

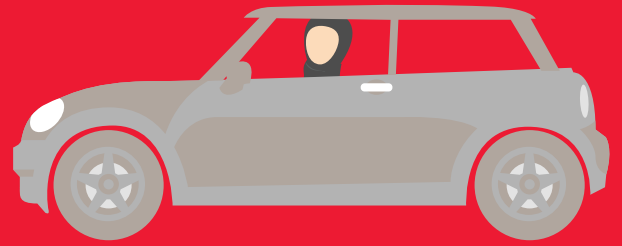
Women driving the transformation of the KSA automotive market



The Saudi Press Agency reported in September 2017 that a decree had been signed by Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud allowing women to apply for driving licenses with immediate effect. However, it is expected that women will only start driving on June 24, 2018.

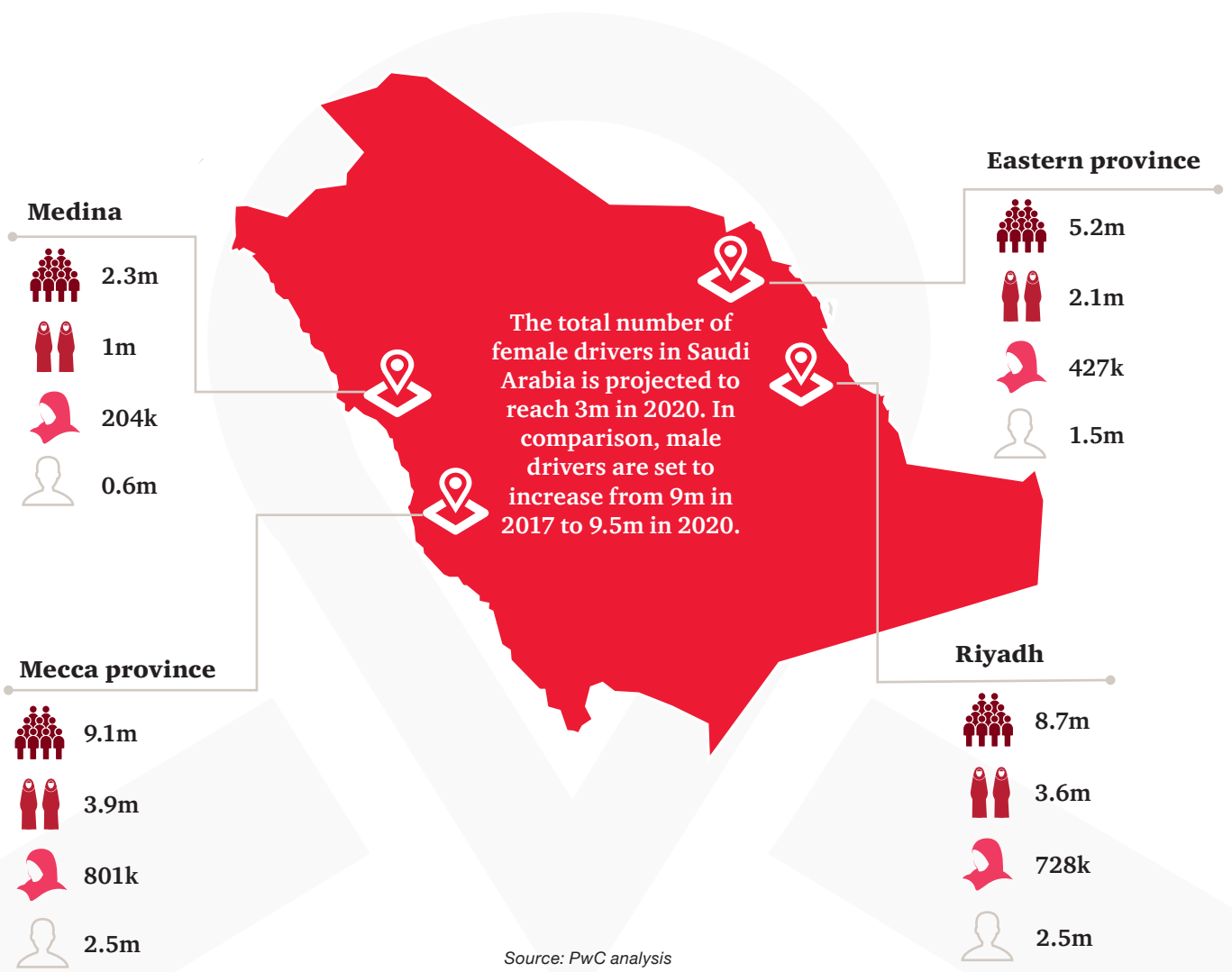
This is an exciting time as Saudi Arabia has taken concrete steps to advance the gender equality agenda which in turn will boost the automotive market in the Kingdom of Saudi Arabia and present an array of opportunities for:

Government, strategic investors (local and foreign), motor insurance companies, car leasing companies, pension funds, private investors, etc. are looking at providing innovative solutions to serve the rapidly expanding automotive sector in Saudi Arabia.



