



# GCC Automobile Industry

December 7, 2016



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*Alpen Capital was awarded the “Best Research House” at the Banker Middle East Industry Awards 2011, 2013, and 2014*

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## Glossary

**Vehicles in use:** Includes all types of registered vehicles on the road.

**Passenger cars:** Motor vehicles, excluding motor cycles, intended for the carriage of passengers and structured to seat not over nine persons (including the driver). Such vehicles also include taxis, hired cars, and pick-ups or micro cars.

**Commercial vehicles:** Includes light commercial vehicles, heavy trucks, coaches, and buses.

**New Vehicle Sales:** Number of passenger cars and commercial vehicles sold / registered during a given period.

**Motorization rate:** Indicates the number of vehicles per 1,000 inhabitants. A high motorization rate shows high level of economic development and quality of life, while on the other hand increasing number of cars also implies burden on the environment in terms of carbon emissions.

**Re-exports:** Export of imported goods to another country, either in the same condition or after undergoing further processing / manufacture.

**Grey imports:** New or used vehicles imported legally from another country via channels other than the authorized distributors.

**Vehicles going off the road:** Old vehicles that are scrapped after a certain period of time due to wear and tear or as per country specific regulation.

*“The UAE auto market is a continually evolving market and our challenge is to react quickly to market demand, legislation, customer expectations etc. in a socially and financially responsible way. From a legislative viewpoint we are seeing the impact of CAFÉ standards across the GCC, including in those markets that have not implemented these standards, the impending arrival of VAT, probably one year earlier in the UAE than the rest of the GCC, and growing “consumer protection” regulations. The dealers’ role is to work with the relevant authorities to ensure they comply with the rules and maintain customer satisfaction.”*

**Graham Turner**

**Chief Executive Officer**

**AI Ghandi Auto Group, UAE**

*“The short term scenario for the sector looks challenging. Our guesstimate is that GCC markets are down between 30% & 40% for 2016 YTD September. Low oil prices, regional conflicts and relatively higher cost of financing compared to advanced economies are some reasons for the slowdown. Global outlook too is subdued and GCC is not insulated from the spillover effects from China, Brexit, etc. all of which affects the market sentiments and negatively impacts consumption. Short term would be to do with corrections, re-balancing and diversification with focus on non-oil sector of the economy to yield sustainable growth in medium to long term.*

*There is excess inventory consequently supply far exceeds demand, hence retail prices are under pressure that is seriously hurting margins and operational profitability. One is likely to see this trend continue for most of 2017. We expect recovery to start by Q4 2017, by which time supply and demand are more or less in balance, provided there are no unforeseen shocks and oil prices stabilize at an acceptable level and are less prone to fluctuations. Introduction of VAT and its impact is still not clearly known, hence that too needs to be considered. Another vital element is the cash flow or liquidity in the economy. SME segment has been affected and repayment of term loans are disturbed which has given rise to disruptions in the cash flow which eventually affects consumption.*

*As stated above, ideally, demand should lead supply and this would happen once the excess inventory is cleared. Therefore, factors that will enable clearance of excess inventory will aid growth. From a macro- economic perspective, progressively over the medium to long term one would expect higher levels of capital investment or public spending that would boost economic growth downstream leading to higher levels of employment, income and spending. In the short term, measures that will enable liquidation of excess inventory would be the key. Hence, tactical support from manufacturers to withstand transaction price pressures is key. Alongside availability of competitive bank finance to end users would be helpful.”*

**K. Rajaram**

**Chief Executive officer**

**AI Nabooda Automobiles LLC, UAE**

*“During 2016 global and regional economic cues had an impact on automobile sales, however the overall market is already showing a positive sentiment, with improving customer satisfaction and consolidating market share being the focus of many business activities. This is expected to increase further as we move into 2017. Together with the build-up to Expo 2020 the demand for vehicles, particularly in the commercial segment, is likely to gain greater momentum*

*The automobile sector is not isolated from the overall economic cycles, which is evident from the number of attractive and innovative sales offers available in the market; this is strengthening consumer optimism and business activity.*

*Recent trends in the automotive sector include moving towards greener technologies, driverless cars and technological innovations in powering cars. The UAE has always been in the forefront of adopting new technologies and we expect this to continue in the year ahead.”*

**Ashok Khanna**

**Chief Executive Officer**

**AI Tayer Motors, UAE**

*“While there has been a slowdown in vehicle sales this year in the UAE, we observed that the drop in the domestic automotive market in UAE has not been as dramatic as we had previously expected. The domestic automotive demand in the UAE is expected to pick up marginally as we near the end of this year, and even though we may not match last year’s figure of 419,000 units sold, if this demand holds up we expect the UAE automotive market to end at approximately 320,000 units sold, which is almost what the sector witnessed in 2013. Looking ahead, growth is expected in 2017 as the industry is predicted to perform better than the current year.*

*From January to September 2016, the GCC automotive market witnessed a 20% drop. However, when it comes to the companies operating in the automotive market in the UAE you will notice a variation in the impact of the market situation on their businesses; while 70% were negatively impacted by the drop in the market, 20% saw minimal effect and the remaining 10% were not affected. Despite the overall slowdown in sales of vehicles in UAE this year, the impact on the premium automotive segment has been much less when compared to the overall Total Industry Volume (TIV) drop. The UAE continues to be the leading luxury market in the GCC and the demand is expected to hold up through the rest of 2016, accounting for approximately 55,000 units by the end of the year.*

*Another point to note here is the diversification of the luxury model segment. In prior years, luxury vehicles were available only in the high-end vehicles segment and the SUV segment. Today, various luxury vehicle variants span across all vehicle segments, leading to increased sales of luxury vehicles across the market. In 2015, the SUV segment witnessed a growth rate of 5.6% as compared to the passenger car segment that grew by 0.8% —indicating that consumers are demonstrating an increasing inclination to purchase SUVs and thereby enhancing the potential of this segment.*

*While the industry is overcoming challenges like the oil price fluctuations, socio political environment, consumer sentiment, and financing, there are factors like government spending and infrastructure investments that are driving the growth of the sector. In spite of the current market sentiment, I see automotive dealers investing more in their own infrastructure in order to enhance the overall experience for customers. Governments in general need to increase their spending and investment in projects that will result in an increase in the prosperity for citizens. As an example, the UAE has dedicated a budget of approximately AED 48 Billion a year to implement projects that will contribute to the welfare of its citizen. The Expo 2020 for Dubai and other government projects have been set to contribute to the diversification of the economy*

*Some of the upcoming trends like digital/online customer purchase behavior, introduction of electric vehicles, new technologies and business models and consumer friendly government regulations play a significant role in shaping the future of the automobile industry in the region.*

*With the rapid evolution of the automobile industry, we feel that the adoption of new business models will play a more significant role. New technologies that support the inception of autonomous vehicles in the future are already being implemented in a phased manner which is aligned to Dubai's smart vision that aims to have 25% of all Dubai transportation to be driverless by 2030. The traditional systems and mechanics in cars cannot further guarantee an increase in market share. This is the reason why we see more disruptive technologies being integrated into automobiles, transforming them into hybrid or fully electric vehicles. UAE is the first country in the region to have electric vehicles promoting sustainable mobility aligned with Dubai's Smart City Initiative and for the year 2020, the number of electric vehicles on UAE roads is expected to be approximately 10,000.*

*All in all, I think 2016 has led to a lot of innovative solutions within the automotive retail model, and really look forward to 2017 and what it has to offer."*

**Michel Ayat**

**Chief Executive officer**

**Arabian Automobiles Company – AW Rostamani Group, UAE**

*"The GCC Automobile sector in the immediate short term will follow similar trend as 2016 especially with respect to sales. The challenges like economic slowdown, job stability due to change in labour laws, too much dependence on oil are impacting the sector. However, the industry players are coping up with the downturn with promotional activities and newer financing options like PCP (Personal Contract plan) that has grown increasingly popular in recent times.*

*The downturn is not only affecting the new sales but also the pre-owned sales market. With government support, newer investments, technological innovations and infrastructure projects lined up, the automobile sector will overcome the challenges in the long term."*

**Hussain A.M Shirazi**

**Deputy Executive Director**

**Behbehani Brothers W.L.L., Bahrain**

*"The GCC economies are facing challenging times due to reasons like the global economic slowdown and fluctuating oil prices. Just like other sectors, the Automobile sector in the GCC saw a dip in sales in 2016 and we expect a minor recovery in the coming year. Qatar's population is dominated by a big number of expatriates and the fact that they come into the region for a limited amount of time, plays a major role in their decision making process. A car is perhaps the single largest purchase for any expatriate in the country and the overall economic slowdown and restructuring in government institutions have forced people to reconsider their decision to buy vehicles. A number of buyers are considering renting/leasing a car rather than owning one. As a result, we also see more interest from car rental companies to increase their fleet of vehicles. The culture of Uber and the likes have also changed the way people look at owning a car. Overall the auto industry is forced to transform and is becoming more sophisticated. The slow-down is not just in the new car sales market but even more so in the used car market, which makes it challenging for a buyer to sell the car subsequently and this acts as a demotivation to buy a car.*

*We expect that the environmental regulations like Saudi Arabia introducing fuel economy standards based on the US Corporate Average Fuel Economy (CAFE), will change the consumer buying pattern which will impact the sales going forward.*

*Having said that, factors like government spending, new infrastructure projects as we approach the FIFA 2022 world cup are drivers that will help in recovery of the sector. Demand for commercial vehicles will also see some positive impact as companies have started outsourcing more of their support functions and we believe that we will witness a significant rebound by the end of 2017 and well into 2018. But as of now, it has become a buyer's market more than a seller's market."*

**Mohamed J. Jaidah**

**Group Executive Director**

**Jaidah Group, Qatar**

*"Historically the automotive sector in the Middle East remained upbeat and almost every car dealer in the region has reported sales growth in double digits. The sector is most likely to set for a flat growth during year 2017 followed by a single digit growth in 2018. Last quarter of 2018 should see growth picking up connected to Expo 2020 event in UAE and World Cup FIFA event in Qatar and steps being initiated by other GCC countries. Higher oil revenues with the expected average oil price stabilization this year should help with narrowing budget deficits and reducing some of the liquidity strains in domestic banking systems that were evident in 2016 which should augur well going forward for the automotive industry.*

*In addition to the drop in oil prices, the market sentiment is weak which impacts consumer spending. Saudi Arabia's economy is facing the headwind of further tightening in fiscal policy in Q4, including public sector wage cuts effective October 2016 which will likely further constrain consumer spending for the coming period. Other challenges like generating volumes despite possible introduction of CAFÉ standards and expansion of a robust public transport system and also the introduction of VAT looms large. One of the most important factors working against continuous growth of the sector are geographic constraints and pollution, motivating authorities to limit the growth of car sales by restricting automotive ownership to people earning above a certain level. To overcome these challenges, automotive companies need to create a coherent strategy, define goals, build the brand and take a long term view. Continuous efforts to train the workforce and improve country's education system could further aid the entire automotive value chain. Other factors like growing population with a high percentage of youth in it, efforts to set up manufacturing plants could support the growth of the sector.*

*Consumer expectations are changing radically. We have seen technologies changing dramatically from the advent of the connected car and enhanced driver support to better fuel efficiency and new or improved power trains. We also notice a trend of high demand in the luxury and super luxury segments as car purchase communicates social status. The intelligent car is fast moving from the drawing board to the streets. Such autonomous cars will be a tough sell in any market but traditional power trains and engines will likely dominate for at least the next decade. A new trend is the mid-sized SUV. However, OEM's are currently giving priority to small cars segment for future hybrid and electric powered offerings*

*The economy is still liquid with strong reserves which will sustain growth under the present market conditions for some time. Overall, economic diversification and the development of non-oil sectors appear to be a higher priority and these measures should augur well for the sector."*

**Rimoun Hanouch**

**Group General Manager**

**Liberty Automobiles Co., UAE**



*“The GCC automobile sector has always been one of the most dynamic and faster growing sectors in the region. Despite a recent slowdown in demand for automobiles in the backdrop of sluggish economic conditions, factors such as an expanding and well-heeled consumer base, high urbanization rate, significant infrastructure developments, a bustling tourism industry, aggressive promotional activities, attractive financing options, technological development, etc will play a significant role in driving the growth of the sector in the long term. In addition to coping up with the economic slowdown, the sector is facing challenges like shortage of skilled workforce, grey imports, high competition and currency fluctuations. In wake of these challenges, we anticipate the vehicles sales to remain subdued during 2016 and 2017 and pick up thereafter especially in the UAE and Qatar as we approach events like World EXPO 2020 and FIFA World Cup 2022 respectively.*

*Overall, the industry is in the transition phase and continues to offer opportunities in the areas of automotive manufacturing, aftermarket, and new technology development. Also, with limited vehicle manufacturing activity in the GCC, the member countries continue to rely heavily on imports to meet the demand of vehicles. The UAE, in particular, is the most vibrant automobile trade markets in the region, within which the Emirate of Dubai acts as a major hub for trade.”*

**Rohit Walia**

**Executive Chairman**

**Alpen Capital (ME) Limited**

## 1. Executive Summary

The GCC, built on a heritage of abundant oil reserves and resultant inflow of petrodollars, has a vibrant automotive market. Home to several foreign brands, the region is known for its penchant for luxury sedans and sports utility vehicles (SUVs). Inherent growth drivers such as an expanding and well-heeled consumer base, high urbanization rate, significant infrastructure developments, and a bustling tourism industry are driving demand for vehicles in the region. Despite a recent slowdown in demand for automobiles in the backdrop of sluggish economic conditions, the region continues to offer immense opportunities in the areas of automotive manufacturing, aftermarket, and new technology development. With only a few local automobile players engaged in vehicle assembly activities and others largely operating as traders and dealers, most of the vehicles and related components in the GCC are imported. The member nations also conduct re-export trade, with couple of them acting as automobile re-export hubs in the Middle East. This has increased its appeal among the international business groups manifold.

### 1.1 Scope of the Report

This report provides a perspective of the GCC automobile sector by presenting the current state of the industry, market dynamics, and scope for future growth. It covers the recent trends, growth drivers, and challenges in the industry, along with an outlook until 2020. Lastly, the report profiles some of the prominent automobile companies in the region.

### 1.2 Industry Outlook

- Number of passenger cars in use in the GCC is expected to grow at a 5.0% CAGR from an estimated 10.3 million in 2015 to 13.2 million in 2020. New passenger car sales are projected at 1.4 million in 2020, compared to 1.2 million in 2015. Although new sales are expected to decline in 2016 and remain under pressure in 2017, they are likely to recover from 2018 as the economic environment stabilizes and creates pent-up demand.
- Between 2015 and 2020, passenger cars in use in the GCC countries are anticipated to expand at annual average growth rates of 3.6%-5.4%. Saudi Arabia, UAE, and Kuwait collectively are expected to continue holding more than 75% of the region's passenger car fleet in 2020.
- New car sales in Saudi Arabia are likely to reach nearly 743,000 in 2020, suggesting a CAGR of 2.0% from 2015. At the same time, new car sales in the UAE are projected to grow at an annualized rate of 4.5% to over 267,000 in 2020.

### 1.3 Key Growth Drivers

- The GCC population is expected to increase at a CAGR of 2.4% between 2015 and 2020. An expanding consumer base is likely to translate into higher demand for new as well as used vehicles and related parts in the region.
- Despite the projection of a decline in real GDP in 2016, it is forecasted to improve and remain almost steady across the member nations during 2017-2020, translating into increase in disposable income. The wealth of the affluent section in the Middle East is expected to grow at a CAGR of 6.7% during 2015-2025.
- The cost of vehicle ownership in the GCC is lower compared to other countries globally, due to a favorable tax structure. Additionally, attractive insurance and financing options make it easier to own a car in the GCC.
- Availability of fuel at affordable rates is a key demand driver for vehicle sales in the GCC. Large proven crude oil reserves have enabled the member countries to offer fuel at competitive rates.
- Automobile dealers in the Gulf come up with several promotional activities to lure car buyers during annual festivals / events. Such seasonal promotions would continue to boost vehicle sales in the region.

- A public transport system still under development phase in the GCC has remained an important driver of vehicle sales. Increasing road congestions are a testament to the dependency on motor vehicles in the region.
- As of July 2016, infrastructure projects worth US\$ 407.9 billion were in various stages of construction in the GCC. Many projects are underway in the UAE and Qatar ahead of their mega events of World Expo 2020 and FIFA World Cup 2022, respectively. Such developments are likely to accelerate demand for vehicles.
- Tourist arrivals in the GCC are anticipated to grow at a CAGR of 5.7% during 2015-2020, thus stimulating demand for vehicles from car rental and travel firms.

#### 1.4 Key Challenges

- The persistent softness in oil prices has disrupted the largely oil-dependent GCC economies and widened their fiscal deficits to an all-time high. The challenging macro environment is adversely impacting automobile sales. Further, fuel price reforms leading to an increase in prices of petrol is likely to affect demand.
- Presence of several dealers makes the GCC automobile market highly competitive, resulting in price sensitivity and low brand loyalty among consumers.
- The Japanese Yen has appreciated nearly 16% against the US Dollar since the beginning of this year. Being the largest source market for vehicle imports, strengthening of Yen is likely to make imports costlier for the GCC countries.
- Recall of vehicles owing to certain manufacturing issues has a negative influence on the brand loyalty and reputation of automakers, thereby affecting sales.
- Authorized car dealers in the UAE are facing the heat from grey imports, which in certain cases affects the dealer's volumes by around 20%.
- In the GCC automobile sector, government regulations such as the law of one dealer per automobile manufacturer in the UAE act as barriers to entry.
- A limited pool of local talent, alongside the increasing emphasis on nationalization of jobs, is posing a challenge for the region's automobile industry.
- The increased regulatory oversight on emissions, in view of rising environmental concerns over global warming, is adding to the compliance and technology costs for the automobile manufacturers, ultimately making the vehicles more expensive.

#### 1.5 Key Trends

- Presently there are a limited number of vehicle manufacturers in the GCC. However, the situation is possibly going to change in the future, as Saudi Arabia, UAE, and Oman are receiving investments to set up automotive production units.
- Increasing number of vehicles coupled with hot climatic conditions and a rugged terrain, which affects the lifespan of tires and batteries, has created a thriving automotive aftermarket in the region.
- While the Japanese brands of vehicles remain popular in the GCC and the high-end market continues to be dominated by European makes, Chinese brands are fast closing the gap.
- The UAE is witnessing a growing trend of vehicle customization, as can be seen by the growing number of car accessory outlets across the country.
- Rising number of tech-savvy people and use of social media have encouraged automobile dealers to establish online presence. Besides, internet combined with new technologies is reforming the sector, with the advent of connected vehicles.
- Mobile application-based taxi-hailing service providers are gaining presence in the GCC. Uber, which entered the GCC market in 2013 by launching its services in Dubai, has now grown its presence in other major cities in the region.

Although vehicle sales in the GCC have remained subdued during 2016 and will be under pressure in 2017, the automobile sector is poised for growth in the coming years to 2020 as the region adds nearly 4 million potential buyers, reinstates economic growth, and offers immense opportunities in the areas of automotive manufacturing, aftermarket, and new technology development.

## 2. The GCC Automobile Industry Overview

**The GCC automobile sector has been dynamic and one of the faster growing sectors in the region, primarily owing to growing population, high disposable income and significant infrastructure developments**

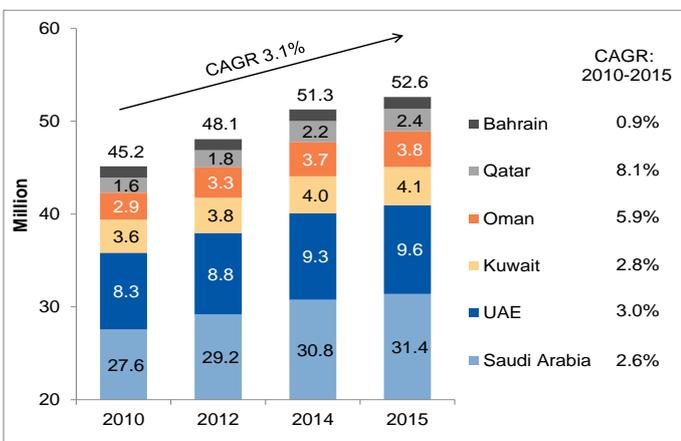
The GCC automobile sector has been dynamic and one of the faster growing sectors in the region, primarily owing to the growing population and high disposable income coupled with significant infrastructure developments. Although the sector is likely to experience a slowdown in the short-term due to the persistent weak economic conditions, the long-term fundamentals remain strong. The region offers a myriad of opportunities given the penchant of motorists to try different vehicles, insufficient public transport facilities, high replacement demand, easy access to attractive finance options, and availability of fuel at competitive prices. The region hosts some of the well-known automobile trade fairs that display latest models of the top international automakers and automotive parts and accessories. Many major international automobile manufacturers have established a presence in the region in partnership with leading local business groups to take a slice of the growing automobile market.

**Between 2010 and 2015, the region's population has grown at a CAGR of 3.1% to over 52 million**

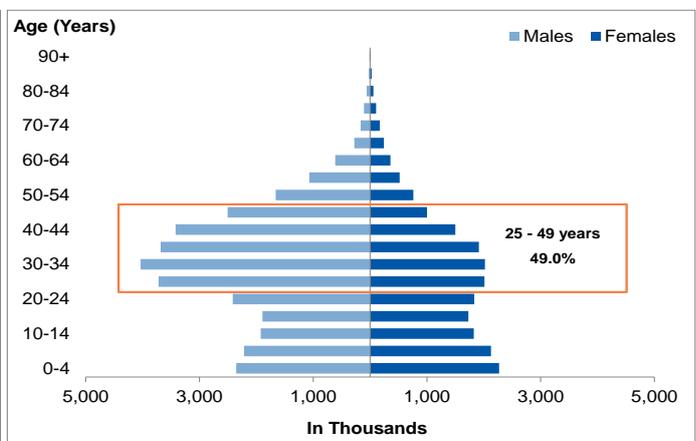
### 2.1 Automobile Demand in the GCC

A country's demography and income level play a vital role in shaping the demand for vehicles. The GCC region's automotive landscape is thriving due to its young, fast-growing, and affluent consumer base. Between 2010 and 2015, the region's population has grown at a CAGR of 3.1% to over 52 million<sup>1</sup> (see Exhibit 1). The growth has been much quicker than the global average of 1.2%, largely driven by a rising pool of expatriates (~50% of the GCC population<sup>2</sup>). Nearly half of the population is concentrated in the working-age group of 25-49 years with another ~40% below 25 years<sup>3</sup> (see Exhibit 2). Overall, the median age of the region's population is 30 years. While the demand has been inclined towards high-end vehicles traditionally, the growing number of young and working-class people is fueling the demand for smaller and low-cost cars. Moreover, the average household size in the region is approximately six<sup>4</sup>. This has translated into the need for larger vehicles such as SUVs. The region's demand for fast and powerful vehicles such as SUVs, sports cars, and 4x4s is also driven by availability of fuel at competitive prices coupled with rough terrain and long straight roads.

