAL, Budget

Long Term

- Tourism & hospitality sectors are expected to pick-up from the end of the medium term. This period is expected also to benefit the retail sector including discretionary retailers and car rental. Moreover, with the significant global viewership, the World Cup is expected to improve the outlook of broadcasting and event management companies.
- **Top picks:** SGS, SAL, Maharah, Mawarid, Alinma, Riyadh Bank, Savola, Taiba, Aldawa, Budget, MBC



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