Demographics of the Kingdom of Saudi Arabia

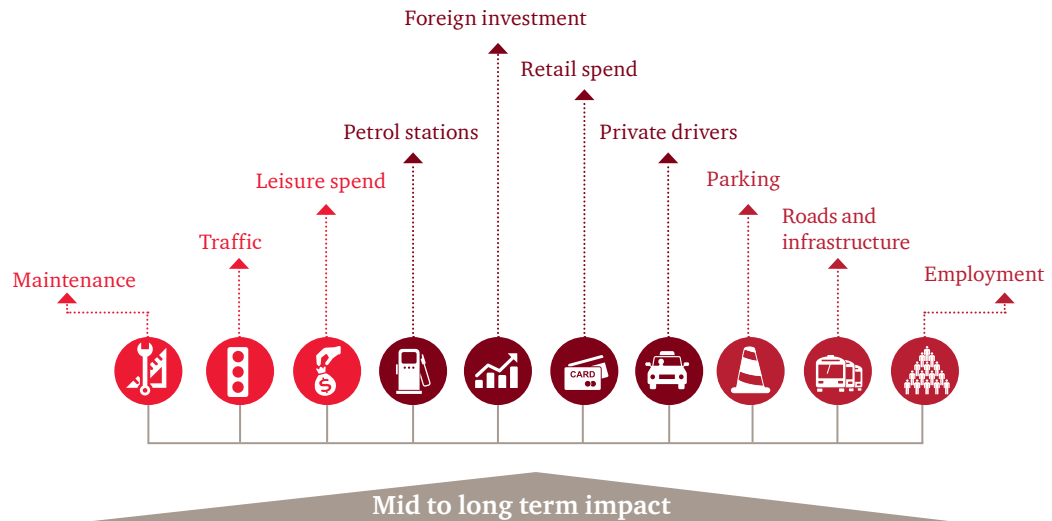
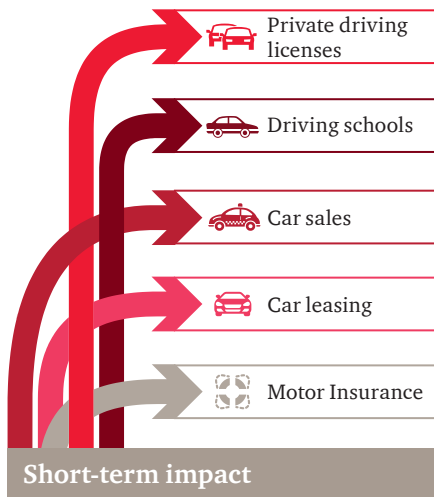
Saudi Arabia's female population is expected to reach 15m in 2020, 20% of which are projected to drive based on their age and income qualification.



Source: PwC analysis

	Total population		Women population		Expected female drivers in 2020		Expected male drivers in 2020
--	-------------------------	--	-------------------------	--	--	--	--------------------------------------

What will change?



Source: Secondary research, PwC analysis

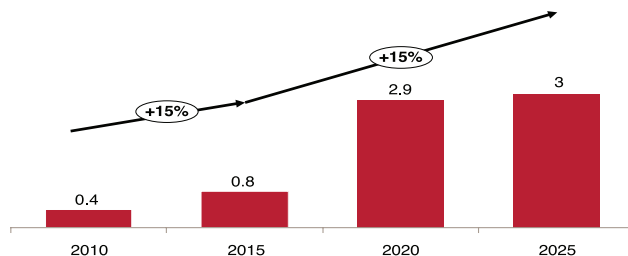
Market opportunity

The addition of 3 million new women drivers to Saudi Arabia's automotive market by 2020 will open a host of incremental opportunities for investors and industry participants, ranging from car sales to motor insurance, vehicle leasing and driving schools.