**Exhibit 1: GCC Population Growth**



**Exhibit 2: GCC Population Age Distribution**



Source: IMF – October 2016

Source: IMF – October 2016, United Nations Population Division

<sup>1</sup> Source: "World Economic Outlook (WEO) Database", IMF, October 2016

<sup>2</sup> Source: "Expats In Middle East — Statistics And Trends", Go-Gulf, March 31, 2016

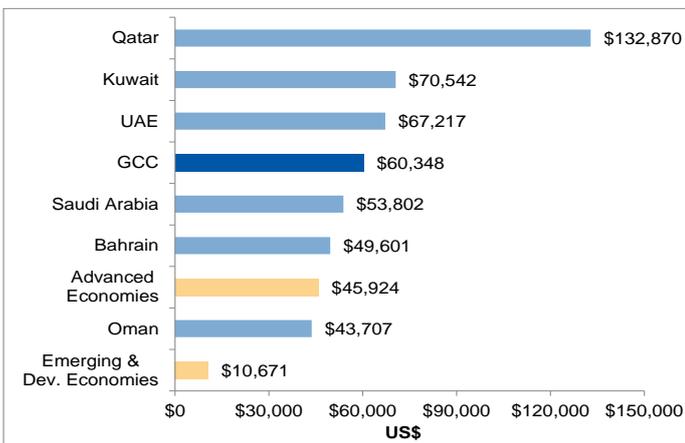
<sup>3</sup> Source: United Nations – Population Division (2015)

<sup>4</sup> Source: ArcGIS, Ministry of Development Planning and Statistics of Qatar

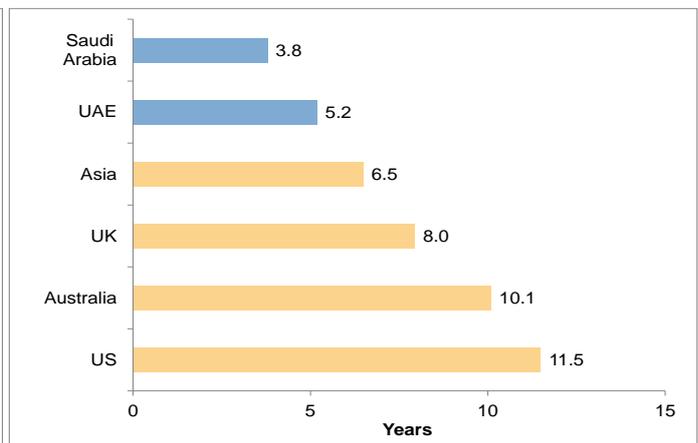
**The strong purchasing power has enabled motorists in the member nations to explore new cars and change them more frequently**

The region has traditionally been characterized as a highly affluent society, given the vast presence of hydrocarbon reserves. Large hydrocarbon revenues have primarily funded the state welfare programs and bestowed the population with substantial disposable income on hand. More recently, government push on expanding the non-oil sector has further supported economic growth in the region. Measured by GDP per capita (in PPP terms), Qatar is the wealthiest nation in the world<sup>5</sup>. Other GCC nations such as Kuwait, the UAE, and Saudi Arabia also feature among the top ten richest countries in the world. The per capita income in the region stood at US\$ 60,348 in 2015, higher than that in the advanced economies<sup>6</sup> (see Exhibit 3). A comparatively high level of income has created demand for ultra-luxury cars such as Bentley, Rolls-Royce, and Jaguar. Moreover, the purchasing power has enabled motorists in the member nations to explore new cars and change them more frequently. This is evident from the comparison of the average age of vehicles (period within which a motorist changes vehicle) in some of the GCC countries and other parts of the world<sup>7</sup> (see Exhibit 4).

**Exhibit 3: GDP Per Capita (in PPP terms) in the GCC (2015)** **Exhibit 4: Comparison of Average Age of Vehicles (2015)**



Source: IMF – October 2016



Source: Gulf News

Note: The average age here refers to the period within which a motorist changes vehicle

**Total vehicles in use in the GCC has grown at an annualized rate of 7.0% from 9.8 million in 2010 to an estimated 13.7 million in 2015**

The number of passenger cars and commercial vehicles in use in the GCC has grown at an annualized rate of 7.0% from 9.8 million in 2010 to an estimated 13.7 million in 2015<sup>8</sup> (see Exhibit 5). Almost three-fourth of the region's vehicle fleet comprises passenger cars, which grew at a CAGR of 7.6% during the period. At the same time, the number of commercial vehicles increased by 5.0%. An increasing number of vehicles have created a thriving automotive aftermarket in the region.

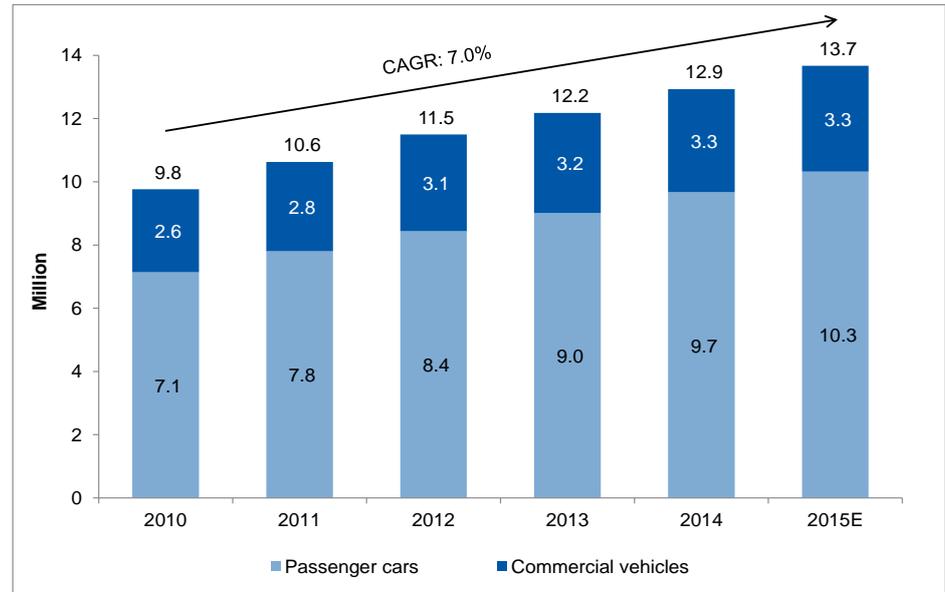
<sup>5</sup> Source: "The Richest Countries in the World", World Atlas, September 19, 2016

<sup>6</sup> Source: "WEO Database", IMF, October 2016

<sup>7</sup> Source: "Motorists in UAE and Saudi change cars more often than in US", Gulf News, August 14, 2015

<sup>8</sup> Source: International Organization of Motor Vehicle Manufacturers / Organisation Internationale des Constructeurs d'Automobiles (OICA), Alpen Capital

**Exhibit 5: Number of Vehicles in Use in the GCC, by Segment**

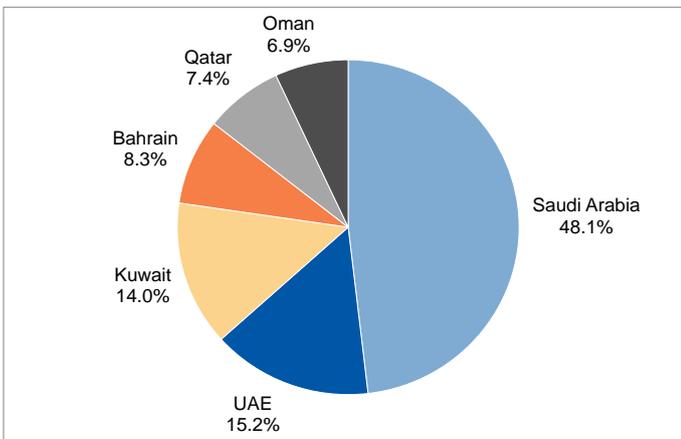


Source: OICA, Alpen Capital

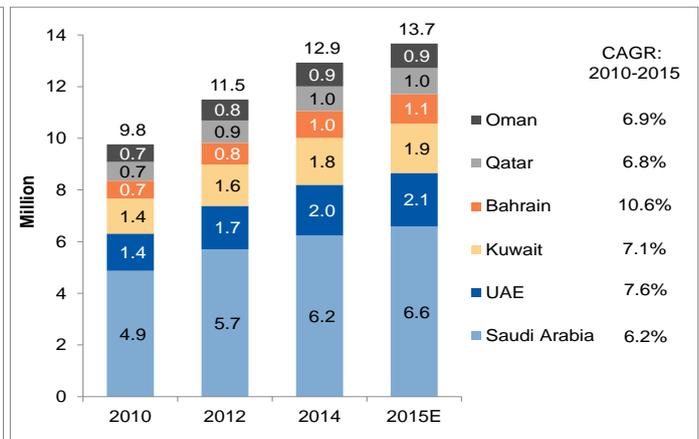
**The number of vehicles in use in the GCC countries has grown in the range of 6% to 11% between 2010 and 2015**

Saudi Arabia and the UAE are the largest automobile markets in the region, home to more than 60% of all vehicles<sup>9</sup> (see Exhibit 6). This corresponds to the concentration of population in these countries. On the other hand, Bahrain the smallest country by population in the GCC was the fourth largest vehicle market representing 8.3% of the vehicle fleet in the region. The number of vehicles in use in the GCC countries has grown in the range of 6% to 11% between 2010 and 2015 (see Exhibit 7). Bahrain witnessed the fastest growth during the period. A high motorization rate in Bahrain due to limited public transport system has fueled demand for new cars as well as imported used cars.

**Exhibit 6: Country-wise Composition of Vehicles in Use (2015E)**



**Exhibit 7: Vehicles in Use in the GCC, by Country**



Source: OICA, Alpen Capital

Source: OICA, Alpen Capital

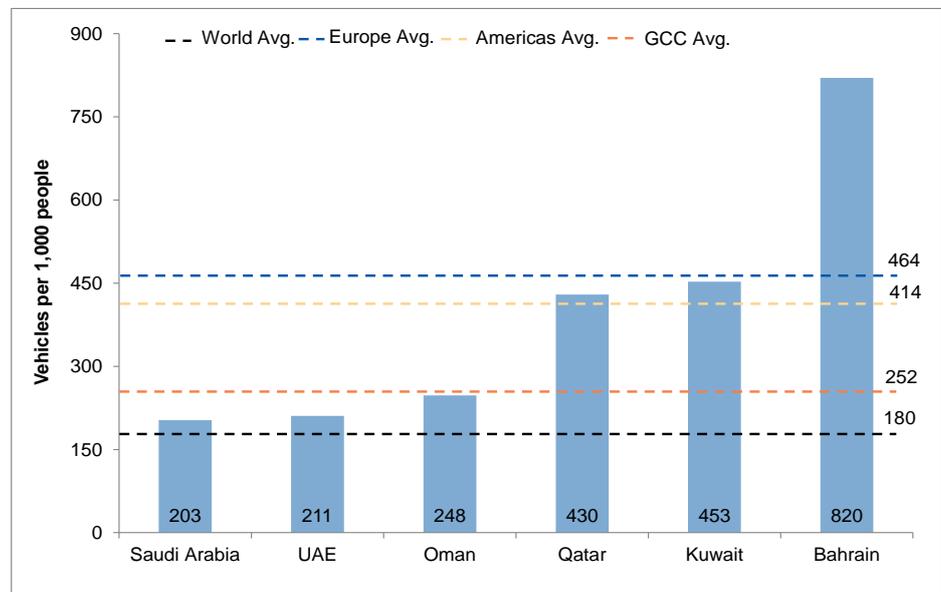
<sup>9</sup> Source: OICA



**The average motorization rate in the GCC was 252 per 1,000 inhabitants in 2014, much below that in the Americas and Europe**

The average motorization rate in the GCC was 252 per 1,000 inhabitants in 2014, much below that in the regions of Americas and Europe, but higher than the world average<sup>10</sup> (see Exhibit 8). With rising affluence, the vehicle ownership in the GCC countries is only set to increase further. Although the motorization rate in Bahrain, Qatar, and Kuwait is either high or comparable to the rate in the Europe and Americas, the GCC average is diluted due to low rates in the other member nations. The low motorization rate in Saudi Arabia is primarily due to its large population base, more than 60% of which are classified in the lower middle-income and workers (laborers, primarily expatriates) group<sup>11</sup>. On the other hand, despite being seen as one of the lucrative automobile markets in the world, the UAE has a low motorization rate possibly due its better public transport connectivity. Moreover, a large pool of laborers has settled in the country over the years owing to jobs created by the construction sector. With low disposable income, the vehicle ownership of such class of expatriates is low or nil, thus affecting the country's average. The low penetration in Oman is also possibly due to a lower per capita income compared to its GCC counterparts. Bahrain is an exception with a high vehicle ownership rate of 820 per 1,000 people. This could be mainly due to lack of sufficient public transport facilities.

**Exhibit 8: Motorization Rate (2014)**



Source: IMF – October 2016, OICA

**The region recorded sales of over 1.5 million new vehicles in 2015**

The region recorded sales of over 1.5 million new vehicles in 2015<sup>12</sup> (see Exhibit 9). The sales volume has declined by 3.9% y-o-y, primarily due to an over 20% drop in volume of commercial vehicles. This fall was instigated by sluggish construction and other economic activities on the back of the drop in oil prices. Sale of passenger cars continued to grow during the year, albeit at a slower pace of ~2%, to 1.2 million units. Growth in this segment was witnessed in the largest markets of Saudi Arabia and the UAE, while volume in other countries dropped.

Nevertheless, measured over a period of five years, new vehicle sales in the region have grown at a CAGR of 6.1%. The growth is faster than the world average of 3.6% and that in

<sup>10</sup> Source: OICA, IMF

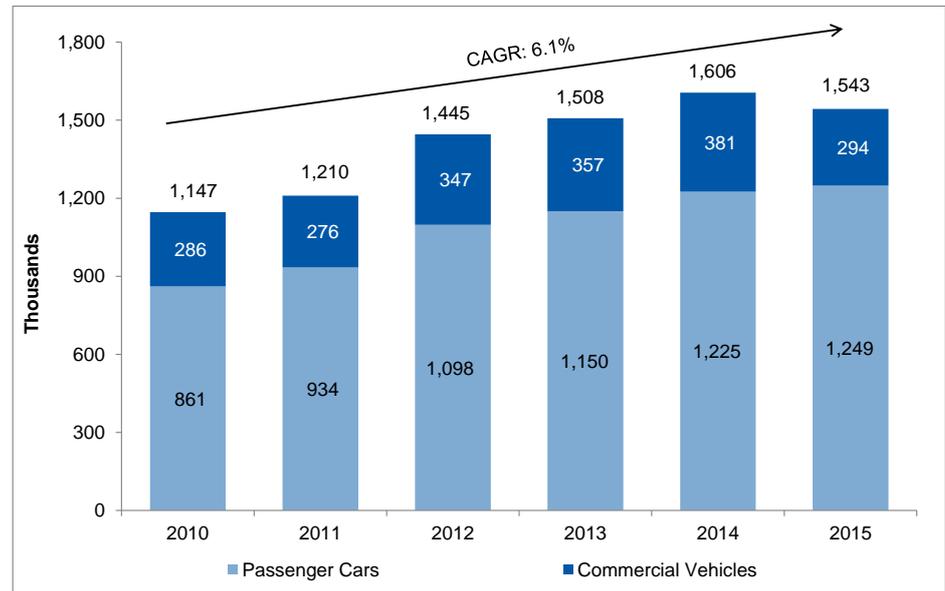
<sup>11</sup> Source: "Housing Opportunities & Challenges", JLL, September 2014

<sup>12</sup> Source: OICA

**Although the recent economic slowdown is affecting new vehicle sales, the automobile aftermarket business is likely to gain as consumers would use existing vehicles for a longer period**

Europe (0.2%), Americas (5.0%), and Africa (4.0%)<sup>13</sup>. Passenger car sales grew at a higher rate of 7.7%, supported by increasing population, high income, and a thriving tourism industry. The effect of high growth in car sales was somewhat suppressed by a meager 0.6% growth in sales of commercial vehicles. Slow growth in commercial vehicles was largely due to the fall in 2015, prior to which it grew at annualized rate of 7.4%, driven by rising infrastructure developments across the GCC. Although the recent economic slowdown is affecting new vehicle sales, the automobile aftermarket business is likely to gain as consumers would use existing vehicles for a longer period.

**Exhibit 9: New Vehicle Sales in the GCC, by Segment**



Source: OICA

**During 2010-2015, Bahrain, Qatar, and the UAE recorded the fastest increase in new vehicle sales in the range of 8.8% to 10.7%**

During 2010-2015, Bahrain, Qatar, and the UAE recorded the fastest increase in new vehicle sales in the range of 8.8% to 10.7%<sup>13</sup> (see Exhibit 10). While the growth in Bahrain was due to a low base, growing number of expatriates fueled growth in the other two countries. Despite a less than 1% increase in Bahrain's population, new vehicle sales have grown swiftly to more than 58,000 in 2015. Nearly 82% of the new sales were passenger cars. A less developed public transport infrastructure has resulted in almost every person in Bahrain owning a vehicle.

Qatar registered over 86,000 new vehicles in 2015, signifying a 9.3% CAGR increase from 2010. The growth is attributed to the domestic opulence and growing population. The country's population has grown by more than 8% during the five-year period, as migrants are attracted to the job opportunities emerging out of the country's substantial developments to diversify revenue. Passenger cars represented 80.1% of the total new vehicles sold in the country in 2015.

Sale of new vehicles in the UAE reached nearly 257,000 in 2015, having grown by nearly 9% annually from 2010. Passenger cars accounted for 83.4% of the total sales in 2015. The country has a huge demand for premium vehicles due to the presence of a large number of ultra-high-net-worth (UHNW) individuals. The country holds the 22<sup>nd</sup> position in

<sup>13</sup> Source: OICA

***Saudi Arabia has high demand for low- to mid-range cars that account for nearly 95% of the total vehicle market***

the ranking of countries across the world for UHNW population<sup>14</sup>. Many authorized dealers in the country have been recognized by luxury automakers for recording the highest sales. The UAE has been at the forefront of diversifying its revenue sources beyond the traditional hydrocarbons sector, which has attracted people from across the world. Growing population coupled with the affluence level has driven demand for vehicles, largely in the Emirates of Dubai and Abu Dhabi. Further, its booming tourism market has propelled demand for vehicles from rental and taxi businesses.

New vehicle sales in Saudi Arabia have grown at a CAGR of 6.7% during the five-year period. The passenger car segment represented over 80% of the new vehicle sales. The Kingdom has high demand for low- to mid-range cars that account for nearly 95% of the total vehicle market<sup>15</sup>. Cars particularly from China are gaining momentum. Saudi Arabia has a smaller premium vehicles market compared to its counterparts<sup>15</sup>. The automobile industry in the country is buzzing not only due to demand from its young and growing middle-class population, but also due to government's thrust in developing local production with an aim of becoming a regional hub. The automotive sector has been identified as a key priority sector in the country's National Industrial Clusters Development Programme (NICDP) that was initiated about a decade ago as a part of the economic diversification measures. The program is focusing on developing an automotive cluster by attracting and supporting vehicle assembly projects, tire manufacturers, and other industry-related service providers<sup>16</sup>.

Kuwait witnessed sale of nearly 144,000 new vehicles in 2015, registering an annualized growth of 5.5% from 2010. With sale of over 124,000 cars, the passenger cars segment formed 86.4% of total new vehicle sales in 2015. Growing GDP and investments in non-oil sectors coupled with rising population characterized by an increasing middle class segment is fueling demand.

***Oman is witnessing a drop in vehicle sales since 2014, as the decline in oil prices from H2 2014 is reducing willingness of consumers to spend on high-value products***

Oman, the third largest automobile market in the GCC in terms of new vehicle sales, recorded sale of 167,600 new cars in 2015, of which 72.3% was passenger cars. The country is witnessing a drop in vehicle sales since 2014, as the decline in oil prices from H2 2014 is reducing willingness of consumers to spend on high-value products. The fall in new sales was more noticeable among private cars, taxis, and tractors<sup>17</sup>.

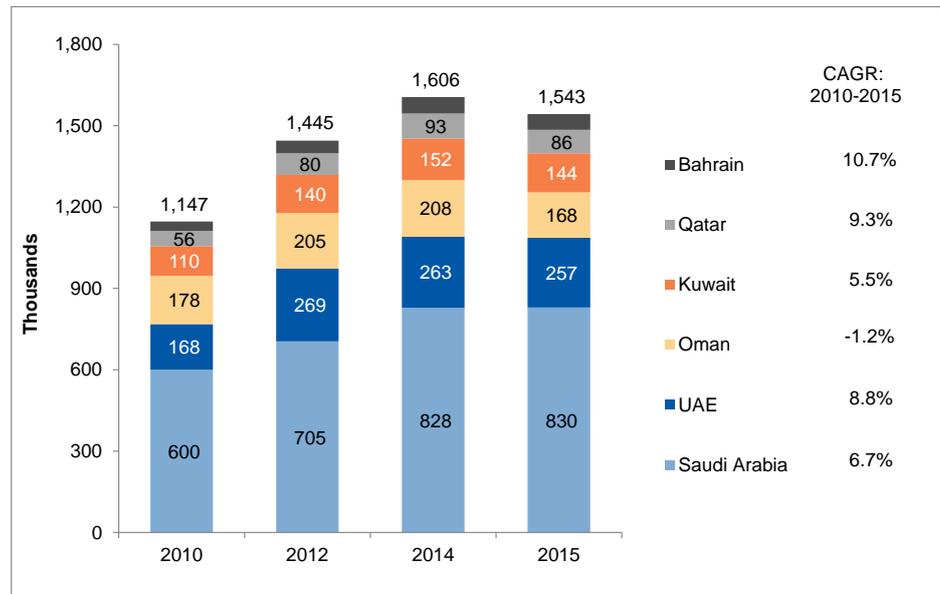
<sup>14</sup> Source: "Ultra Wealthy In United Arab Emirates Control US\$255 Billion Of Private Wealth", PR Newswire, October 4, 2015

<sup>15</sup> Source: "Saudi Arabia Automotive Industry Outlook", Focus2move, July 31, 2016

<sup>16</sup> Source: "Automotive Cluster – Industry Development", National Industrial Clusters Development Program

<sup>17</sup> Source: "Auto dealers in Oman betting on Ramadan promotions to rev up sales", Times of Oman, May 16, 2016

**Exhibit 10: New Vehicle Sales in the GCC, by Country**



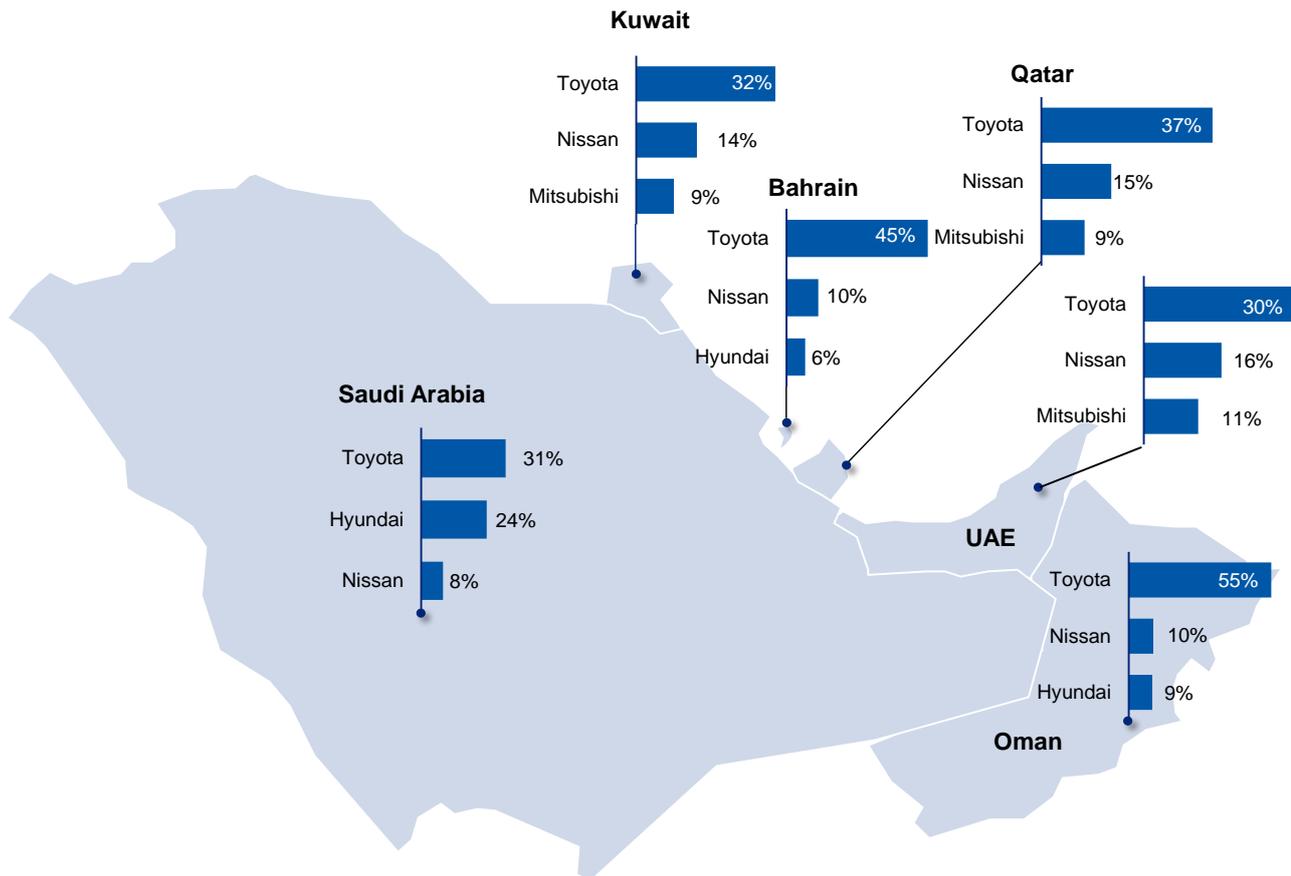
Source: OICA

### Leading Automobile Brands in the GCC

***Toyota leads the passenger car market in the GCC with a share of over 30% of the new sales***

Analyzed by automobile brands, the Japanese vehicles are the most popular in the GCC region. Toyota leads the passenger car market with a share of over 30% of the new sales (see Exhibit 11). Its leadership position is unbeaten, despite entry of several new brands in last five years. The other top brands in the region are Nissan, Mitsubishi, and Hyundai.

**Exhibit 11: Top Three Brands of Passenger Cars in the GCC Countries**



Source: Best Selling Cars Blog

Note: Based on January-July 2016 new sales data for the UAE and Saudi Arabia, January-April 2016 data for Kuwait and Qatar, and 2015 data for Oman and Bahrain

The share of Toyota in Saudi Arabia declined by over 4 percentage points (ppts) y-o-y during the first seven months of 2016, while that of Hyundai and Nissan increased by 3.8 and 1.1 ppts, respectively<sup>18</sup>. Other brands such as Isuzu and Ford lost share due to decline in sales. Based on sales of vehicles by model, Hyundai-owned cars – Accent and Elantra – were the leaders in the Kingdom during the first seven months of 2016.

**Although the market share of Toyota in the UAE remained constant at 30% from 2015 to July 2016, it has lost 3% share since 2014**

Although the market share of Toyota in the UAE passenger car market remained constant at 30% from 2015 to July 2016, it has lost 3% share since 2014<sup>19</sup>. During the first seven months of 2016, sales of the third largest brand – Mitsubishi – declined by 33% y-o-y resulting in nearly 3 ppts drop in its market share. Luxury brand – BMW – secured the fourth largest market share at 6% during the period. In terms of models, Toyota Land Cruiser claimed the lead in the UAE vehicle sales with a 5.8% market share. Chinese brands have also forayed into the market and are gaining prominence mainly due to their affordability in terms of cost of ownership as well as maintenance cost<sup>20</sup>.

<sup>18</sup> Source: "Saudi Arabia January-July 2016: Hyundai Accent & Elantra take charge", Best selling cars blog, October 5, 2016

<sup>19</sup> Source: "United Arab Emirates January-July 2016: Land Cruiser takes charge", Best selling cars blog, September 19, 2016

<sup>20</sup> Source: "Chinese car makers ready to manoeuvre the UAE market", AlBawaba, April 20, 2015

***Mitsubishi has overtaken brands such as Kia, Hyundai, and Chevrolet since 2015 to claim third position in Kuwait's passenger car sales***

Within the GCC, Toyota held the largest market share of 52% in Oman during January-July 2016<sup>21</sup>. The brand accounts for more than one in every two cars sold in the country. However, the Japanese brand's share has dropped from 54.8% in 2015. The top five best-selling car models in the Sultanate are of Toyota, with Hilux and Land Cruiser holding on to the top two positions. During 2015, Chinese automaker, Geely, secured the 11<sup>th</sup> position by recording a 98% increase in sales.

In Kuwait, Toyota, Nissan, and Mitsubishi held the leadership positions during January-April 2016<sup>22</sup>. Mitsubishi has overtaken brands such as Kia, Hyundai, and Chevrolet since 2015 to claim third position in the country's passenger car sales. Market share of Nissan has also increased by 2.6 ppts during the first four months of 2016 from 11.4% in 2015. During the same period, the share of Toyota declined by about 5 ppts. Measured by sales of vehicle models, Toyota Prado continued its dominance with a 10.8% market share, followed by Toyota Land Cruiser at 4.8%.

The Qatar new passenger car sales during first four months of 2016 was dominated by Toyota with a 36.5% market share, an increase of 2.8 ppts from that in 2015<sup>23</sup>. With the launch of a new version, Toyota Land Cruiser strengthened its leading position with a market share of 15.2% during the period. At the same time, Lexus LX jumped to third place, its best ever ranking in the world, on account of a robust increase in sales. Overall, the Lexus brand gained a 5.3% market share in the country, moving up four positions to the 4<sup>th</sup> place during January-April 2016.

***In Bahrain, Toyota strengthened its market share to 47.0% during the first four months of 2016 from 44.6% in 2015***

In Bahrain, Toyota strengthened its market share to 47.0% during the first four months of 2016 from 44.6% in 2015<sup>24</sup>. While Nissan retained its second position, Hyundai lost its position to Lexus during January-April 2016. Toyota Land Cruiser remained the favorite car sold in the country with a market share of 13.8% during the period. Toyota monopolizes the best-selling cars ranking in Bahrain, with 10 of its models among the top 12.

#### **Demand for Used Cars**

***As buyers change new car models in a short span of time, the region has a large market for used cars***

The GCC countries, particularly the UAE and Saudi Arabia, have a highly active used cars market. As buyers change new car models in a short span of time, the region has a large market for used cars. The pre-owned vehicles are also exported to other countries in the larger Middle East and Africa region. Demand for used cars is rising faster than that of new cars, mainly due changing customer habits, as they become more budget-conscious given the weak economic conditions.

The UAE has the largest market for used cars, with sales in 2015 estimated at AED 11.2 billion (US\$ 3.0 billion<sup>25</sup>),<sup>26</sup> having grown by over 20% y-o-y<sup>27</sup>. The pre-owned vehicles market in the country is largely unorganized and unregulated. Within the country, Dubai is a large market due to a wide array of pre-owned vehicles in good condition available on sale at attractive prices. Demand for SUVs and luxury sedans is particularly high. The Emirate also acts as a source of supply of used cars for its neighboring countries. Several

<sup>21</sup> Source: "Oman January-July 2016: Hilux and Land Cruiser P/Up to market down 21%", Best selling cars blog, September 19, 2016

<sup>22</sup> Source: "Kuwait January-April 2016: Prado, Land Cruiser, Patrol & Pajero on top", Best selling cars blog, June 23, 2016

<sup>23</sup> Source: "Qatar January-April 2016: Land Cruiser at 15.2% share, Lexus LX #3", Best selling cars blog, June 21, 2016

<sup>24</sup> Source: "Bahrain January-April 2016: Toyota Land Cruiser soars to 13.8% share", Best selling cars blog, June 23, 2016

<sup>25</sup> Converted using exchange rate of 0.272

<sup>26</sup> Source: "How to buy a used car in the UAE", Gulf News, January 27, 2016

<sup>27</sup> Source: "UAE used cars market moves into the fast lane", Gulf News, June 22, 2015; Alpen Capital

dealerships in the region have developed certified pre-owned car sales programs that cover warranties and repairs. The used-cars dealers in the UAE are largely concentrated in dedicated areas like Al Aweer (with over 200 showrooms) in Dubai and the newly opened Souq Al Haraj in Sharjah. Souq Al Haraj was opened in January 2016 to replace the older used-cars markets at Abu Shagara and Bu Daniq, which were facing parking and traffic issues<sup>28</sup>. More than 350 dealers have relocated to the new market, which was built at a cost of AED 250 million (US\$ 68.0 million<sup>29</sup>) and has a capacity of 25,000 cars. In Saudi Arabia, sale of used cars represent 13% of the total car sales<sup>30</sup>.

Used-cars transactions via the online providers are seeing greater traction in the GCC, as compared to the brick-and-mortar format. Since launching in 2013 as the first online used-car buying service provider in the Middle East, the UAE-based SellAnyCar.com has grown its business by 600%<sup>31</sup>. Thousands of dealers in the country have registered with the online service provider, services of which have been used by 20% of the population. The used car start-up company has also expanded its reach to Saudi Arabia, in addition to Turkey and Germany, while planning to build a presence in other GCC countries including Qatar and Kuwait.

## 2.2 Supply is Predominantly Import Driven

Due to limited vehicle manufacturing activity in the GCC, the member countries heavily rely on imports to meet the demand of vehicles. There are no light vehicle manufacturing units in the region, but there are only a handful of automotive parts and truck / bus assembly units, largely concentrated in Saudi Arabia and the UAE. The region has manufacturing units of armored vehicles, trailers, tippers, batteries, brakes, radiators, and exhaust systems, among others. Some of the companies running assembly operations for heavy vehicles in the region include Ashok Leyland, Bion Group, Isuzu Motors Saudi Arabia Co., Haji Husein Alireza & Co. Ltd. (in a joint venture (JV) with MAN Truck & Bus), Hafilat Industries, SCANIA, Streit Group (armored vehicles) and Zahid Tractor & Heavy Machinery Co. (in a JV with Volvo Group). Saudi Arabia has the most number of automotive plants in the GCC, accounting for over 60% of the region's more than 300 assembly and parts production units<sup>32</sup>. The Saudi government has encouraged setting up of manufacturing units by providing incentives such as 100% foreign ownership, low-cost loans, and no value-added, land or sales tax. The UAE also offers similar set of incentives to provide an investor-friendly climate. Oman is also making investments to develop its domestic automobile production landscape. Having realized the huge potential of the GCC automotive market, several overseas manufacturers have announced plans to open production facilities in the member nations.

***Due to limited vehicle manufacturing activity in the GCC, the member countries heavily rely on imports to meet the demand of vehicles***

***The GCC region imported vehicles and related parts and accessories worth US\$ 57.0 billion in 2015, registering an 8.3% annual growth from 2010***

The GCC region imported vehicles and related parts and accessories worth US\$ 57.0 billion in 2015, registering an 8.3% annual growth from 2010<sup>33</sup>. Passenger cars and commercial vehicles accounted for over 90% of the automotive imports in 2015. Most of the commercial vehicles are imported in the form of completely built units or semi-knocked down units. One-fourth of the total automotive imports in the GCC in 2015 were sourced from Japan, followed by the US, Germany, and Korea (see Exhibit 12). Due to their sheer

<sup>28</sup> Source: "Sharjah's new used car market has room for 25,000 vehicles", Gulf News, January 14, 2016

<sup>29</sup> Converted using exchange rate of 0.272

<sup>30</sup> Source: "The first and largest online car buying service In Kingdom of Saudi Arabia", Zawya, February 4, 2015

<sup>31</sup> Source: "SellAnyCar.com increases traffic with more UAE car dealers", The National, July 19, 2016

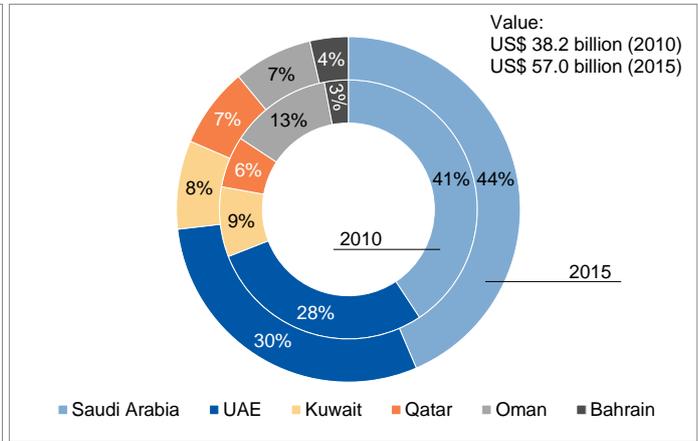
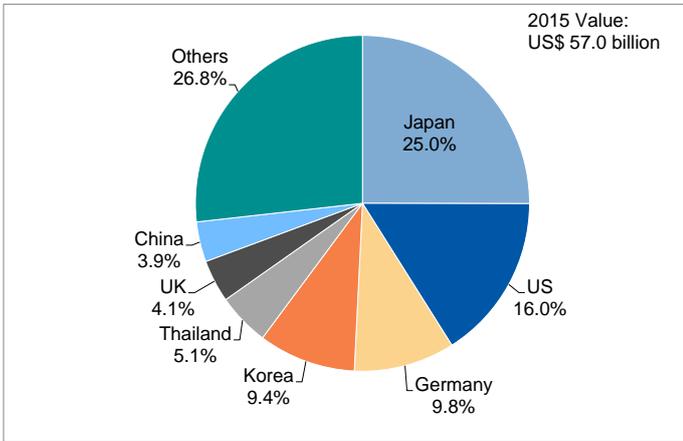
<sup>32</sup> Source: "Saudi Arabia – A Booming Market and New Auto Manufacturing Hub for the Middle East", US-Saudi Arabian Business Council

<sup>33</sup> Source: International Trade Center

population size, Saudi Arabia and the UAE are the leading importers, representing nearly three-fourth of the region's overall imports (see Exhibit 13). The share of these markets along with Qatar has increased in the range of 1-3 ppts, even as that of Oman declined by over 5 ppts during 2010-2015. Saudi Arabia – the largest importer of vehicles and automobile parts in the GCC – imported 1.1 million vehicles in 2015, registering a 9.2% y-o-y growth<sup>34</sup>. This growth was driven by an increasing demand for passenger vehicles.

**Exhibit 12: GCC Automotive Imports, by Source Country**

**Exhibit 13: GCC Automotive Imports Composition**



Source: International Trade Center

Source: International Trade Center

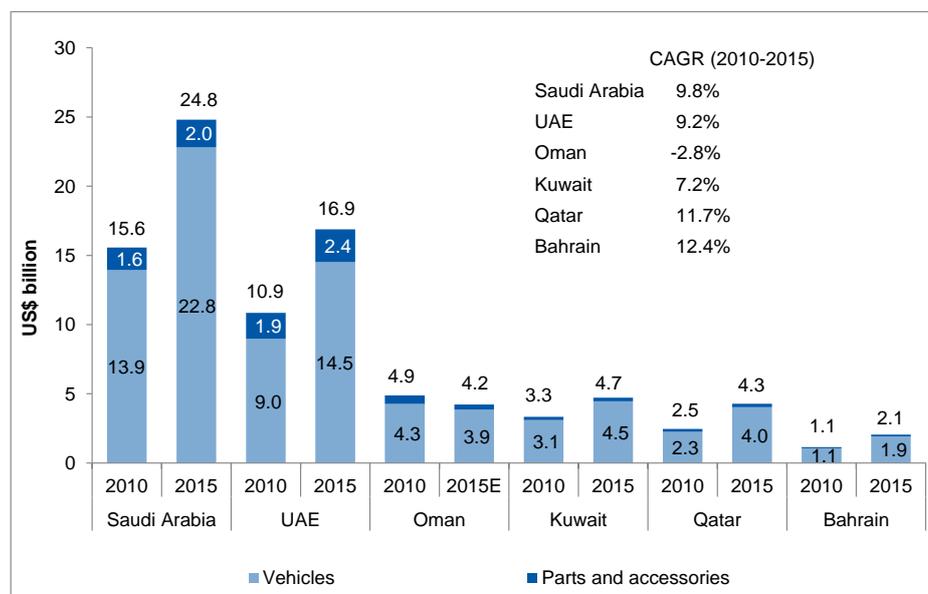
**Total value of imported vehicles in Saudi Arabia and the UAE has grown at a CAGR of above 9% in the last five years**

Total value of imported vehicles in Saudi Arabia in 2015 was US\$ 22.8 billion, while in the UAE it stood at US\$ 14.5 billion<sup>35</sup>. Import value of both these countries has grown at a CAGR of above 9% in the last five years (see Exhibit 14). Oman was an exception as its imports declined by more than 30% y-o-y in 2015, after registering annualized growth of over 7% from 2010.

<sup>34</sup> Source: "Saudi car imports rose 10% in 2015", Argam, May 31, 2016

<sup>35</sup> Source: International Trade Center

**Exhibit 14: Automotive Imports in the GCC, by Country**



Source: International Trade Center

Note: Automotive imports does not include motorcycles, bicycles, baby carriers, and related parts

**The UAE and Oman are considered to be major re-exporters of vehicles and spare parts to rest of the Middle East region**

**The UAE is the most vibrant automobile trade markets in the Middle East, within which the Emirate of Dubai acts as a major hub for trade**

In addition to importing for own consumption, the GCC countries also re-export vehicles and related parts. The UAE and Oman are considered to be major re-exporters of vehicles and spare parts to rest of the Middle East region. These countries conduct large re-export trade owing to their strategic location, logistics capabilities, business-friendly regulatory environment, large ports, and free zones. Re-exports of vehicles<sup>36</sup> from the UAE stood at AED 31.9 billion (US\$ 8.7 billion<sup>37</sup>) in 2015<sup>38</sup>. Oman reported vehicles, vessels, and aircraft re-exports of OMR 1.6 billion (US\$ 4.1 billion<sup>39</sup>) in 2015<sup>40</sup>. Typically, re-export trade represents more than 98% of the country's exports, bulk of which goes to the African markets. The ports of Sohar and Duqm are the major trade facilitators in the Sultanate.

The UAE is the most vibrant automobile trade markets in the Middle East. Within the country, the Emirate of Dubai acts as a major hub for trade. Direct trade of vehicles, vessels, and aircraft in Dubai amounted to AED 107.7 billion (US\$ 29.3 billion<sup>37</sup>) in 2015, accounting for over 13% of the Emirate's total direct trade value<sup>41</sup>. It included AED 76.6 billion (US\$ 20.9 billion) of imports and AED 30.0 billion (US\$ 8.2 billion) of re-exports. The free zones in the Emirate registered vehicles, vessels, and aircraft trade of AED 26.0 billion (US\$ 7.1 billion). Around 60% of the trade value was imports and nearly 40% re-exports. Automotive parts and accessories such as sedan tires, auto batteries, truck & bus tires, fuel filters, and clutches are a major component of the automotive trade in Dubai, with its trade value amounting to AED 40.5 billion (US\$ 11.0 billion) in 2015<sup>42</sup>.

The Jebel Ali Free Zone is the major center for automotive and spare parts business in Dubai. Advantages such as 100% foreign ownership and tax and duty exemptions have facilitated establishment of more than 620 automotive and spare parts companies in the

<sup>36</sup> Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof

<sup>37</sup> Converted using exchange rate of 0.272

<sup>38</sup> Source: "Foreign Trade 2015", Federal Competitiveness and Statistics Authority

<sup>39</sup> Converted using exchange rate of 2.589

<sup>40</sup> Source: National Center for Statistics and Information – Oman

<sup>41</sup> Source: Dubai Statistics Center

<sup>42</sup> Source: "Dubai's auto parts trade valued at AED40.5 billion in 2015", Dubai Customs, May 9, 2016

zone<sup>43</sup>. The free zone recorded vehicle and automobile parts trade worth US\$ 5 billion in 2015. The commencement of the under construction pan-Gulf rail network, that would link the Jebel Ali port to other major cities in the GCC through Etihad Rail, is likely to further bolster the trade activity. Another major automobile sector dedicated free zone in the Emirate is Dubai Cars and Automotive City Zone (DUCAMZ). Located in Ras Al Khor, DUCAMZ was established in 2000 with the purpose of re-exporting cars to the Asian and African regions.

Total trade value of transport vehicles in Abu Dhabi stood at AED 31.7 billion (US\$ 8.6 billion<sup>44</sup>) in 2015, 86% and 12% of which was imports and re-exports, respectively<sup>45</sup>. Compared to Dubai, Abu Dhabi has a small automotive trade market. Nevertheless, the city is witnessing new developments that are likely to provide an impetus to the market. ZonesCorp, the largest free zone developer in the Emirate, is developing an integrated automobile hub named Autocity as part of the government's strategic plans to develop the automotive sector. The hub would comprise light auto industries, vehicle assembly units, storage, and logistic facilities. Another major development includes construction of a steel foundry to produce automotive parts such as steep brake disks and brake calipers in the Khalifa Industrial Zone<sup>46</sup>. The parts will be used by the major brands like BMW, Volkswagen, and Mercedes. The project is being developed in three phases and will have an aggregate capacity of 300,000 metric tonnes per annum.