Private driving licenses

The volume of new driving licenses issued is expected to increase significantly by 2020 as women begin to apply for driving licenses from Q2 2018. This will be the primary, direct enabler for all the resulting demand for car related services.

Private driving licences issued in KSA
In mn



Source: PwC analysis

Driving schools

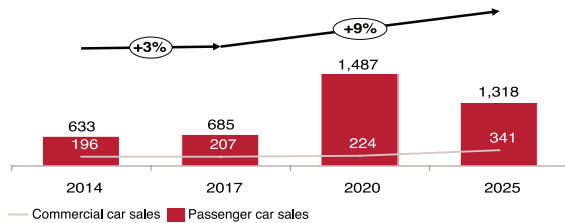
Driving schools will be among the first service providers to benefit from the automotive market opening to women.

When considering the scale of the market opportunity, we find there are 1.1 driving schools per million residents in Riyadh vs. 1.8 driving schools per million residents in Dubai. This indicates an opportunity to increase by over 50% the number of driving institutions in the Saudi Arabian capital. It is expected that the Kingdom's of Saudi Arabia new driving schools will be women-only, which will in turn create a large number of job opportunities for female driving instructors.

Car sales

Car sales are expected to grow by 9% per annum until 2025 boosted by the new women customer segment, compared to 3% annual growth in the past four years. Market growth in new car sales is expected to be largely captured by existing new car dealers well established in Saudi Arabia. However, there will be significant opportunities for market entry in the used cars segment in the short to medium term.

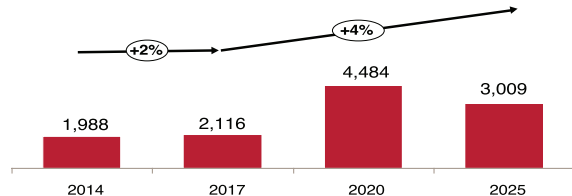
New and used car sales market size in KSA
in 000 cars



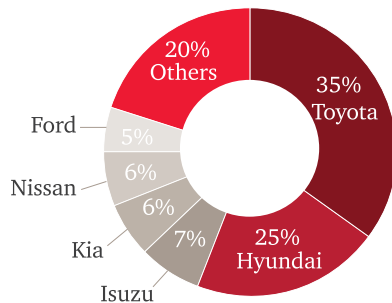
Car leasing

We anticipate car leasing to pick up substantially with an annual growth rate of 4% over 2017-2025, compared to 2% per annum historically. The car leasing market in KSA is quite fragmented, which highlights the opportunity for both consolidation of existing players and new entrants to capture a share of the rapidly growing market.

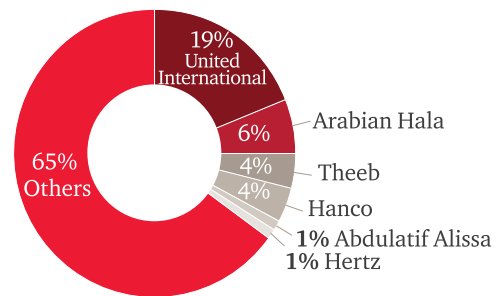
Car leasing market size in KSA
in SAR



KSA market share of car manufacturers



KSA market share of leasing companies



Motor insurance

Over the years, the motor insurance market has experienced robust growth driven by increased insurance spending. Currently, there are 27 companies providing motor insurance in KSA. We expect the motor insurance market to grow by 9% annually between 2017-2020 to reach SAR 30bn.

The highly competitive motor insurance market will benefit from the new women drivers segment. This will also create opportunities for new motor insurance providers, products and services. Further dynamics, enhanced by the rapid market expansion, are expected to reshape the motor insurance landscape:

- Insurers' risk models, in the initial years, are expected to reflect higher premiums resulting from the lack of data on the large number of new women drivers
- New technology enabled motor insurance products and functionalities will expand rapidly such as automated insurance claims clearance, ease of application, personalisation of risk assessment and pricing

Key opportunities in Saudi Arabia's automotive market following the introduction of women drivers



Large number of new jobs will be created across segments of the automotive sector to serve the fast growing demand



Incremental capital investments will be required to build new road infrastructure



Recalculation of insurance premiums will increase insurance revenues as risk profiles will change with the introduction of women to the driving population