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<sup>43</sup> Source: "The driving force behind the growth of the UAE's automotive industry", Jebel Ali Free Zone Authority

<sup>44</sup> Converted using exchange rate of 0.272

<sup>45</sup> Source: Abu Dhabi Statistics Center

<sup>46</sup> Source: "Abu Dhabi to Export Auto Spare Parts", Khaleej Times, March 31, 2015

## 3. The GCC Automobile Industry Outlook

### 3.1 Forecasting Methodology

This report provides an outlook of the GCC automobile industry in terms of the number of passenger cars in use and new sales in each constituent country through 2020.

The factors considered for the projections include:

- Population and GDP (at current prices) from IMF (last updated October 2016)
- Historical passenger cars in use and new sales from OICA

The protracted slowdown in economic growth in the region due to low oil prices is having negative implications on the industry, which has largely experienced unhindered growth in recent past. To capture the impact of current economic slowdown, the new passenger car sales in the short-term have been projected using methodologies including extrapolation of H1 2016 data and GDP growth forecast in 2017. As the economic situation normalizes, demand in the industry is expected to be in line with its long-term linear trend. Subsequently, we have deployed regression analysis to forecast the new passenger car sales in the long-term, as the statistical technique has shown a strong correlation in the past ten years. Vehicles in use for each forecast year are a function of new sales, used-car imports and the vehicles going off-road.

Note: We have not considered commercial vehicles in our forecasts due to limited availability of reliable historical data.

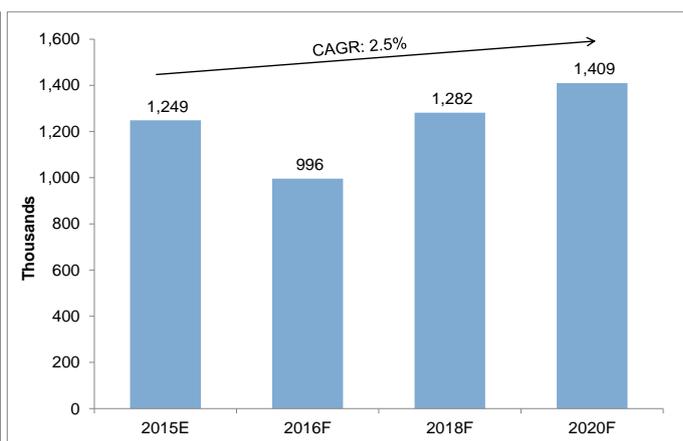
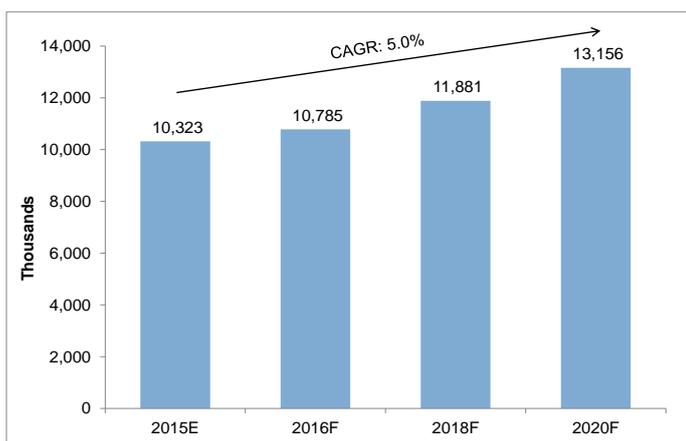
### 3.2 The GCC Automobile Industry Forecast

***New passenger car sales are projected at 1.4 million in 2020 compared to 1.2 million in 2015***

Number of passenger cars in use in the GCC is expected to grow at a 5.0% CAGR from an estimated 10.3 million in 2015 to 13.2 million in 2020 (see Exhibit 15). New passenger car sales are projected at 1.4 million in 2020, compared to 1.2 million in 2015. The anticipated growth is slower compared to that during last five years in view of the near-term softness in economic activity, as consumers tighten discretionary spending and delay buying new cars. Although new sales are expected to decline in 2016 and remain under pressure in 2017, they are likely to recover from 2018 as the economic environment stabilizes and creates pent-up demand. A rise in population coupled with demand from car rental or tourism agencies in view of increasing tourist arrivals is also expected to support new vehicles sales growth, going forward.

**Exhibit 15: Forecast of Passenger Cars in Use in the GCC**

**Exhibit 16: Forecast of New Passenger Car Sales in the GCC**



Source: OICA, IMF, Alpen Capital  
Note: E – Estimated; F – Forecasted

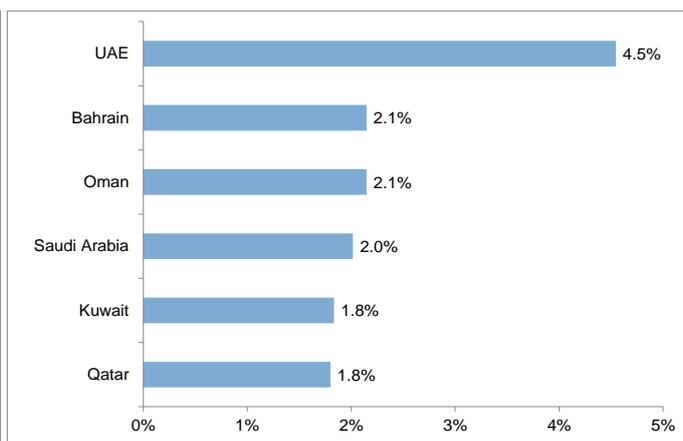
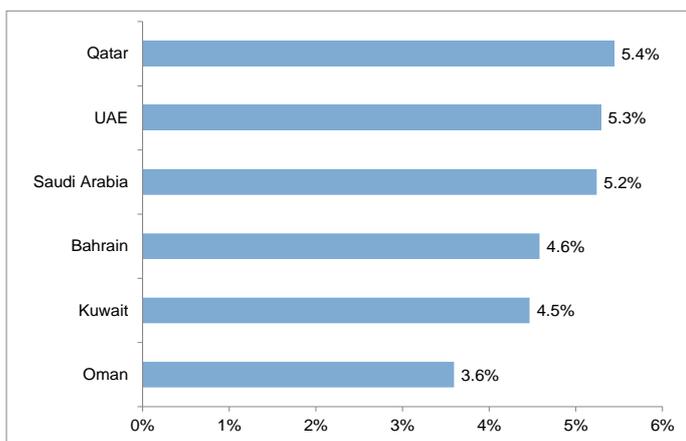
Source: OICA, IMF, Alpen Capital  
Note: E – Estimated; F – Forecasted

**Between 2015 and 2020, passenger cars in use in the GCC countries are anticipated to expand at annual average growth rates of 3.6%-5.4%**

Between 2015 and 2020, passenger cars in use in the GCC countries are anticipated to expand at annual average growth rates of 3.6%-5.4% (see Exhibit 17). Number of cars in use in Oman is expected to grow below the regional average in anticipation of a drop in new car sales in 2016 and slow recovery in the years to 2020. In line with the size of population, Saudi Arabia, UAE, and Kuwait collectively are expected to continue holding more than 75% of the region's passenger car fleet in 2020. With a relatively slower growth in cars in use, Oman's share is likely to drop during the forecast period. At the same time, Qatar is projected to overtake Oman to become the fifth largest automobile market in the GCC in terms of passenger cars in use, while the remaining countries maintain the status quo in ranking through 2020. During the forecasted period, the fastest growth in new passenger car sales is projected in the UAE (see Exhibit 18) in anticipation of rising population and tourist arrivals ahead of the World Expo 2020. Other counterparts are likely to exhibit an annualized growth of about 2% during 2015-2020.

**Exhibit 17: Country-wise Growth in Passenger Cars in Use (CAGR: 2015E – 2020F)**

**Exhibit 18: Country-wise Growth in New Passenger Car Sales (CAGR: 2015E – 2020F)**



Source: OICA, IMF, Alpen Capital  
Note: E – Estimated; F – Forecasted

Source: OICA, IMF, Alpen Capital  
Note: E – Estimated; F – Forecasted

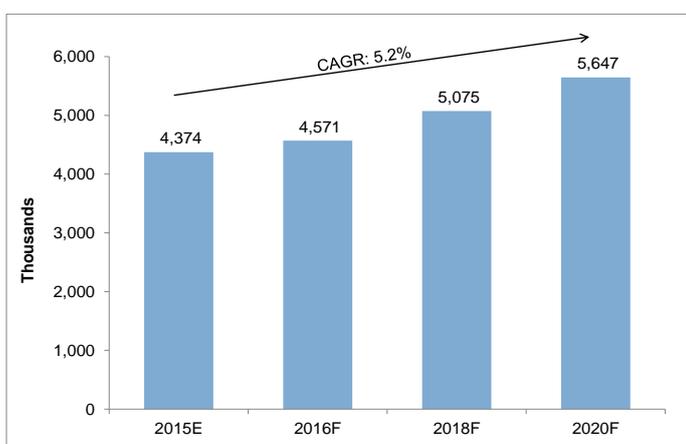
### 3.3 Country-wise Market Size Forecast

#### Saudi Arabia

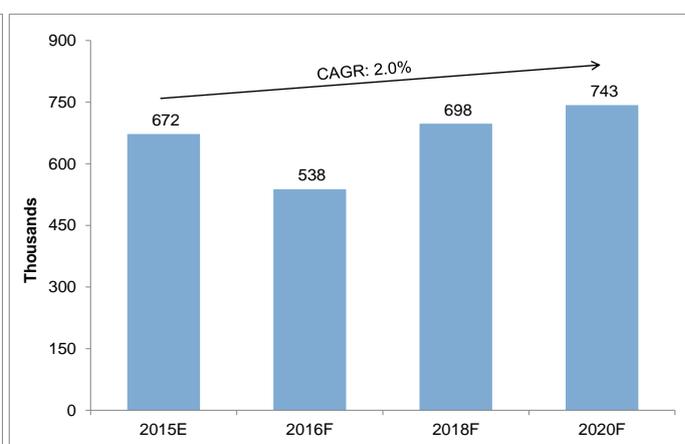
**New passenger car sales in Saudi Arabia is projected to reach nearly 743,000 in 2020, suggesting a CAGR of 2.0% from 2015**

Number of passenger cars in Saudi Arabia, the most populous nation in the GCC, is projected at 5.6 million in 2020, indicating an estimated annual average growth of 5.2% from 2015 (see Exhibit 19). The country is likely to continue holding its ranking as the largest market for passenger cars in the GCC, accounting for ~43% of cars in use in 2020. New car sales are likely to decline in 2016 and remain subdued in 2017, as consumers scale back new car purchases amid a weak economic environment and government austerity measures. Nevertheless, new car sales is likely to recover in 2018 and thereon grow at a stable pace to reach nearly 743,000 in 2020, suggesting a CAGR of 2.0% from 2015 (see Exhibit 20), in anticipation of a recovery in oil prices. This coupled with a growing consumer base, rising tourism, high rate of urbanization, and government incentives to strengthen the domestic automobile manufacturing activity is likely to lend impetus to the sector. The Kingdom – largest importer of vehicles and automotive parts – is expected to witness an addition of over 3 million people and a 4.8% annual average growth in tourist arrivals during 2015-2020<sup>47</sup>. The development of a national automotive cluster in the country with a target to produce 600,000 vehicles a year by 2025<sup>48</sup> is likely to cater to incremental demand from the growing consumer base.

**Exhibit 19: Forecast of Passenger Cars in Use**



**Exhibit 20: Forecast of New Passenger Car Sales**



Source: OICA, IMF, Alpen Capital  
Note: E – Estimated; F – Forecasted

Source: OICA, IMF, Alpen Capital  
Note: E – Estimated; F – Forecasted

#### UAE

**New passenger car sales in the UAE is expected to increase from 214,000 in 2015 to over 267,000 in 2020**

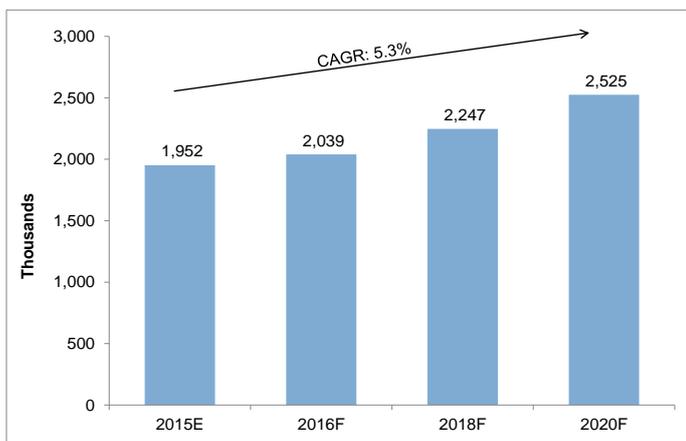
From an estimated 2.0 million in 2015, the number of passenger cars in use in the UAE is expected to expand at a 5.3% CAGR to reach 2.5 million in 2020 (see Exhibit 21). The country's share of the GCC passenger vehicle fleet is projected to reach 19.2% in 2020. A high disposable income, penchant for luxury cars, and availability of attractive financing options in the country would continue to drive demand for cars. The country conducts automotive trade on a large scale to meet its domestic demand and re-export to the Middle East and Africa region. The persistent economic slowdown and weakness in the re-export markets has led to piling up of inventory among automobile dealers in the country. In view of this, we expect demand for new cars to remain suppressed in the short-term.

<sup>47</sup> Source: IMF, "The GCC Hospitality Industry Report", Alpen Capital, August 23, 2016

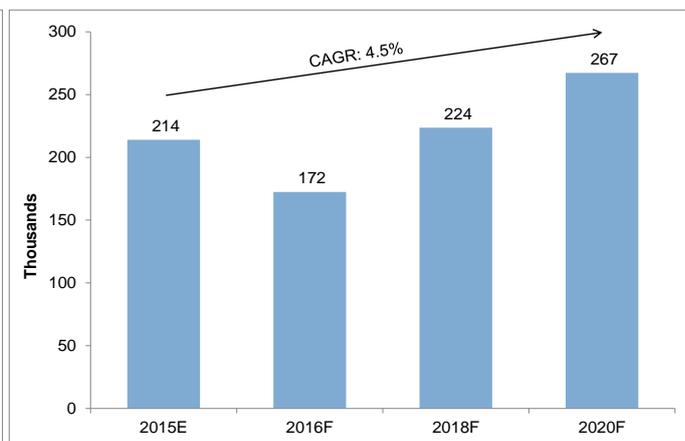
<sup>48</sup> Source: "Automotive Cluster – Industry Development", National Industrial Clusters Development Program

Nonetheless, the long-term outlook is promising driven by an anticipated increase in population and leisure as well as business travellers in light of the World Expo 2020. During 2015-2020, the country's population is projected to increase at an annual average of 2.9% and tourist arrivals by 7.0%<sup>49</sup>. Consequently, new car sales in the UAE are projected to grow at an annualized rate of 4.5% to over 267,000 in 2020 from an estimated 214,000 in 2015 (see Exhibit 22). As car sales continue to expand in the UAE, several automobile aftermarket providers and ancillary manufacturers are looking to establish presence in the country.

**Exhibit 21: Forecast of Passenger Cars in Use**



**Exhibit 22: Forecast of New Passenger Car Sales**



Source: OICA, IMF, Alpen Capital  
Note: E – Estimated; F – Forecasted

Source: OICA, IMF, Alpen Capital  
Note: E – Estimated; F – Forecasted

**New car sales in Kuwait are projected at over 136,000 in 2020, implying an annualized growth rate of 1.8% from 2015**

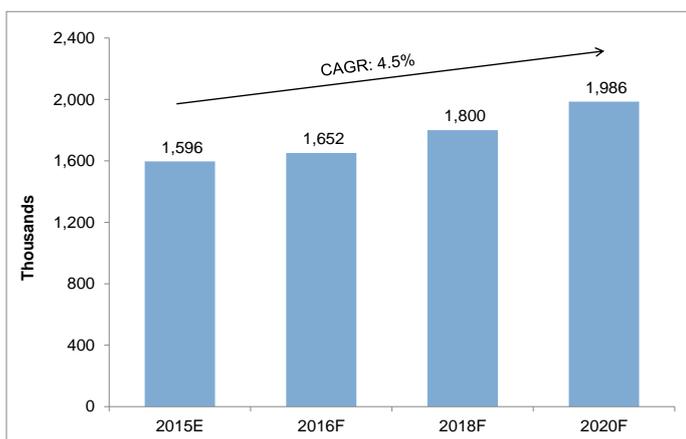
## Kuwait

Number of passenger cars in use in Kuwait is anticipated to reach nearly 2.0 million by 2020, translating into a 4.5% CAGR from 2015 (see Exhibit 23). The country is likely to represent 15.1% of total passenger car fleet in the GCC in 2020. After experiencing a slowdown in 2016 and 2017, new car sales are projected to reach over 136,000 in 2020, implying an annualized growth rate of 1.8% over 2015 (see Exhibit 24). The country's GDP per capita declined by over 30% y-o-y in 2015<sup>50</sup>, the largest drop within the GCC, due to its high dependency on oil revenue. This has affected consumer spending on high-value products such as cars. Nevertheless, rising population coupled with a revival of oil prices is likely to fuel demand for new cars in the long-term. Additionally, the Kuwaiti government investments in developing tourist attractions are likely to generate demand for new vehicles from car rental and travel companies in the country.

<sup>49</sup> Source: IMF, "The GCC Hospitality Industry Report", Alpen Capital, August 23, 2016

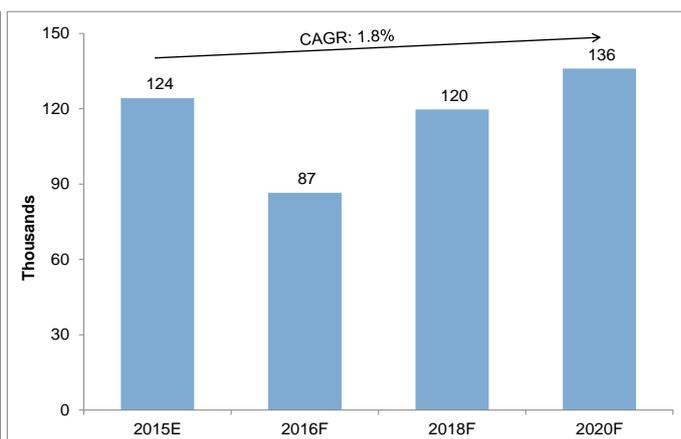
<sup>50</sup> Source: IMF

**Exhibit 23: Forecast of Passenger Cars in Use**



Source: OICA, IMF, Alpen Capital  
Note: E – Estimated; F – Forecasted

**Exhibit 24: Forecast of New Passenger Car Sales**



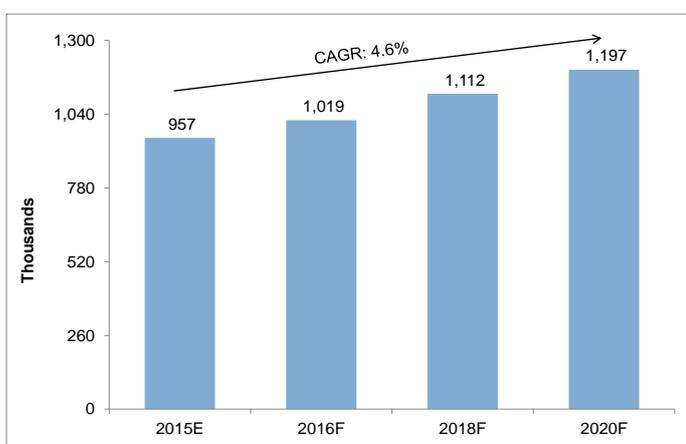
Source: OICA, IMF, Alpen Capital  
Note: E – Estimated; F – Forecasted

## Bahrain

### **New car sales in Bahrain is expected to reach over 53,000 units in 2020**

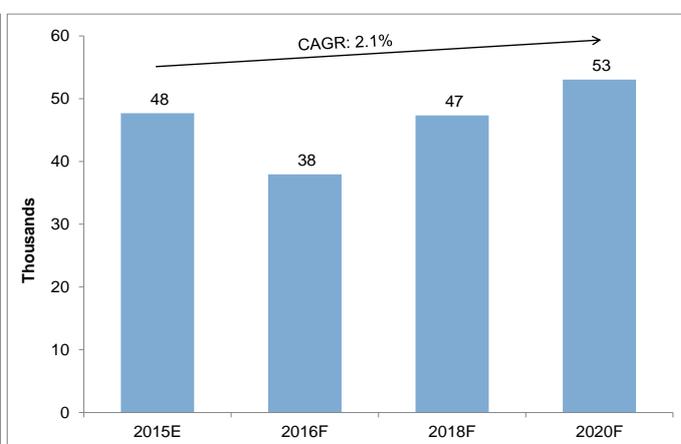
Passenger cars in use in Bahrain, having one of the highest motorization rates in the world, is projected to grow at an annualized rate of 4.6% to reach 1.2 million in 2020 from less than 1.0 million in 2015 (see Exhibit 25). The country's share of the GCC passenger cars market is forecasted to reach ~9% in 2020. New car sales in the country in 2016 is expected to drop by 20.4% y-o-y, but later on recover to over 53,000 units in 2020 (see Exhibit 26). The expectation of a 2.1% CAGR in new sales during 2015-2020 is on the back of increase in expatriates, tourists, and income levels. While population and per capita income are anticipated to grow at an annual average of ~2% during the forecasted period, tourist arrivals are projected to grow by 4.7%<sup>51</sup>.

**Exhibit 25: Forecast of Passenger Cars in Use**



Source: OICA, IMF, Alpen Capital  
Note: E – Estimated; F – Forecasted

**Exhibit 26: Forecast of New Passenger Car Sales**



Source: OICA, IMF, Alpen Capital  
Note: E – Estimated; F – Forecasted

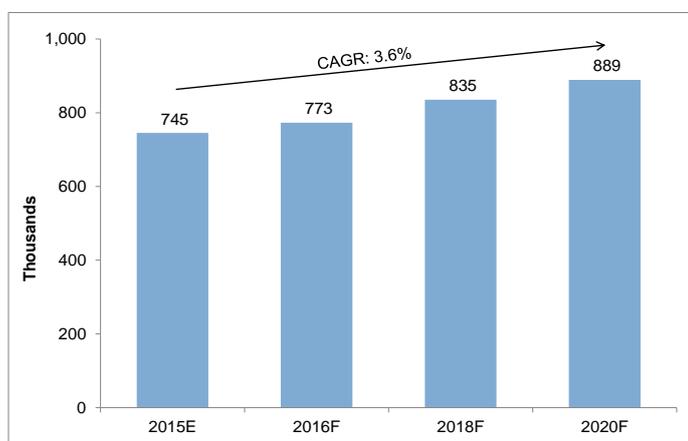
<sup>51</sup> IMF, "The GCC Hospitality Industry Report", Alpen Capital, August 23, 2016

## Oman

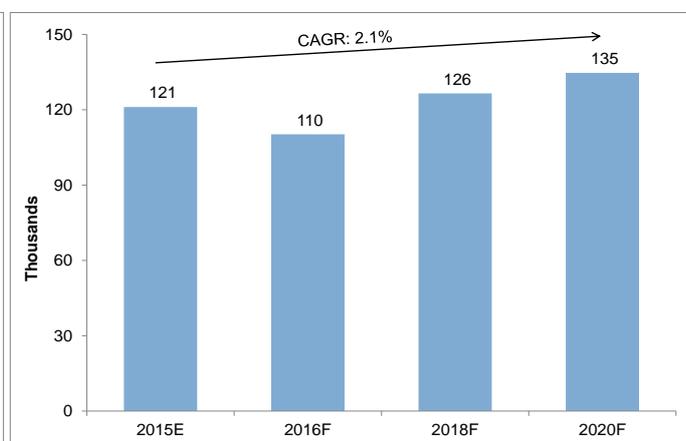
**New car sales in Oman are forecasted to reach nearly 135,000 units in 2020 from 121,100 in 2015**

Number of passenger cars in use in Oman is projected to reach over 889,000 in 2020, translating into a five-year CAGR of 3.6% (see Exhibit 27). The country has witnessed a drop in new passenger car sales in last couple of years due to the economic slowdown. This phenomenon is anticipated to continue in the short-term. Accordingly, Oman's share of the total GCC passenger cars in use is likely to drop from an estimated 7.2% in 2015 to 6.8% in 2020. However, growing population and tourist arrivals is likely to revive demand in the years to 2020. The Omani government's plan to develop various tourist spots and encourage private investments in development of tourism-related infrastructure is expected to increase international tourist arrivals by 6.3% CAGR during the forecasted period<sup>52</sup>. Consequently, new car sales in the country are forecasted to reach nearly 135,000 units in 2020 from 121,100 in 2015 (see Exhibit 28). Oman through its sovereign wealth fund has made over a couple of investments to develop local vehicle manufacturing landscape. Such investments are likely to strengthen the country's automobile sector, going forward.

**Exhibit 27: Forecast of Passenger Cars in Use**



**Exhibit 28: Forecast of New Passenger Car Sales**



Source: OICA, IMF, Alpen Capital  
Note: E – Estimated; F – Forecasted

Source: OICA, IMF, Alpen Capital  
Note: E – Estimated; F – Forecasted

## Qatar

**New car sales in Qatar are projected at nearly 76,000 units in 2020, indicating a CAGR of 1.8% from 2015**

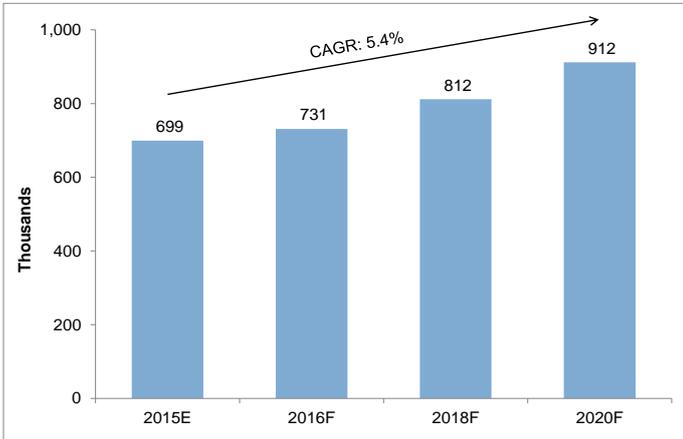
Number of passenger cars in use in Qatar is expected to reach nearly 912,000 units in 2020, registering the region's highest annualized growth of 5.4% from 2015 (see Exhibit 29). High urbanization rate and increasing number of affluent consumers have been propelling demand for different types of passenger cars. The country is likely to see a net addition of around 213,000 cars during the forecasted period. Number of passenger cars in use in Qatar is projected to account for ~7% of the GCC car fleet in 2020. New car sales are projected at nearly 76,000 units in 2020, indicating a CAGR of 1.8% from 2015 (see Exhibit 30). Like other countries, demand for new cars is anticipated to decline in 2016 and remain under pressure in 2017. Growth in the later years is likely to be supported by an expected increase in population and tourist arrivals in the build-up to the mega football event in 2022. The government is investing US\$ 200 billion on infrastructure projects to prepare itself for hosting the mega event<sup>53</sup>. Additionally, the government is developing National Museum of Qatar, beaches, shopping malls, and entertainment facilities to attract

<sup>52</sup> Source: IMF, "The GCC Hospitality Industry Report", Alpen Capital, August 23, 2016

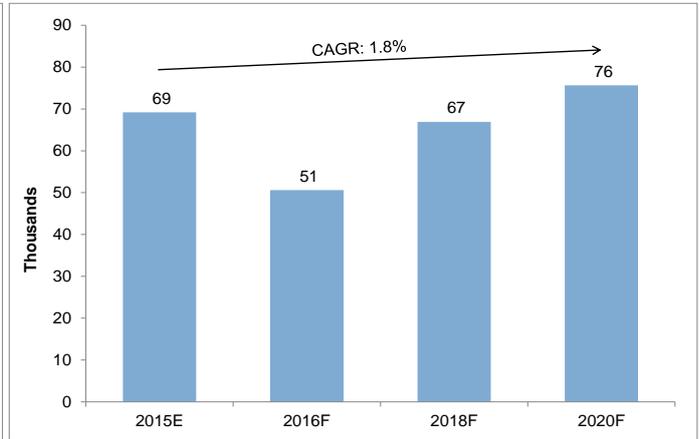
<sup>53</sup> Source: "Qatar shifts the goalposts on Fifa World Cup 2022 plans", The National, May 1, 2014

an estimated seven million tourists by 2030<sup>54</sup>. Such factors act as demand catalyst for vehicle sales in the country.

**Exhibit 29: Forecast of Passenger Cars in Use**



**Exhibit 30: Forecast of New Passenger Car Sales**



Source: OICA, IMF, Alpen Capital  
Note: E – Estimated; F – Forecasted

Source: OICA, IMF, Alpen Capital  
Note: E – Estimated; F – Forecasted

<sup>54</sup> Source: Qatar Tourism Authority

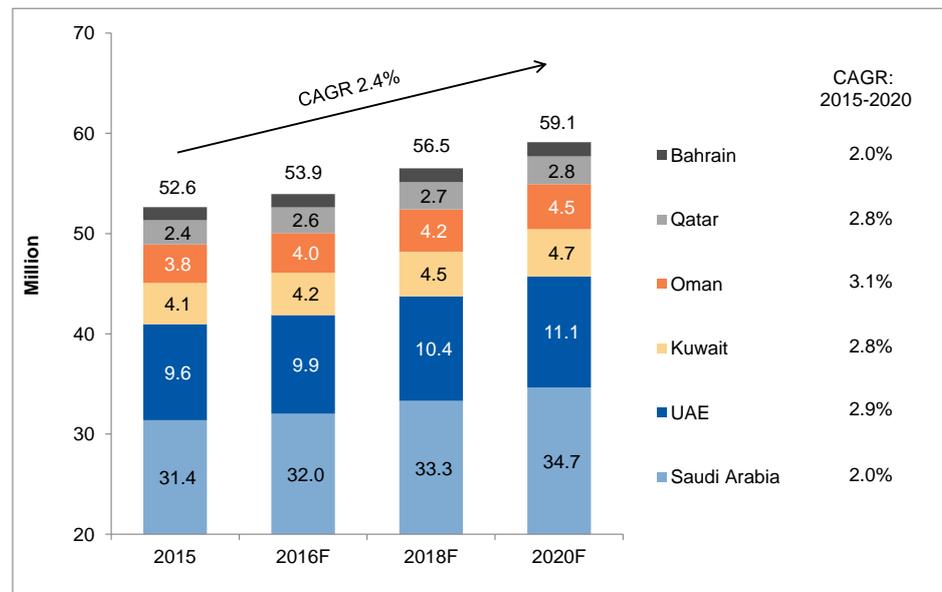
## 4. Growth Drivers

### Growing Population and High Rate of Urbanization

*An expanding population is likely to translate into higher demand for new as well as used vehicles and related parts in the region*

The GCC population is expected to increase at an annual average growth rate of 2.4% between 2015 and 2020 (see Exhibit 31). An expanding consumer base is likely to translate into higher demand for new as well as used vehicles and related parts in the region. The GCC nations are also highly urbanized with about 89% of the overall population living in urban areas in 2015<sup>55</sup>. High urbanization has promoted growth in trade and business activities, thus creating demand for vehicles. The already high rate of urbanization is only set to increase in the coming years<sup>56</sup>, as the governments are rolling out initiatives to develop smart cities that would enhance the quality of life and stimulate economic activities.

**Exhibit 31: GCC Population Forecast**



Source: IMF, October 2016

Note: F – Forecast

### Increasing Disposable Income

*Over the years, the GCC region's economy has emerged as one of the richest and fastest growing in the world, largely owing to oil exports and increasing non-oil revenue*

In addition to the size, the wealth of the population also tends to have a large influence on the demand for vehicles. Between 2010 and 2015, total vehicles in use in the GCC have moved almost in tandem with the GDP per capita (see Exhibit 32). Over the years, the GCC region's economy has emerged as one of the richest and fastest growing in the world, largely owing to its proven oil reserves and increasing non-oil revenue. Saudi Arabia, Qatar, and Kuwait earn more than 85% of their revenue from oil and gas exports<sup>57</sup>. On the other hand, the rest of GCC members have a growing and higher proportion of non-oil revenue with focus on manufacturing and services industries and infrastructure developments. Although the fall in oil prices has affected the GCC economy, it is projected

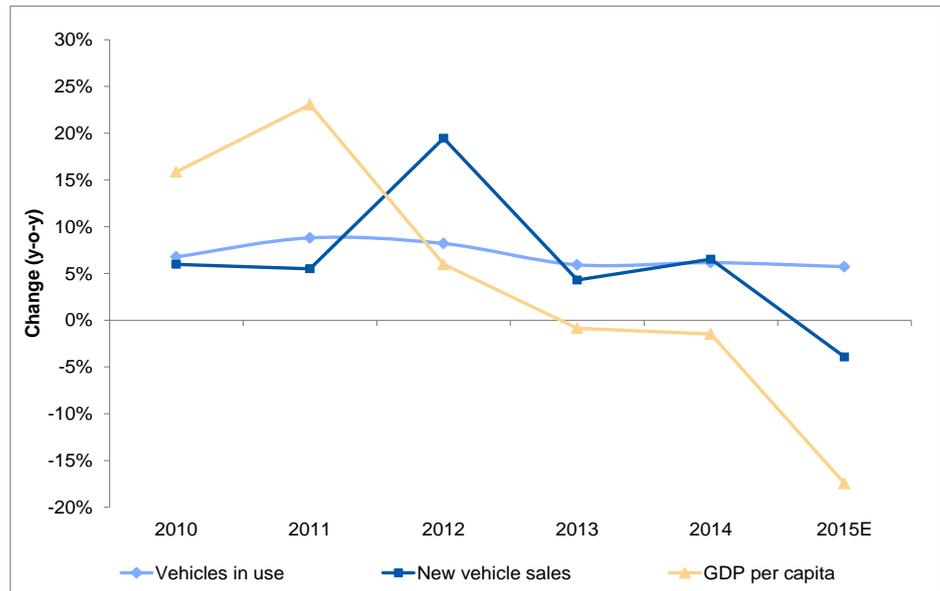
<sup>55</sup> Source: World Bank

<sup>56</sup> Source: "World Urbanization Prospects 2014 revision", United Nations

<sup>57</sup> Source: "Oil's Fall Is a Challenge for Gulf Economies, but Also an Opportunity", Harvard Business Review, March 7, 2016

to grow over the long-term in anticipation of the recovery in oil prices and successful revenue diversification measures. Despite the projection of a decline in real GDP in 2016, it is forecasted to improve and remain almost steady in the member nations in the range of 2% to 4% from 2017 to 2020<sup>58</sup>. GDP of the UAE, Qatar, and Kuwait is anticipated to rise at a faster rate than the regional average. Personal income levels of the population are directly correlated to economic growth. Hence, a growing economy is likely to translate into increase in disposable income. Moreover, a tax-free fiscal environment has supported discretionary spending.

**Exhibit 32: Trend in Growth of GDP vis-à-vis Vehicles in Use and New Sales**



Source: IMF, October 2016

**With a high degree of spending power, the affluent people in the GCC have a penchant for high-value products such as cars**

The Middle East, represented largely by the GCC countries, is home to many high net worth individuals. The wealth of the affluent section of the society has grown at a CAGR of 5.7% from 2006 to reach US\$ 2.3 trillion in 2015 and is expected to grow further at an annualized rate of 6.7% to US\$ 4.4 trillion by 2025<sup>59</sup>. With a high degree of spending power, they have a penchant for high-value products such as cars. Global automakers of luxury as well as mid-segment cars are expanding their presence in the region to lure the wealthy class.

### Low Cost of Ownership

**Purchase of cars in the GCC is relatively inexpensive compared to other countries globally**

Purchase of cars in the GCC is relatively inexpensive compared to other countries globally due to favorable tax structure with no value added tax, luxury tax, and special consumption tax<sup>60</sup>. The price of the world's largest selling vehicle, Toyota Corolla, in the GCC averaged at US\$ 16,341<sup>61</sup> (see Exhibit 33). The vehicle price is 30%-35% lower than that in Germany and Hong Kong and substantially below the price in Singapore. Vehicles in Singapore are very expensive mainly due to high fees for Certificate of Entitlement, a levy

<sup>58</sup> Source: "WEO Database", IMF, October 2016

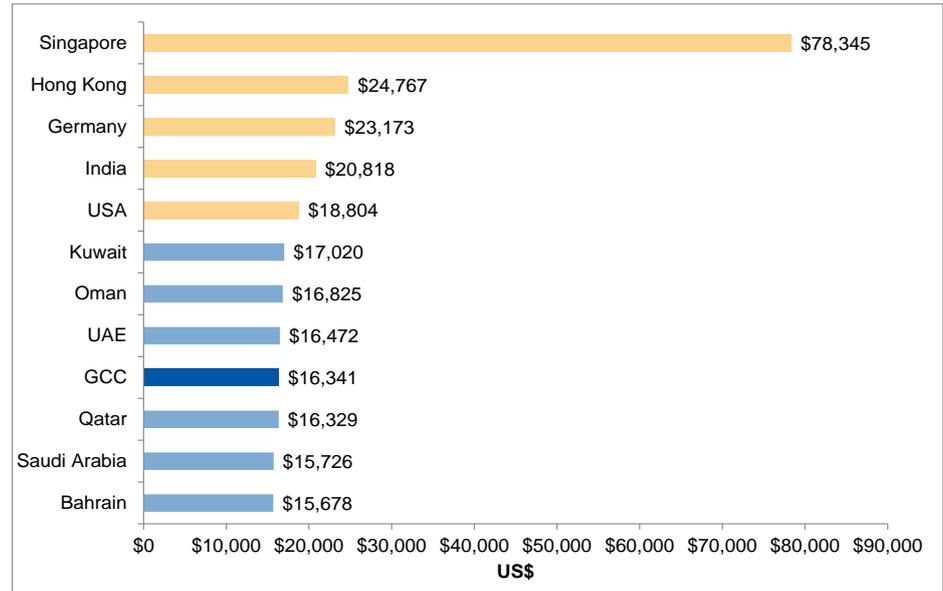
<sup>59</sup> Source: "World Wealth Report", Capgemini, 2016

<sup>60</sup> Source: "U.S. Commercial Service Automotive Resource Guide", Auto Care Association, 2014

<sup>61</sup> Source: "The top 10 best-selling vehicles in the world", Driving, February 13, 2016; Toyota websites in US, Germany, Singapore, India, and Hong Kong; Drive Arabia; Alpen Capital

charged by the government for the right to own a vehicle and use the limited road space for 10 years. Low cost of owning a vehicle in the GCC countries alongside availability of fuel, insurance, and finance at competitive rates has supported demand for cars.

### Exhibit 33: Global Retail Prices of Toyota Corolla



Source: Toyota websites in the US, Germany, Singapore, India, and Hong Kong; Drive Arabia

Note: The above prices are of different variants of Toyota Corolla in the respective countries as on November 9, 2016

**Large proven crude oil reserves have enabled the member countries to offer fuel at subsidized rates**

One of the key drivers of the automobile industry in the GCC is availability of low-cost fuel. Large proven crude oil reserves have enabled the member countries to offer fuel at subsidized rates. Although these oil-based economies have recently resorted to raising energy prices in a bid to reduce subsidies, the cost of fuel is still much below the global average. The effective base price of fuel in several countries globally is high due to certain factors such as levy of a series of taxes related to road improvements and environmental programs. Absence of such taxes has kept the base price low in the GCC countries. The average price of gasoline in the GCC countries on October 10, 2016 ranged between at US\$ 0.24 to US\$ 0.46 per liter<sup>62</sup>. The highest price was in the UAE and Oman, still lesser than Germany and the UK by 35% and that in Hong Kong by 25%.

**The easy availability of attractive finance options also supports the demand for vehicles**

### Affordable Financing

The residents of the GCC region have access to attractive financing options at low interest rates provided by many leading banks. Car loans in the UAE are being provided at flat interest rates as low as 1.5%, with repayment periods of a maximum of six years<sup>63</sup>. Every year during the holy month of Ramadan, many dealers in collaboration with the banks offer interest-free finance on selected models. During the month, several banks offer several 0% finance options on purchase of selected vehicle models. The easy availability of

<sup>62</sup> Source: Global Petrol Prices, October 10, 2016

<sup>63</sup> Source: "Car buyer's market this holy month", Gulf News, June 22, 2015

attractive finance options also supports the demand for vehicles. The GCC countries barring Oman and Qatar, hiked their interest rates, following the increase in rates by the US Federal Reserve System in December 2015<sup>64</sup>. Nevertheless, the banks are unlikely to increase lending rates much in view of competition.

### Public Transport System Still Under Development Phase

Earlier infrastructure developments in the GCC were focused mainly on roads and ports, as most of the economic growth was driven by oil and petrochemical exports. With greater economic diversification and rising expatriate population, the need for advanced national as well as regional infrastructure such as metro, rail, bus, etc. has become inevitable. The present capacity of public transport is not enough to meet the growing transportation needs, even though efforts are being made to improve the national connectivity. The UAE has relatively well-developed public transport network, but the other member nations have a larger room for strengthening the national connectivity. A public transport system still under development phase in the GCC has remained an important driver of vehicle sales. Increasing road congestions are a testament to the dependency on motor vehicles in the region. In view of this, the GCC countries have scaled up investments to enhance national as well as regional connectivity by developing rail and metro systems. However, commencement of these networks is likely to take time, thus keeping up the demand for cars.

*The present capacity of public transport is not enough to meet the growing transportation needs*

### Aggressive Promotional Activities

Automobile dealers in the Gulf come up with several promotional activities including discounts and freebies to lure car buyers during Ramadan, Eid al-Adha, Christmas, New Year, Dubai Shopping Festival, and similar festivals / events during the year. In fact, several consumers wait for such periods to buy vehicles and avail the attractive offers. In addition to discounts, the dealers are focused more on providing value-adds in the form of free registration, free insurance for one or more years, extended warranties, roadside assistance, free accessories, and time-specific complimentary service or maintenance packages, among others. Almost every automobile dealer in the region announces a range of promotional offers during the month of Ramadan. Such seasonal campaigns would continue to boost vehicle sales in the region.

*Automobile dealers in the Gulf come up with several promotional activities including discounts and freebies to lure car buyers*

### Substantial Infrastructure Developments

Rising urbanization and robust government plans to create jobs and focus on non-oil revenue has led to significant investments in infrastructure projects across the GCC. Several transport, logistics, housing, hospitality, and entertainment projects are in various stages of construction. As of July 2016, infrastructure projects worth US\$ 407.9 billion were in various stages of construction in the region<sup>65</sup>. Nearly 78% of these projects were in Saudi Arabia, the UAE, and Qatar. A spate of projects related to construction of tourist attraction, hotels, convention centers, and stadiums, among others are underway in the UAE and Qatar as they prepare themselves to host the mega events of World Expo 2020 and FIFA World Cup 2022, respectively. Some of the other noteworthy projects under construction in the region include Madina Metro in Saudi Arabia (cost of construction is estimated at US\$ 8.0 billion), Midfield Terminal Building in the UAE (US\$ 3.6 billion), the

<sup>64</sup> Source: "Cost of borrowings on the rise across the GCC", Gulf News, October 19, 2016

<sup>65</sup> Source: "GCC Infrastructure Market Outlook 2016", BNC Network, July 2016

**The ongoing infrastructure developments are likely to accelerate demand for trucks and other heavy vehicles for use in the construction and logistics activities**

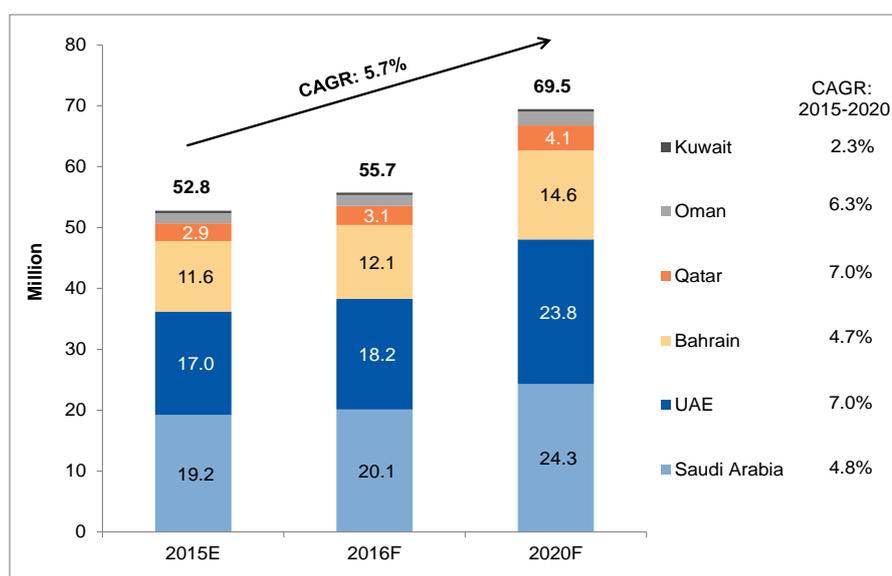
**Tourist arrivals in the GCC are anticipated to grow at an annualized rate of 5.7% between 2015 and 2020**

Gold Line Underground Doha Metro Network in Qatar (US\$ 3.5 billion), and Kuwait National Railway Network (US\$ 10.0 billion). While decline in oil prices has affected fiscal budgets of the GCC countries, governments are increasingly encouraging private sector investments to support the execution of planned infrastructure projects. The ongoing developments are likely to accelerate demand for trucks and other heavy vehicles for use in the construction and logistics activities.