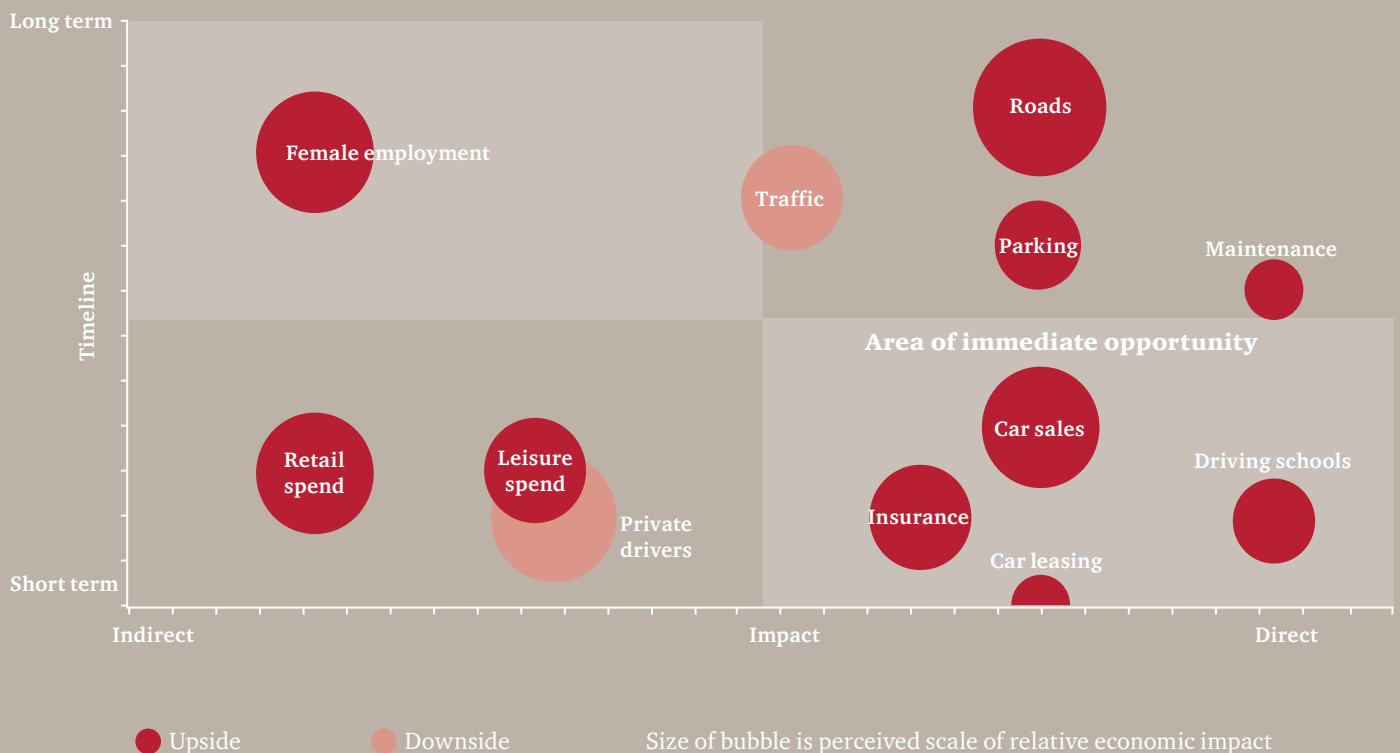
New women-only driving schools will be established



Driving a brighter economic outlook

In the longer term, the overall increase in cars on the road will have a significant impact on Saudi Arabia's traffic. The Government will need to accelerate the upgrade and expansion of the road infrastructure to accommodate the influx of additional drivers. Future investments should also be considered for the development and maintenance of car parking areas.

Mapping the impact of women's driving on the KSA ecosystem



Contacts us

Pam Jackson

Middle East Deals Leader

E: pam.jackson@pwc.com

Hala Al-Kudwah

Partner – Consulting, KSA

E: hala.kudwah@pwc.com

Zubin Chiba

Partner – Corporate Finance, Middle East

E: zubin.chiba@pwc.com

Laurent Depolla

Partner – Deals Strategy and Operations,
Middle East

E: laurent.depolla@pwc.com

Maarten Wolfs

Partner – Infrastructure and Government,
Middle East

E: maarten.wolfs@pwc.com

Felicien Dillard

Director – Deals Strategy and Operations,
Middle East

E: felicien.dillard@pwc.com

Karl Mackenzie

Partner – Deals Strategy and Operations,
Middle East

E: karl.mackenzie@pwc.com

Anil Khurana

Partner – Consulting, Middle East

E: anil.khurana@pwc.com

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2018 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

CDC 1575 022018