### Flourishing Car Rental Business

The car rental market in the GCC is abuzz with growing tourist arrivals. The region attracts several tourists to its religious cities, sporting events, shopping festivals, recreational activities, and MICE events, among others. The member nations are taking concrete steps to develop their tourism industry as a part of their revenue diversification strategy. Consequently, international tourist arrivals in the region have grown at a CAGR of 8.2% from 2010 to nearly 53 million in 2015<sup>66</sup>. Tourist arrivals are anticipated to grow further at an annualized rate of 5.7% until 2020 (see Exhibit 34). Growth is likely to be largely driven by expansion of two major mosques and relaxation of visa norms in Saudi Arabia and development of tourist attractions in the UAE and Qatar ahead of their mega events. The tourism industry is also set to receive a fillip from the plan to launch a unified visa program, which will enable travel across the region on a single-entry visa valid for a month or a multiple-entry visa valid for a year<sup>67</sup>.

**Exhibit 34: International Tourist Arrivals in the GCC**



Source: GCC Hospitality Industry Report – Alpen Capital – August 23, 2016

Note: E – Estimate, F – Forecast

**The expected rise in tourist inflow is likely to stimulate demand for vehicles from car rental and travel companies**

The expected rise in tourist arrivals is likely to stimulate demand for vehicles from car rental and travel companies. Car rental companies in the UAE such as Shift Car Rental, part of AW Rostamani Group, and Fast Rent A Car, part of Emirates National Group, have announced strong expansion plans with investments of AED 400 million (US\$ 108.8 million<sup>68</sup>) and AED 60 million (US\$ 16.3 million), respectively<sup>69</sup>. Such expansion activity is

<sup>66</sup> Source: "GCC Hospitality Industry", Alpen Capital, August 23, 2016

<sup>67</sup> Source: "GCC single visa to boost tourism", Saudi Gazette, May 2, 2016

<sup>68</sup> Converted at exchange rate of 0.272



likely to bolster demand for new vehicles. The car rental market in the UAE is projected to grow swiftly at an annual average of 25% through 2020<sup>70</sup>. On the other hand, the car rental market in Saudi Arabia, the largest and most mature in the Middle East, grew at a steady pace of less than 1% during 2010-2015 and is expected to reach US\$ 745 million in 2020<sup>71</sup>.

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<sup>69</sup> Source: "AW Rostamani Group's car rental unit to invest Dhs 400m in expansion", Gulf Business, August 9, 2015; "Expo 2020' to fuel car rental industry in UAE", The Gulf Time Emirates Business, March 15, 2016

<sup>70</sup> Source: "Expo 2020' to fuel car rental industry in UAE", The Gulf Time Emirates Business, March 15, 2016

<sup>71</sup> Source: "Saudi Arabia Car Rental and Vehicle Leasing Market is Expected to Reach to USD 745 million by 2020", Ken Research, August 1, 2016

## 5. Challenges

### Repercussions of Economic Slowdown

*Economic slowdown coupled with the government-induced tightening measures are affecting the overall consumer sentiments and spending in the GCC*

The persistent softness in oil prices since mid-2014 has significantly impacted the largely oil-dependent GCC economies and widened their fiscal deficits to an all-time high. IMF has forecasted fiscal deficit for the region at 12.3% of GDP in 2016<sup>72</sup>. As public finances come increasingly under pressure, the member nations are thinking to implement tax reforms for levying corporate taxes and VAT, among others in order to shore up their fiscal revenue<sup>73</sup>. At the same time, subsidy cuts and other austerity measures are being announced to trim down expenditure. Some government directives are precisely targeted at the automobile sector. For instance, the Saudi Finance Ministry directed the government agencies in October 2015 to freeze spending on purchase of new cars<sup>74</sup>. Economic slowdown coupled with the government-induced tightening measures, also ensuing into job losses and pay cuts particularly in the energy and construction sectors, are affecting the overall consumer sentiments and spending in the GCC.

The challenging macroeconomic environment is having an adverse impact on automobile sales in the region. All the countries, barring Saudi Arabia, witnessed a drop in new vehicle sales during 2015. However, Saudi Arabia could not remain insulated for too long and new vehicle sales in the country dropped 19.3% y-o-y during the first half of 2016<sup>75</sup>. The slowdown has also led to a change in demand pattern, resulting into excessive inventory among the dealers. For an instance, dealers in the UAE who mainly cater to re-export markets are witnessing piling up of car inventory due to weak demand from the larger Middle East and Africa region<sup>76</sup>. In view of this, car dealers are likely to slash prices to lure buyers.

### Deregulation of Fuel Prices

*The deregulation of petrol prices amid a sluggish economic environment is likely to negatively impact the demand for high-powered vehicles*

Fuel price reforms are a part of the broader program of the GCC governments on subsidy cuts. The UAE was the first member nation to deregulate the price of transport fuel by linking it to international market prices in August 2015<sup>77</sup>. Consequently, prices of petrol in the country increased by 24%<sup>78</sup>. Saudi Arabia, Bahrain, Qatar, and Oman followed suit by raising petrol prices by up to 50% during December 2015-January 2016<sup>79</sup>. The increase in prices of petrol amid a sluggish economic environment is likely to negatively influence the demand for vehicles.

### Implementation of VAT

The GCC governments are likely to introduce VAT at a uniform rate of 5% by January 1, 2018<sup>80</sup>. Although the proposed rate is not significantly high, it is expected to have a negative influence on automobile sales volumes as effective sales prices rise. Sales of high-value luxury cars could bear the biggest impact. In a survey conducted amongst financial and investment professionals in the UAE, 79% felt that the automobile industry will be the most affected by the introduction of VAT<sup>81</sup>. In addition to VAT, the IMF has

<sup>72</sup> Source: "Middle East and Central Asia – Regional Economic Outlook", IMF, April 2016

<sup>73</sup> Source: "Income tax: Will you leave GCC?", AME info, June 8, 2016

<sup>74</sup> Source: "Saudi Arabia Halts Government Spending Due To Oil Price Fall", Oilprice.com, October 9, 2015

<sup>75</sup> Source: "Emirates vehicles sales collapsed in the first half 2016", Focus2move, September 6, 2016

<sup>76</sup> Source: "Unsold inventory piles up for some UAE auto dealers", Gulf News, May 2, 2016

<sup>77</sup> Source: "Impact of fuel subsidy reforms marginal on GCC public finances", Zawya, February 21, 2016

<sup>78</sup> Source: "Diesel Prices Decreased by 29% and Gasoline increased by 24%", Dubai PR Network, August 2, 2015

<sup>79</sup> Source: "Gulf states seen to post deficits in 2016", Pressreader, March 24, 2016

<sup>80</sup> Source: "GCC nations on 'tight timeline' to prepare for VAT implementation", Gulf Times, June 22, 2016

<sup>81</sup> Source: "Luxury goods and car sales could bear brunt of VAT", Gulf News, June 6, 2016

suggested that the GCC governments to consider implementation of excise duty on various items, including cars<sup>82</sup>. For the UAE, it has proposed a 15% excise duty on cars<sup>83</sup>.

Notwithstanding the imminent rise in vehicle prices and resultant pressure on sales volumes, the automobile industry may seek partial relief from the fact that discerning consumers may line up to purchase cars before the new levies take effect.

## High Competition

*The intensity of competition has resulted in price sensitivity and low brand loyalty among end-consumers*

Presence of a large number of dealers makes the GCC automobile market highly competitive. Several dealerships in the region are part of diversified local business groups having a strong recognition in the market. Existence of almost all international vehicle brands in different variants and segments has left customers with a wide array of choices. The intensity of competition has resulted in price sensitivity and low brand loyalty among end-consumers. The entry of Chinese brands and their frequent new launches in the last few years have only enhanced the degree of competition.

A competitive market has driven dealers to constantly focus on offering innovative and value-for-money products and develop effective marketing campaigns. On the other hand, the authorized automobile dealers have to adhere to certain specifications stated by the principal / automaker in terms of the design, size, and location of showrooms and service centers. This adds to the operating costs of the dealers. Existence of a thriving used-car market is also adding to the competitive pressures on new automobile dealers in the region. The GCC region is witnessing restructuring and downsizing of workforce, especially in the energy and construction sectors. Amid such a scenario, the supply of used cars is increasing as many expatriates are selling off their vehicles as they move to other countries. In view of the challenging market environment, dealers and distributors in the region are increasing promotional offers and discounts on new vehicles.

## Exchange Rate Fluctuations

*Being the largest source market for vehicle imports, strengthening of Japanese Yen is likely to make imports costlier for the GCC countries*

Currencies of most of the GCC member nations are pegged to the US Dollar. Subsequently, significant fluctuations in exchange rates between the US Dollar and currencies of the major vehicle exporting nations to the region can influence automobile prices in the GCC. The Japanese Yen has appreciated nearly 16% against the US Dollar since the beginning of this year<sup>84</sup>. Being the largest source market for vehicle imports, strengthening of Yen is likely to make imports costlier for the GCC countries at a time when the region is already grappling with economic challenges. Similarly, appreciation of Euro or the Korean Won can have an adverse impact on the GCC vehicle imports.

## Reputational Issues of Car Manufacturers

*Recall of vehicles because of certain manufacturing issues can affect the brand loyalty and reputation of automakers and hence sales*

Recall of vehicles because of certain manufacturing issues can affect the brand loyalty and reputation of automakers and hence the sales. There have been many instances of vehicle recalls in the past, however, most of the times manufacturers in collaboration with the dealers handle recalls appropriately by scheduling maintenance visits. Since 2008 to 2015, more than ten automakers have recalled millions of vehicles globally, owing to defective

<sup>82</sup> Source: "IMF asks for VAT, income and property tax", Khaleej Times, May 1, 2016

<sup>83</sup> Source: "UAE should introduce VAT, tax on cars, says IMF", Arabian Business, August 10, 2015

<sup>84</sup> Source: Bloomberg

***Authorized car dealers in the UAE are facing the heat from grey imports, which in certain cases affects the dealer's volumes by around 20%***

***In the GCC automobile sector, certain government regulations act as barriers to entry***

***A limited pool of local talent, alongside the increasing emphasis on nationalization of jobs, is creating challenges for the region's automobile industry***

airbags manufactured by Japan-based Takata Corp.<sup>85</sup>. In view of this, the authorized dealers of such brands in the GCC ran campaigns to provide repair and follow-up maintenance services to the customers. Another example of recall is by some luxury car brands, which recalled over 93,500 cars and SUVs globally due to fuel leak problems<sup>86</sup>. In case of occasions where recalls happen on a large scale coupled with reports on injury or death, the brand reputation and thereby sales take a hit.

## Grey Imports

In addition to imports via regional distributors, vehicles are being imported in the GCC through other channels. The UAE in particular has witnessed an increase in grey imports, which are sourced largely from the US, Europe, and Japan<sup>87</sup>. The main drivers behind grey imports are availability of new cars from second hand dealers at a low price, access to new models that are not offered in the country, and dealers in other countries looking to offload their unsold inventory. Grey imports can either be done by an individual directly by fulfilling custom procedures or can be bought from dealers specialized in importing and selling grey imports. Such dealers are present in the UAE in the Al Awir Used Car Complex in Dubai. Authorized car dealers in the UAE are facing the heat from grey imports, which in certain cases affects the dealer's volumes by around 20%<sup>88</sup>.

## Barriers to Entry

In the GCC automobile sector, certain government regulations act as barriers to entry. As per the UAE Commercial Agencies Law, there can only be one dealer per car manufacturer in each Emirate<sup>89</sup>. Moreover, commercial agents should be nationals or companies registered in the UAE and owned entirely by the locals. Most of the countries in the Middle East have a commercial agency law to protect their local agents. However, Oman, Kuwait, and Qatar have recently amended their agency laws allowing principals to appoint more than one agent<sup>90</sup>. Removal of such restrictions is likely to encourage competition.

## Shortage of Skilled Workforce and Growing Nationalization of Jobs

The GCC region faces a shortage of skilled workforce across various sectors, mainly as the education system is yet to align itself with the requirements in the globalized job market. A limited pool of local talent, alongside the increasing emphasis on nationalization of jobs, is posing a challenge for the region's automobile industry. As countries like Saudi Arabia, the UAE, and Oman witness investments in automobile manufacturing, the requirement for skilled and trained technicians is set to increase. Inability to hire employees with the right experience and skills could limit the growth of the sector. On the other hand, Saudi Arabia is planning to increase nationalization of jobs in the automobile sector to 100% by 2017<sup>91</sup>. Presently, only 50% of the sales representatives in the

<sup>85</sup> Source: "Timeline: Takata air bag recalls", Reuters, May 19, 2015

<sup>86</sup> Source: "Volkswagen, Audi, Porsche issue recalls", Emirates 24/7, January 29, 2015

<sup>87</sup> Source: "Grey imports thrive in the UAE's motoring marketplace", The National, March 19, 2015

<sup>88</sup> Source: "UAE's auto market sees flare up in grey imports", Gulf News, March 24, 2014

<sup>89</sup> Source: "Commercial Agency", UAE Interact; "Buying a New Car in Dubai as an Expat", Living in Dubai, August 11, 2015

<sup>90</sup> Source: "Recent Changes to Commercial Agency Laws in Oman, Kuwait and Qatar", Amereller, November 8, 2016

<sup>91</sup> Source: "Automobile sector to be nationalized after Hajj", Zawya, August 10, 2016

automobile sector in the Kingdom are nationals. Saudization of jobs will be applicable in dealers' offices, car showrooms, and car rental outlets. There is no mention on nationalization of jobs at the manufacturing units yet. A limitation on hiring expatriates means a reduced pool of prospective skilled employees. Moreover, complete nationalization of workforce is likely to inflate expenses of dealers, as they will have to pay more to hire and retain local citizens. Oman also perceives a shortage of specialized Omani technicians, while the country is focusing on developing the local automobile manufacturing. The countries have established training institutes to provide more technicians for the automobile industry. One such institute is the Saudi Japanese Automobile High Institute, established in 2002, to provide automobile-related vocational training. Leading vehicle dealers in Oman formed the National Automotive Higher Institute in June 2015 to help locals pursue a career in automobiles<sup>92</sup>.

### Regulations to Reduce Carbon Emissions

Rising environmental concerns over global warming are leading to imposition of stricter regulations on greenhouse gas emissions and promotion of alternative fuel technologies in the GCC. With motor vehicles seen as a significant contributor to air pollution, the countries are considering a slew of measures for the sector. In November 2014, Saudi Arabia introduced fuel economy standards based on the US Corporate Average Fuel Economy (CAFE)<sup>93</sup>. The standards are being implemented in a phased manner starting January 1, 2016 up to December 31, 2020 and will be applicable to all light vehicles, new or used and imported or manufactured. Similarly, the Emirates Authority for Standardisation and Metrology is set to introduce a few regulations in 2017 to lower carbon emissions in the UAE<sup>94</sup>. Under the proposed norms, car manufacturers will be penalized for selling vehicles above the average fuel economy standard and registration fees on vehicles with high emission levels will be increased<sup>95</sup>. Another regulatory norm is the anticipated implementation of the Euro IV emissions standards for heavy duty vehicles in the GCC. High research and development costs associated with the Euro IV technology is likely to add to automakers' cost making the vehicles more expensive to the buyers. In case the automakers are not able to pass the net increase in cost to consumers, then the margins of manufacturers and retailers are likely to be affected. Although the implementation of the Euro IV emissions standards in the region is likely to be delayed beyond the earlier target of September 2017<sup>96</sup>, the introduction in the future have may an impact on the automobile sales.

***The increased regulatory oversight on emissions is adding to the compliance and technology costs for the automobile manufacturers, ultimately making the vehicles more expensive***

The increased regulatory oversight on emissions is adding to the compliance and technology costs for the automobile manufacturers, ultimately making the vehicles more expensive for buyers. As a part of the pollution control efforts, the GCC governments are also promoting sale and use of hybrid vehicles. Although the use of hybrid vehicles is incentivized by the government, they sell at a higher price than conventional vehicles. For instance, the average cost of hybrid vehicles in the UAE is around AED 2,000 (US\$ 544.5) higher than that of the conventional vehicles<sup>95</sup>. This leaves consumers with two options – continue using the conventional vehicles and adhere to stricter regulations or pay higher prices and switch to hybrid vehicles.

<sup>92</sup> Source: "Institute to train Omanis for auto sector jobs", Oman Daily Observer, June 30, 2015

<sup>93</sup> Source: "Outlook for GCC Automotive Demand", IHS Automotive, September 2015

<sup>94</sup> Source: "UAE aims to improve fuel efficiency of cars", The Filipino, October 3, 2016

<sup>95</sup> Source: "UAE officials consider 'polluter pays' policy for motorists", The National, November 8, 2015

<sup>96</sup> Source: "GCC unlikely to move to Euro IV as planned in 2017", Construction Week Online, August 26, 2016

## 6. Trends

### Growing Investments in Vehicle and Component Manufacturing

***Saudi Arabia, the UAE, and Oman are receiving investments to set up vehicle and related parts manufacturing facilities***

Presently there are a limited number of vehicle manufacturers in the GCC, with activity limited to assembling of heavy vehicles. However, the situation is possibly going to change in the future, as Saudi Arabia, the UAE, and Oman are receiving investments to set up vehicle and related parts manufacturing facilities. Growing automotive demand in the Middle East is luring global automakers to establish production base. The governments are also providing incentives and devising plans to establish themselves as regional automobile manufacturing hubs.

In Saudi Arabia, the government is developing a national automotive cluster as a part of the NICDP with a target to produce 600,000 vehicles a year by 2025<sup>97</sup>. Some of the incentives provided by the government to attract foreign investors to the cluster include low-cost loans, exemption from income, land, and property taxes, zero duties on export within the Greater Arab Free Trade Area, exemption from custom duties on imported machinery and raw materials, and repatriation of capital and profits. Additionally, there are other automobile assembly and related parts projects being developed in the Kingdom. In 2010, King Saud University entered into a cooperation agreement with Korea-based Digm Automotive Technology to build a US\$ 500 million car-manufacturing unit in Saudi Arabia<sup>98</sup>. The project, yet to commence operations, encompasses production of the country's first locally built car prototype – Gazal 1 – developed by the students of the university. In May 2015, Saudi National Automobile Manufacturing Company (SNAM) and Saudi Arabian Public Investment Fund (SAPIF), entered into a partnership with South Korea's Daewoo International to build a car assembly plant<sup>99</sup>. Entailing an investment of US\$ 1 billion, the venture is majorly owned by SNAM with a 50% stake, followed by SAPIF with a 35% interest and Daewoo holding the remaining stake. Anticipated to produce 150,000 vehicles annually by 2018, the plant will cater to the local demand and export to other parts of the Gulf. Other OEMs who have expressed interest in setting up manufacturing facilities in the Kingdom include Ford, General Motors, and Chrysler<sup>99</sup>. Moreover, the government is looking at attracting automobile companies that can utilize the raw materials currently produced by the Kingdom.

***In March 2016, Ashok Leyland announced plans to invest US\$ 10 million to triple the bus manufacturing capacity in the UAE***

The UAE already has a handful of heavy vehicle assembling units, including manufacturers such as Ashok Leyland and Hafilat Industries. In March 2016, Ashok Leyland announced plans to invest US\$ 10 million to triple the bus manufacturing capacity in the UAE from present annual capacity of 2,000 vehicles<sup>100</sup>. The country also witnessed couple of investments by automotive parts manufacturers in the previous year. In February 2015, Germany-based Cardan Service Network invested in a shaft manufacturing plant in Dubai. The new facility provides custom-made shafts for trucks, light commercial vehicles, and construction equipment in the Europe. In March 2015, Advanced Manufacturing Solutions entered into a deal with Abu Dhabi's Khalifa Port Industrial Zone for building a steel factory, which will manufacture automotive brake calipers and brake discs.

Oman through its sovereign wealth fund, Oman investment Fund (OIF), has made over a couple of investments to develop local vehicle manufacturing landscape. In May 2014, OIF formed a JV with Mowasalat – Qatar's public transport company – to build a bus assembly

<sup>97</sup> Source: "Automotive Cluster – Industry Development", National Industrial Clusters Development Program

<sup>98</sup> Source: "KSU partners with South Korea's Digm in \$500 million automobile project", King Saud University, December 29, 2010

<sup>99</sup> Source: "Saudi's automotive ambitions grow", Gulf Business, October 24, 2015; "Saudi, Korean firms to build car manufacturing plant", Arab News, May 16, 2015

<sup>100</sup> Source: "Ashok Leyland to triple plant capacity in Ras Al Khaimah", Arab News, March 6, 2016

***The Sultanate has a strategic plan to commence automobile parts manufacturing in the country in a couple of years and a car plant by 2020***

plant in Oman at an estimated investment of around US\$ 200 million<sup>101</sup>. About 70% of the project will be funded by OIF and remaining by Qatar's transportation company. Once operational, the unit is likely to have an annual production capacity of around 2,000 units. In January 2016, OIF entered into a similar agreement with Iran Khodro Industrial Group to establish a JV for building a car assembly unit at Duqm at an investment of US\$ 200 million<sup>102</sup>. OIF owns a 57% interest in the venture. The project, expected to be launched with an annual assembling capacity of about 20,000 cars, is eventually intended to be developed into a full-fledged manufacturing unit in the future. Vehicles from this plant are likely to be rolled out from 2017, and 80% of which will be exported. The Sultanate has a strategic plan to commence automobile parts manufacturing in the country in a couple of years and a car plant by 2020<sup>103</sup>. As a part of the plan, OIF acquired a 40% interest in Sigit SpA, an Italian automobile parts manufacturer, in April 2015.

### **A Growing Automotive Aftermarket**

Demand for automotive spare parts in the Middle East is projected to grow by ~6% annually, from US\$ 13.0 billion in 2015 to US\$ 17.3 billion by 2020<sup>104</sup>. Dubai, the largest automotive aftermarket in the GCC, registered automotive parts and accessories trade of US\$ 11.1 billion in 2015<sup>105</sup>. Based on value, the major products imported were sedan tires, batteries, truck and bus tires, fuel filters, and clutches. The UAE re-exports around 60% of its automobile components to the larger Middle East and African region<sup>106</sup>. The trade value of automobile aftermarket products in Saudi Arabia was about US\$ 2.6 billion in 2015<sup>107</sup>, most of which was imports. Parts and accessories, with a trade value of US\$ 996.5 million, formed the largest imported product category, followed by tires and batteries.

***A rapid increase in vehicles on road in the GCC coupled with its hot climatic conditions has created a vibrant market for automotive parts and repair services***

A rapid increase in the number of vehicles on road in the GCC, a region typically characterized by dry and hot climatic conditions, has created a vibrant market for automotive parts and repair services. The constant need to replace batteries, tires, and other components in commercial as well as passenger vehicles due to wear and tear in the extreme climate has provided momentum to the industry. Further, cars aged over 10 years and older are anticipated to represent 31% of the vehicle fleet in 2020<sup>108</sup>. An already ageing vehicle fleet, with the tendency of owners holding on to their cars for a longer duration amid the challenging economy is likely to accelerate demand for automotive parts and services. On the other hand, the use of innovative technologies in vehicles has led to a constant increase in need for new parts at repair centers.

Sensing the demand potential, international automotive aftermarket players are either in the process of or considering options to establish presence in the region. This is evident from the fact that the largest international trade show for the automobile aftermarket – Automechanika – held in Dubai in May 2016 saw participation of over 2,000 exhibitors (+7% y-o-y) from 58 countries<sup>109</sup>. Over 30,000 trade visitors attended the three-day event in Dubai. The event takes place annually in many other countries, of which Dubai and Jeddah are the hosts in the Middle East region. In February 2016, the Ministry of Economy of the UAE abolished restrictions that tied warranty coverage to perform car maintenance at dealer's workshop and service centers<sup>109</sup>. Instead, the customers can now carry out

<sup>101</sup> Source: "Mowasalat to open USD 200 mn assembly plant in Oman", BQ Magazine, May 4, 2014

<sup>102</sup> Source: "Iran's firm signs deal for car manufacturing unit in Oman", Times of Oman, January 17, 2016

<sup>103</sup> Source: "Oman's stake in Italian firm seen as a step towards car plant by 2020", Muscat Daily, April 22, 2015

<sup>104</sup> Source: "Digitisation, innovation and technology set to transform the global automotive aftermarket", Zawya, September 28, 2016

<sup>105</sup> Source: "Dubai's auto parts trade valued at \$11bn in 2015", Construction Week Online, May 12, 2016

<sup>106</sup> Source: "UAE, KSA lead region in car aftermarket trade", Arab News, March 30, 2013

<sup>107</sup> Source: "Saudi Arabia's aftermarket auto trade valued at \$2.53b", Gulf News, September 16, 2016

<sup>108</sup> Source: "GCC car numbers to hit 19m by 2020", Gulf Digital News, March 15, 2016

<sup>109</sup> Source: "Compulsory condition of automobiles agency warranty abolished", Khaleej Times, February 10, 2016

***Between 2010 and 2015, Chinese vehicle imports in the region grew at an annualized rate of 22.1%***

***The UAE's vehicle customization market is set to grow due to the large presence of motor enthusiasts, who seek to customize vehicles***

maintenance and repairs at workshops of their choice. A similar initiative has been undertaken by the Ministry of Economy and Commerce (MEC) of Qatar in November 2016 to end monopoly and encourage competition in the area of automobile maintenance and repair services. Under this initiative, the MEC intends to offer customers multiple choices in the areas of maintenance, warranty, and spare parts<sup>110</sup>. Additionally, accredited and third party workshops will have the right to import spare parts from local dealers, affiliated distributors of dealers, and international suppliers. Such initiatives are likely to bolster competition in the automotive aftermarket.

### **Increasing Popularity of Chinese Brands**

While the Japanese brands of vehicles remain popular in the GCC and the high-end market continues to be dominated by European makes, Chinese brands are fast closing the gap. Demand is being primarily steered by low pricing and less maintenance cost. Buyers as well as dealers are also increasingly pleased with the performance of these brands in terms of technology, quality, and safety. Between 2010 and 2015, Chinese vehicle imports in the region grew at an annualized rate of 22.1%, compared to a single-digit increase in imports from Japan and the US<sup>111</sup>.

Chinese vehicle sales in the UAE are forecasted to rise by 100% annually to capture a double-digit market share by 2020, from just 2.7% in 2014<sup>112</sup>. Large Chinese manufacturers such as SAIC Motor Corporation, Guangzhou Automobile Group, and Dong Feng Motor participated in Dubai's International Motor Show 2015 to display their latest models. Chinese buses are increasingly replacing Japanese and South Korean vehicles, mainly in the school and tour bus segment in the UAE<sup>113</sup>. More than 1,600 state buses in Dubai are of European make such as Mercedes-Benz, Neoplan, Solaris, and VDL, as they comply with the Euro VI emission standards. However, Chinese buses are being widely preferred by budget-conscious travel agencies, tour operators, and passenger transport companies. Geely is one of the successful Chinese vehicle brands, which is swiftly securing a foothold in the UAE, Saudi Arabia, and Oman. The brand was launched in Saudi Arabia during 2011, and within a year, it managed to gain a ~2% market share<sup>114</sup>.

Prior to the entry of Chinese brands, Korean brands had witnessed a similar trend in the region. Today, brands such as Hyundai and Kia have garnered substantial market shares in the GCC countries. To compete with the Chinese brands, Korean vehicle manufacturers are actively looking at investing in setting up manufacturing units in the region.

### **Residents' Penchant for Customizing Vehicles**

The GCC consumers have developed a fetish to customize their vehicles, given their relatively high spending power. Some of the popular custom works include stickers and foils, pumping hydraulics, swinging doors, and themed bodies. The trend is more noticeable in the UAE, as can be seen by the growing number of car accessory outlets across the country. The car wrapping industry, in particular, in the UAE has experienced a rapid growth in the last few years. The car wrapping concept had evolved as a means of

<sup>110</sup> Source: "Ministry of Economy and Commerce initiative to end monopoly and bolster competition in automotive sector", Qatar Ministry of Economy and Commerce, November 15, 2016

<sup>111</sup> Source: International Trade Centre

<sup>112</sup> Source: "Chinese car makers ready to manoeuvre the UAE market", AlBawaba, April 20, 2015

<sup>113</sup> Source: "Chinese vehicle manufacturers focus on the Middle East", Gulf News, March 15, 2016

<sup>114</sup> Source: "Saudi Arabia: Migrant Workers and Mid-Income Group Drive Record Sales of Cheap Cars", Euromonitor blog, March 28, 2015

***The high penetration and use of social media are driven by the region's young population base, particularly the tech-savvy millennials***

***Internet combined with new technologies is revolutionizing the automobile industry globally, with the advent of connected vehicles***

advertising, but its ability to enhance a vehicle's uniqueness has fortified its demand among the vehicle owners. The UAE's vehicle customization market is set to grow due to the large presence of motor enthusiasts, who seek to customize vehicles with full body wraps and other accessories. Additionally, a persistent demand for car wrapping from companies for advertorial purpose is likely to support the trend in vehicle customization.

### **Increasing Technology Adoption**

The GCC region has a high level of smartphone and internet penetration, with over 75% of the population connected to the internet<sup>115</sup> and more than two mobile connections per person<sup>116</sup>. Over 90% of internet users in the region are constantly on the social networking sites<sup>117</sup>. The high penetration and use of social media are attributed to the region's young population base, particularly the tech-savvy millennials. They spend quality time on the internet looking for reviews, ratings, and recommendations to direct their buying decisions. In the developed markets globally, nearly 80% of the new car buyers and nearly all of the used-car buyers spend quality time on the internet for accessing information on the vehicles and dealers/sellers<sup>118</sup>. To benefit from the trend, most of the major automobile dealers in the Middle East are using internet and social media to expand customer base. In a survey of car dealers in the Middle East, 88% of the participants said they are using the internet to showcase their offerings to customers, while 52% of the dealers are using social media<sup>119</sup>.

On the other hand, internet combined with new technologies is revolutionizing the automobile industry globally, with the advent of connected vehicles. Such vehicles are equipped with wireless local area network devices that enable drivers to connect with other devices inside or outside the car. It helps in monitoring the performance of vehicles in real-time, thus making it easier to diagnose technical or mechanical issues. Few years back, only about 10% of cars world over had certain aspects of built-in-connectivity interface. This proportion is anticipated to reach around 90% by 2020<sup>120</sup>. Some of the new popular in-car interfaces include Apple's CarPlay and Google's Android Auto and Projected Mode. The connected car market in the Middle East and Africa region is projected to be worth ~US\$ 950 million by the end of 2016<sup>120</sup>.

The UAE has witnessed introduction of such technology-enabled cars by Ford (MyFord Touch technology in Ford Edge in 2011) and Nissan (Connected Infotainment Platform in Nissan Altima in 2013 and Nissan Smart Car mobile application in 2015). As a part of Dubai Green Mobility Initiative, 10% of new vehicles to be purchased by certain government bodies in the next few years will be electric and hybrid vehicles<sup>121</sup>. These vehicles will have moderate to advanced connectivity modules for in-car entertainment and engine diagnostics. Qatar also plans to initiate a pilot project – V2X – to test connected cars<sup>122</sup>. With a commercial rollout planned in 2019, the pilot project will be implemented in phases starting 2017.

Another breakthrough in the automobile sector is the development of autonomous or driverless cars. The UAE ranked third in the world in terms of eagerness to use self-driving vehicles, with 70% of consumers willing to take a ride in a fully driverless car and 47%

<sup>115</sup> Source: "Time is right for GCC states to set up universal internet access", The National, January 28, 2016

<sup>116</sup> Source: "GCC Mobile Markets", TechPolis, December 2015

<sup>117</sup> Source: "Outlook for GCC Automotive Demand", IHS Automotive, September 2015

<sup>118</sup> Source: "Middle East car market expected to witness strong growth", Technical Review, June 22, 2015

<sup>119</sup> Source: "Exponential growth", Zawya, July 20, 2015

<sup>120</sup> Source: "Connected cars: Dubai's big theme for coming years", Khaleej Times, February 4, 2016

<sup>121</sup> Source: "Dubai mulls incentives to switch e-cars", Emirates 24/7, August 12, 2016

<sup>122</sup> Source: "Connected vehicles technology to be tested in Qatar next year", Doha News, September 19, 2016

willing to pay more for the same<sup>123</sup>. His Highness Sheikh Mohammed bin Rashid Al Maktoum, the Ruler of Dubai, unveiled the Dubai Autonomous Transportation Strategy in April 2016, with an aim of having 25% of transportation trips in Dubai through smart and driverless vehicles by 2030<sup>124</sup>. A 10-seater driverless vehicle named EZ10 is being put on trial in phases in the Emirate. Not to be left behind, Saudi Arabia is also considering to include driverless cars in its US\$ 100 billion project of King Abdullah Economic City<sup>125</sup>.

Evolution of such new technologies in vehicles is likely to enhance the appeal and size of the GCC automobile sector.

### Entry of Taxi-hailing service providers

Mobile application-based taxi-hailing service provider, Uber, first entered the GCC market in 2013 by launching its services in Dubai. It has now grown to having presence in the major cities of four countries in the region – the UAE, Saudi Arabia, Bahrain, and Qatar. The US-based company, which has operations in over 70 countries and close to 500 cities, is experiencing robust demand and has committed investing US\$ 250 million in the Middle East<sup>126</sup>. Its closest competitor in the region is Careem, which was founded in 2012 in Dubai. The homegrown company, which also has the first mover advantage and larger market coverage in the region (present in all the GCC countries, except Oman), is also witnessing a strong momentum in application installations and monthly active users since inception. Although the services of both Uber and Careem generally come at a premium to that of the traditional taxi operators, the quality of customer service and convenience are the two factors that have defined their success.

*The taxi-hailing service providers continue to explore new avenues of growth in the region by looking at addressing the gaps in public transportation*

The taxi-hailing service providers continue to explore new avenues of growth in the region by looking at addressing the gaps in public transportation while adhering to government regulations. One idea is to allow commuters to pool their rides with others, thus making the services affordable for more users. While this can unlock additional opportunities for automobile manufacturers and dealers in the form of demand of new passenger cars for expansion of the taxi fleet, it may also lead to some degree of cannibalization. Consumers may prefer using convenient taxi services to owning cars, thus circumventing the related issues like cost of ownership, shortage of parking space in main cities, and encountering peak hour traffic. However, with the taxi-hailing business still in the nascent stage in the GCC, its precise impact on car demand can be gauged only over the next few years.

<sup>123</sup> Source: "UAE demand for self-driving cars ranked 3rd globally", Gulf News, August 15, 2016

<sup>124</sup> Source: "25% of all transportation in Dubai will be smart and driverless by 2030: Mohammad Bin Rashid", Gulf News, April 25, 2016

<sup>125</sup> Source: "King Abdullah Economic City redraws master plan to make way for driverless cars", The National, February 23, 2016

<sup>126</sup> Source: "How US technology company Uber has transformed the Middle East", The National, August 30, 2016

## 7. Merger and Acquisition (M&A) Activities

**Among the deals with a disclosed value, the largest was the AI-Futtaim Group's acquisition of CMC Holdings Ltd. for US\$ 86.6 million in 2013**

Very few M&A transactions have been announced in the GCC automotive sector over the last five years. Among the deals with a disclosed value, the largest was the AI-Futtaim Group's acquisition of CMC Holdings Ltd. for US\$ 86.6 million in 2013 (see Exhibit 35). Most of the transactions during the period have been outbound, the latest being those by Oman Investment Fund (sovereign wealth fund) and Riyadh Valley Co. (venture capital arm of King Saud University) in 2015. While Riyadh Valley Co. acquired the Japan-based GLM Co. purely as a financial investment, Oman Investment Fund acquired a 40% interest in the Italian automotive parts manufacturer Sigit SpA from a strategic perspective<sup>127</sup>. This transaction is largely seen as a prelude to Oman setting up an automobile parts manufacturing unit in the near future and eventually foraying into vehicle manufacturing.

**Exhibit 35: Major M&A Deals in the GCC Automobile Industry**

Acquirer	Acquirer's Country	Target Company	Target's Country	Target's Business	Year	Consideration (US\$ Million)	Percent Sought (%)
AI-Futtaim Group	UAE	CMC Holdings Ltd.	Kenya	An exclusive distributor of Ford, Mazda, Volkswagen, Suzuki, Maruti, Nissan, and MAN in East Africa	2013	86.6	100%
Olayan Saudi Investment Co.	Saudi Arabia	GB Auto SAE	Egypt	Engaged in automotive assembly, manufacturing, sales & distribution, financing and after-sales services	2014	33.0	5%
Riyadh Valley Co.	Saudi Arabia	GLM Co. Ltd.	Japan	Engaged in the manufacture of electric cars and related components	2015	14.3	N/A
Oman Investment Fund	Oman	Sigit SpA	Italy	Engaged in the manufacture and sale of automotive parts such as thermoplastic and rubber components	2015	N/A	40%
International Creative Co. for Industries	Saudi Arabia	Delta Automotive Industry Ltd.	Saudi Arabia	Engaged in the manufacture of ambulances, special purpose cars, and rescue parts	2014	N/A	100%
Tawazun Holding Co. LLC	UAE	Al Jaber Land Systems	UAE	Engaged in the manufacture of vehicle and vehicle systems for the UAE Armed Forces	2013	N/A	60%
Abdul Latif Jameel Co. Ltd	Saudi Arabia	Toyotasa Toyota-Sabancı Pazarlama & Satis AS	Turkey	Engaged in the manufacture and retail of cars, trucks, SUVs, and other vehicles in Turkey	2012	N/A	25%
Hamad Holding	UAE	Lumeneo SAS	France	Engaged in the manufacture and sale of electric cars	2012	N/A	15%

Source: Thomson Reuters Eikon

<sup>127</sup> Source: "Oman's stake in Italian firm seen as a step towards car plant by 2020", Muscat Daily, April 22, 2015

# Country Profiles

## Saudi Arabia

### Key Growth Drivers

- **Favorable demography:** IMF expects the Kingdom's population to grow at a CAGR of 2.0% between 2015 and 2020. An expanding population base coupled with rising urbanization is expected to remain the major driver for vehicle sales.
- **Growing tourism:** Being a major religious tourist destination, Saudi Arabia attracts pilgrims from all over the world. Saudi government's relaxed visa rules and expansion of the mosques are likely to provide further impetus to the country's tourism. This in turn is likely to create demand for vehicles from car rental and travel companies.
- **Local vehicle manufacturing:** With an aim to develop local vehicle manufacturing hub, Saudi government is offering various incentives to attract manufacturers and ancillary units. While a US\$ 1.0 billion vehicle assembly project is already under construction by a couple of Saudi firms in partnership with Korea-based Daewoo International, other major international automakers have also expressed interest to establish production units. Increase in manufacturing activity is likely to strengthen the automobile sector.
- **Infrastructure developments:** Several large infrastructure projects are under construction in the Kingdom, including the Riyadh Metro, Dammam Rail, and multiple airport expansions. Such projects are driving demand for commercial vehicles.

### Recent Industry Developments

- In October 2016, Cadillac International and their exclusive dealer in Saudi Arabia – Al Jomaih Automotive Company (AAC) – announced plans to expand the Cadillac brand presence in the Kingdom. Cadillac will review the plan and strategy of AAC with a focus on sales, pricing, network, strategic brand development, marketing, and product portfolio planning.
- In June 2016, Arabian Vehicles and Trucks Industry Co. Ltd. rolled off the first Saudi-built Renault truck from their state-of-the-art assembly facility in King Abdullah Economic City. The facility is expected to produce about 4,000 trucks annually for both Volvo and Renault brands on the same assembly line.

### Macro-economic Indicators

Indicators	Unit	2015	2016F	2020F
GDP growth at constant prices	%	3.5	1.2	2.3
GDP per capita based on PPP	US\$	53,802	54,078	59,859
Population	mn	31.4	32.0	34.7
Passenger cars in use	'000s	4,374*	4,571	5,647
New passenger car sales	'000s	672	538	743

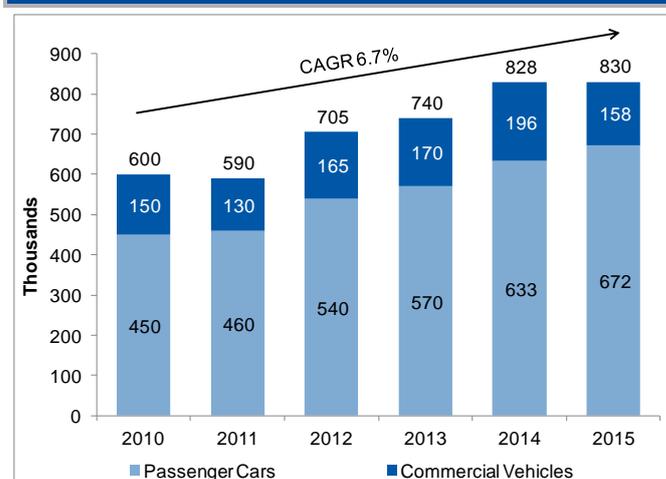
Source: IMF – October 2016, OICA, Alpen Capital

Note: F – Forecasted, \* Estimated

### Key Players

Company	Activity
Abdullatif Alissa Group Holding Co.	Distributor for Nissan, Toyota, Mazda, Hyundai, Kia, Honda, and Isuzu
Abdul Latif Jameel Group	Distributor for Toyota, Lexus, Hino, Daihatsu, and Ford
Balubaid Group of Companies	Exclusive distributor for Chevrolet, GMC, Cadillac, Buick, Opel, Pontiac, Subaru, Daihatsu, and Peugeot
E.A. Juffali & Brothers	Exclusive distributor for Mercedes-Benz
Haji Husein Alireza & Co. Ltd.	Distributor for Aston Martin, Mazda, Peugeot, Geely, Maxus, Yuejin, and MAN

### Trend in New Vehicle Sales



Source: OICA

## UAE

### Key Growth Drivers

- **Affluent buyers:** As per IMF, GDP per capita (PPP) in the UAE is likely to grow at a CAGR of 2.1% between 2015 and 2020, translating into rise in disposable income. Growing affluence is cascading into an increased spending on luxury cars as well as ability to replace and explore new vehicles.
- **Rising tourism and infrastructure developments:** International tourist arrivals in the UAE are expected to grow by 7.0% annually from 2015 to 2020 (Source: GCC Hospitality Industry Report). Several infrastructure developments are underway in the country ahead of the World Expo 2020. Increase in tourist arrivals alongside a strong pipeline of projects including tourist attractions, hotels, and expansion of airport capacity and the Dubai World Trade Centre are likely to spur demand for passenger cars and commercial vehicles.
- **Automotive trade:** With substantial automotive imports, the UAE not only feeds its domestic demand but also re-exports to the larger Middle East region. Various automobile ancillary units are operating in the freezones due to the strategic location and business-friendly environment. Increasing demand for vehicles alongside the country's favorable investment climate is offering significant opportunities for automakers to set up production units.

### Recent Industry Developments

- In September 2016, the Emirates Authority for Standardisation and Metrology (ESMA) announced a new regulation for the automobile spare parts industry, aimed at controlling the entry and usage of counterfeit parts in the country. The regulation specifies standards for safety, performance, and technical accuracy of the spare parts, in addition to creating a database of all the parts manufactured or imported in the country.
- In August 2016, ESMA launched a new regulation for electric vehicles (EV) in order to reduce the country's carbon footprint and develop a sustainable economy. As per the new standards, EVs entering the country should fulfill minimum requirements related to material used in the batteries and adaptability to weather and fire as well as crash safety levels.
- In August 2016, Al Habtoor Motors opened the world's largest six-storey Bentley showroom in Dubai, costing over US\$ 32.7 million, in line with its aim to increase market share and sales.

### Macro-economic Indicators

Indicators	Unit	2015	2016F	2020F
GDP growth at constant prices	%	4.0	2.3	3.7
GDP per capita based on PPP	US\$	67,217	67,696	74,488
Population	mn	9.6	9.9	11.1
Passenger cars in use	'000s	1,952*	2,039	2,525
New passenger car sales	'000s	214	172	267

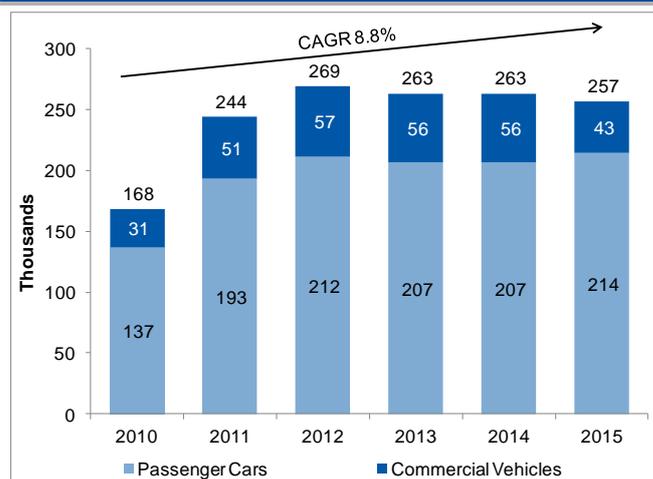
Source: IMF – October 2016, OICA, Alpen Capital

Note: F – Forecasted, \* Estimated

### Key Players

Company	Activity
Abu Dhabi Motors LLC	Exclusive dealer for BMW, MINI, and Rolls-Royce
Al Ghandi Auto Group	Distributor for Chevrolet, GMC, Fiat, Proton, Ssangyong, Iveco, and Lancia
Al Habtoor Motors LLC	Distributor for Mitsubishi, Fuso, Chery, Bentley, and McLaren, among others
Al Nabooda Automobiles LLC	Authorized dealer for Audi, Porsche, and Volkswagen
Al Rostamani Group	Distributor for Suzuki, Citroen, Renault Trucks, and Tata Motors among others
Al Tayer Motors LLC	Distributor for Ford, Lincoln, Ferrari, Maserati, Jaguar, and Land Rover
Al-Futtaim Group	Distributor for Honda, Volvo, Chrysler, Dodge, and Jeep, among others
Ali & Sons Holding LLC	Exclusive distributor for Volkswagen, Audi, Porsche, and Skoda
AW Rostamani Group	Exclusive distributor for Nissan, Infiniti, and Renault, among others
Liberty Automobiles Co.	Authorized dealer for Chevrolet, Cadillac, and Opel

### Trend in New Vehicle Sales



Source: OICA

## Kuwait

### Key Growth Drivers

- **Favorable demographics:** The Kuwaiti population is estimated to grow at a 2.8% CAGR between 2015 and 2020 (Source: IMF). During the period, GDP per capita (PPP) is forecasted to grow at an annualized rate of 1.9%. Such demographics create an environment conducive for growth of the automobile industry.
- **Growing tourism:** Kuwait's tourism industry is expected to increase driven by the government's plans to develop the Failaka Island and the City of Silk project. Rise in tourist arrivals is likely to create demand for buses and taxis for facilitating the transportation of tourists.
- **Transport infrastructure:** Kuwait has several infrastructure projects in pipeline including the Al Jahra road project, Sheikh Jaber Causeway, Kuwait City Metro, and the second terminal of Kuwait International Airport. Construction of such projects is expected to drive demand for medium and heavy commercial vehicles.

### Recent Industry Developments

- In April 2016, Yusuf A. Alghanim & Sons Automotive (Yusuf), a distributor of Chevrolet vehicles in Kuwait, signed a partnership deal with Automak Automotive Company (AAC), a vehicles rental and leasing company. Under the deal, Yusuf is likely to supply 240 Chevrolet Tahoes SUV to AAC on a rental basis with a contract of up to two years.
- In December 2015, Northern Gulf Trading Company, an exclusive dealer of Hyundai vehicles in Kuwait signed an agreement with Priority Automobile to provide 300 vehicles for lease. The agreement also includes support services such as comprehensive insurance, replacement car services, roadside assistance, and vehicle servicing.
- In November 2013, the Kuwaiti government announced its plan to impose taxes on nationals who own more than two cars and on expatriates who have more than one car. The move is an attempt to reduce number of vehicles and thereby ease traffic congestion.

### Macro-economic Indicators

Indicators	Unit	2015	2016F	2020F
GDP growth at constant prices	%	1.1	2.5	2.9
GDP per capita based on PPP	US\$	70,542	71,264	77,657
Population	mn	4.1	4.2	4.7
Passenger cars in use	'000s	1,596*	1,652	1,986
New passenger car sales	'000s	124	87	136

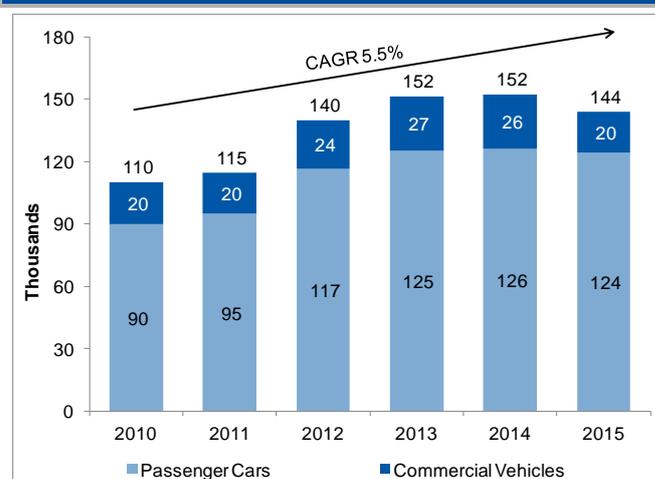
Source: IMF – October 2016, OICA, Alpen Capital

Note: F – Forecasted, \* Estimated

### Key Players

Company	Activity
Al-Babtain Group	Distributor for Infiniti, Nissan, Citroen, Renault, CMC, Tadano Limited, and JMC
Ali Alghanim & Sons Automotive Co. W.L.L.	Distributor for BMW, Rolls-Royce, MINI, Land Rover, and McLaren
Kuwait Automotive Imports Company W.L.L.	Distributor for Mazda, Peugeot, Geely, and Eicher
Yusuf A. Alghanim & Sons Automotive	Distributor for Chevrolet, Cadillac, and Saab

### Trend in New Vehicle Sales



Source: OICA

## Oman

### Key Growth Drivers

- **Growing tourism:** International tourist arrivals are expected to rise in view of the Omani government's plan to develop various tourist spots and encourage private investments in development of tourism-related infrastructure in the country. Demand for cars and buses from tour operators and car rental companies are likely to see an upsurge with increasing tourist arrivals in the country.
- **Domestic manufacturing:** Omani government is planning to build automotive parts manufacturing plants in the coming years and eventually build a vehicle production unit by 2020. In view of this, the sovereign wealth fund, OIF, has invested in automotive manufacturers such as Qatar's Karwa Automobiles, Iran's Khodro Industrial Group, and Italy's Sigit SpA. Establishment of local manufacturing units is likely to fortify the country's automobile sector.
- **Automotive exports:** Oman is actively engaged in automotive re-exports owing to its strategic location, good infrastructure, and transport connectivity. Most of the exports are to African markets. Growing demand for vehicles in the region and setting-up of manufacturing plants in the Sultanate are likely to strengthen automotive trading activity.

### Recent Industry Developments

- In August 2016, Sigit Oman Automotive Group (SOAG), a multinational auto component manufacturer, announced the Vision 2020 investment plan that seeks to underpin the development of automobile sector in Oman over the long-term.
- In June 2016, Oman's Duqm Special Economic Zone Authority signed an agreement with Qatar's Karwa Automobiles for allocating one million square meters of land for the construction of an automobile assembly plant.
- In January 2016, OIF signed a deal with Iran Khodro Industrial Group for the setting up a US\$ 200 million car assembly line at Duqm with an initial capacity of around 20,000 units annually.

### Macro-economic Indicators

Indicators	Unit	2015	2016F	2020F
GDP growth at constant prices	%	3.3	1.8	1.8
GDP per capita based on PPP	US\$	43,707	43,737	46,591
Population	mn	3.8	4.0	4.5
Passenger cars in use	'000s	745*	773	889
New passenger car sales	'000s	121	110	135

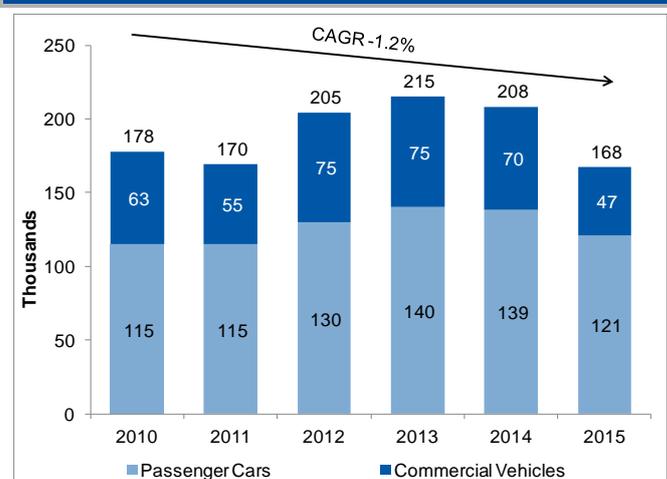
Source: IMF – October 2016, OICA, Alpen Capital

Note: F – Forecasted, \* Estimated

### Key Players

Company	Activity
Oman Trading Establishment LLC	Distributor for Cadillac, Chevrolet, Chery, Hyundai, Isuzu, Subaru, and SsangYong
Saud Bahwan Group	Distributor for Toyota, Lexus, Ford, Kia, Hino, and MAN
Suhail Bahwan Automobiles LLC	Distributor for Nissan, Infiniti, and Renault
Zubair Automotive Group	Distributor for Mitsubishi, Bentley, Audi, Volkswagen, Skoda, Chrysler, Jeep, Dodge, Ram, among others

### Trend in New Vehicle Sales



Source: OICA

## Qatar

### Key Growth Drivers

- **Encouraging demographics:** High urbanization rate and growing affluent consumer base supported by an increasing number of expatriates is propelling demand for different types of passenger cars. IMF has forecasted the country's population to grow at a CAGR of 3.1% between 2015 and 2020. An increasing population base is expected to further support demand for automobiles in the country.
- **Rising tourism:** Qatari government is promoting leisure and business tourism in the country by developing sites such as the National Museum of Qatar, beaches, and a convention center, among others. International tourist arrivals are anticipated to grow at a CAGR of 7.0% between 2015 and 2020 (Source: GCC Hospitality Industry Report). Inflow of tourists is likely to drive demand for vehicles from car rental and travel agencies.
- **Infrastructure projects:** Qatar is investing US\$ 200 billion on infrastructure projects to prepare the country for hosting the 2022 FIFA World Cup. Construction of stadiums, hotels, and transportation facilities is likely to propel demand for trucks and other heavy commercial vehicles in the country.

### Recent Industry Developments

- In June 2016, Qatar Mobility Innovation Centre disclosed its plan to launch the pilot phase of the Connected Vehicle Technology – V2X. The plan includes deployment of about 30-50 equipped vehicles and 20-30 roadside computing devices, by late 2017. The initiative is in line with its efforts over the past few years to introduce innovative solutions to increase road safety.
- In February 2016, Qatar's first domestically manufactured supercar, Elibriëa, was unveiled at the 16<sup>th</sup> annual Qatar Motor Show in Doha. Elibriëa, the gold prototype concept car is designed and built almost entirely in Qatar.
- In February 2016, Qatar's Ministry of Economy and Commerce established nine new warranty clauses to be complied by local dealerships, in order to make service and repairs convenient for car owners in Qatar.

### Macro-economic Indicators

Indicators	Unit	2015	2016F	2020F
GDP growth at constant prices	%	3.7	2.6	2.6
GDP per capita based on PPP	US\$	132,870	129,727	147,747
Population	mn	2.4	2.6	2.8
Passenger cars in use	'000s	699*	731	912
New passenger car sales	'000s	69	51	76

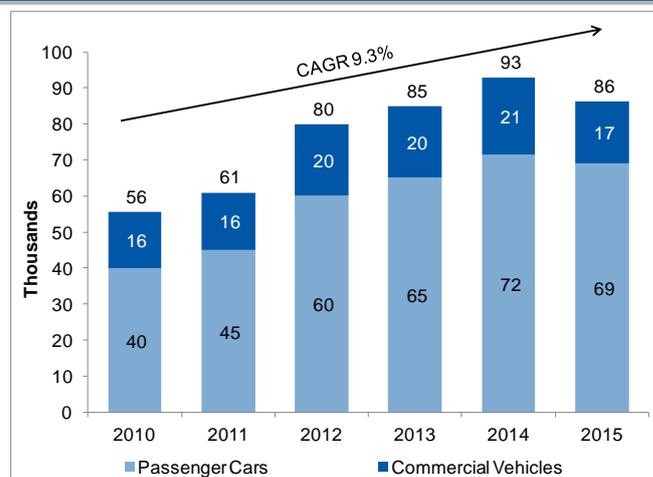
Source: IMF – October 2016, OICA, Alpen Capital

Note: F – Forecasted, \* Estimated

### Key Players

Company	Activity
Abdullah Abdulghani & Bros. Co. W.L.L.	Sole distributor for Toyota and Lexus
Alfardan Group	Distributor for Rolls-Royce, Ferrari, Land Rover, BMW, MINI, Jaguar, and Maserati
Jaidah Group	Sole distributor for Chevrolet
Sahel Al Hamad Al Mana Company	Sole distributor for Nissan, Infiniti, and Renault
Nasser Bin Khaled Al Thani & Sons Holding Company	Distributor for Mercedes Benz, Spyker Sport Cars, Mitsubishi, Harley Davidson, MV Agusta, and Kawasaki

### Trend in New Vehicle Sales



Source: OICA

## Bahrain

### Key Growth Drivers

- **Increasing population and income levels:** IMF projects the population in Bahrain to grow at a CAGR of 1.5% between 2015 and 2020. Further, GDP per capita (PPP) is estimated to grow at a CAGR of 1.9% during the same period. Rising disposable income and population is likely to fuel the demand for automobiles in the country.
- **Growing tourism:** Bahrain is known for hosting sporting event of Formula 1 Grand Prix. The country is also a gateway to holiday and weekend visitors from nearby GCC countries, especially Saudi Arabia. The government is promoting tourism by developing its beaches and promoting the concept of island living. Increase in tourist arrivals is likely to augment demand for cars and buses from the car rental companies and travel agencies in the country.
- **Infrastructure development:** The government is undertaking expansion and modernization of Bahrain International Airport and constructing the King Hamad Causeway to support the anticipated rise in tourist arrivals. Such developments are likely to augment demand for trucks and other heavy commercial vehicles in the country.

### Recent Industry Developments

- Motorcity, the exclusive distributor of a wide range of passenger and commercial vehicle brands in Bahrain, introduced the Daewoo truck brand in December 2015.
- In December 2015, Euro Motors, the exclusive distributor for Jaguar Land Rover in Bahrain, inaugurated its new US\$ 30 million state-of-the-art showroom in Sitra.
- In February 2015, International Motor Trading Agency, a division of Khalil Bin Ebrahim Kanoo Company opened a new Mazda sales, services, and spare parts showroom in Ma'ameer, Bahrain.

### Macro-economic Indicators

Indicators	Unit	2015	2016F	2020F
GDP growth at constant prices	%	2.9	2.1	2.1
GDP per capita based on PPP	US\$	49,601	50,303	54,497
Population	mn	1.3	1.3	1.4
Passenger cars in use	'000s	957*	1,019	1,197
New passenger car sales	'000s	48	38	53

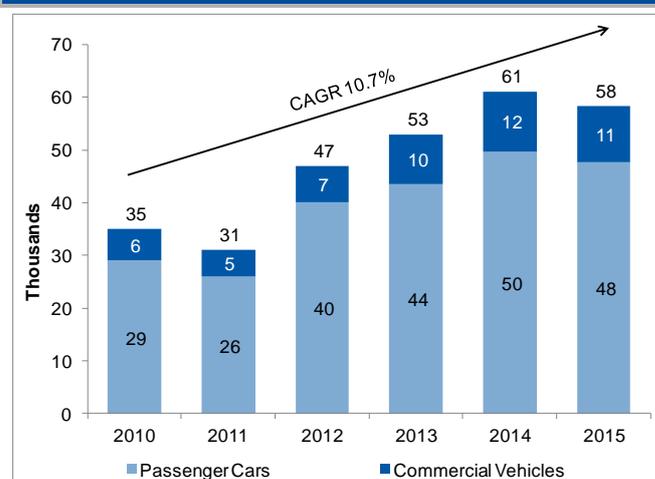
Source: IMF – October 2016, OICA, Alpen Capital

Note: F – Forecasted, \* Estimated

### Key Players

Company	Activity
Behbehani Brothers W.L.L.	Distributor for Volkswagen, Fiat, Porsche, Chrysler, Jeep, Dodge, RAM, and Alfa Romeo
Ebrahim Khalil Kanoo Company B.S.C. (c)	Sole distributor for Toyota and Lexus
Euro Motors Company SPC	Distributor for BMW, MINI, Land Rover, Rolls-Royce, Jaguar, Ferrari, Maserati, and BMW Mottorad
National Motor Company	Distributor for Honda, Chevrolet, GMC, and Cadillac

### Trend in New Vehicle Sales



Source: OICA

# Company Profiles

### Company Description

Founded in 1958, Abdullah Abdulghani & Bros. Co. W.L.L. (AAB) is the sole distributor of Toyota and Lexus vehicles in Qatar. AAB offers a range of passenger cars and commercial vehicles including hatchbacks, sedans, SUVs, coupes, sports, hybrids, vans, pick-ups, and buses. The company also deals in sale of pre-owned vehicles and provides car leasing and rental services. Additionally, AAB offers a comprehensive range of automobile spare parts and after sales services through its extensive network of service centers and branches spread across Qatar. AAB has also forayed into commercial and industrial business by offering construction machinery, material handling equipment, and warehousing solutions, among others.

### Business Segments/Product Portfolio

- **Toyota:** As an exclusive distributor of Toyota in Qatar, AAB offers their entire range of passenger cars and commercial vehicles.
- **Lexus:** Being a sole dealer of Lexus in Qatar, AAB is engaged in the sale of all Lexus models.
- **Pre-Owned:** In 1995, AAB launched the trade-in business for providing a platform to buy and sell used cars of Toyota and Lexus brands. Under this business, the company offers different financing options including cash, bank loans, and in-house finance.
- **AAB Rent A Car:** Established in 1999, the Rent A Car business provides vehicle leasing and rental services through a fleet of 7,500 vehicles. Additionally, some of the other services offered includes comprehensive insurance, unlimited mileage, routine maintenance, replacement vehicles (in case of mechanical problem / accident), and chauffeur driven services.
- **After Sales Division:** Under this segment, the company offers a complete range of after sales services and spare parts. The main service center is located in Salwa industrial area and there are another eight quick service centers. All the service centers are equipped with state-of-the-art technologies and sophisticated equipment and tools with a capacity to handle 950-1,000 vehicles daily. The company maintains a stock of over 100,000 spare part lines in its Central Parts Depot. The spare parts are supplied through its nine service centers and seven branches spread across Qatar, in addition to four authorized dealers.
- **Commercial and Industrial:** Under this division, AAB offers construction equipment, generators, forklifts and material handling equipment, warehousing and storage solutions, automotive solutions, security solutions, and cleaning equipment. For the same, the company has partnered with brands such as 3M, Kawasaki, Endress, Toyota forklifts, BT, Bendi, Godrej, Kardex, Sumitomo tire, Eternity Tyres, Exide, and Fiorentini.

### Recent Developments/Future Plans

- In May 2016, AAB entered into partnership with Germany-based Endress for industrial generators and Switzerland-based Kardex Remstar for automated storage solutions.
- In April 2016, AAB won marketing award for Excellence and Outstanding Customer Satisfaction for the year 2015 from Toyota Motor Corporation.
- In November 2015, AAB inaugurated its ninth quick service center, featuring ten working bays and two maintenance bays, located at Al Aziz Petrol Station along Salwa Road.

### Company Description

Established in 1940, Abdullatif Alissa Group Holding Company (Alissa Group) is a Riyadh-based conglomerate with business interests in automobiles, real estate, consumer finance, investment banking, private equity, building materials, and manufacturing. Having started business as an importer and seller of automobiles to Aramco in the 1950s, Alissa Group today has emerged as a pioneer of automotive sales, service, and leasing in Saudi Arabia. Alissa Group manages the automotive operations through National General Automotive Company (NAT).

### Business Segments/Product Portfolio

- **NAT:** As an integrated automotive holding company, NAT manages the automobile business through subsidiaries including, Alissa Automotive Company (AACO), Alissa Universal Motors (AUM), and the General Automotive Company (Autostar). NAT offers vehicles of brands like Nissan, Toyota, Mazda, Honda, and Isuzu, among others.
  - **AACO:** It is the first and flagship automotive company of Alissa Group. AACO is engaged in the sale of new Japanese vehicle brands, certified used cars, and spare parts along with provision of after sales services through a network of six showrooms in the central region of the Kingdom.
  - **AUM:** The subsidiary is an authorized dealer for Isuzu Motors in Saudi Arabia. Through its distribution channels, AUM sells commercial vehicles of Isuzu Motors, along with providing related spare parts and after sales services.
  - **AutoStar:** Established in 1998, AutoStar is a multi-brand automotive retailer and after sales service provider in Saudi Arabia. It operates through a network of 21 showrooms, 33 spare parts outlets, and 8 workshops across the Kingdom.
- **Al-Yusr Installment Company:** Started in 1990, this company is the vehicle-financing arm of Alissa Group. It offers lease-to-own and installment contracts ranging from one to five years to individual as well as corporate clients.
- **Best Trading Company (Best Rent a Car):** Acquired in 1998, the company offers a wide-ranging fleet of cars on daily, monthly, and annual rentals and lease contracts to individuals and corporates. With over 11,000 vehicles, its fleet includes brands such as Toyota, Ford, Mercedes, BMW, and Isuzu.
- **Investment and Business Development (IBDD):** Through this segment, the group conducts new business development; private equity, venture capital, real estate, and financial investments; and monitoring of the group subsidiaries. Accordingly, the diversified operations are mainly part of IBDD.
- **Alissa Information Technology:** This is the information technology division of the group, which supports the group companies with information, insights, and connectivity.

### Recent Developments/Future Plans

- In September 2016, AutoStar launched its “First Five Installments Free” campaign in cooperation with Al Yusr Leasing and Financing using the slogan “Pick up your new car today and pay in 2017”. The offer was provided on selected models of Nissan, Kia, Toyota, Honda, and Hyundai.

## Abu Dhabi Motors LLC (Privately Owned)

UAE

### Company Description

Established in 1985, Abu Dhabi Motors is the exclusive importer for BMW and MINI and the sole dealer for Rolls-Royce cars in Abu Dhabi and Al Ain. The company employs over 700 people and owns four showrooms, three after sales centers, three car body shops, one pre-delivery inspection centre, and four car storage warehouses that are capable of accommodating 3,000 cars.

### Business Segments/Product Portfolio

- **BMW:** Abu Dhabi Motors is engaged in the import and sale of all BMW models in Abu Dhabi and Al Ain. The company also offers original BMW parts and accessories and pre-owned vehicles with a long-term warranty, wide portfolio of services, and financing options.
- **MINI:** The company secured the franchise of MINI cars in 2001. It is an exclusive importer and distributor of MINI in Abu Dhabi and Al Ain. The company also deals in MINI used cars and offers parts and accessories and services.
- **Rolls-Royce:** Abu Dhabi Motors is an exclusive dealer of Rolls-Royce in Abu Dhabi and Al Ain. The company offers all the models of Rolls-Royce and provides related parts and services. With Rolls-Royce's wide collection of accessories, the company provides support to customize the cars. The company also runs a Provenance program, under which it offers certified Rolls-Royce used cars complemented with minimum of two years warranty and standard servicing.

### Recent Developments/Future Plans

- In April 2016, Abu Dhabi Motors won the Service Performance awards in the BMW Customer Satisfaction Index, with 16 of the top 20 service advisors selected from Abu Dhabi Motors based on highest after-sales standards.
- In March 2016, Abu Dhabi Motors received four awards, including the Global Dealer of the Year; Regional Dealer of the Year for Middle East, Africa, Central Asia & South America; Best Bespoke Dealer; and Best Global Volume Contribution at the annual Rolls-Royce Motor Cars World Dealer Conference 2015.
- In December 2015, Abu Dhabi Motors renewed its partnership with the Emirates Palace Hotel and delivered a fleet of four BMW 5 Series, 23 BMW 7 Series, and two BMW X5 models to be used for the transportation of its guests.
- In October 2015, Abu Dhabi Motors entered into a new multi-million Dirham sponsorship deal with Al Ain Football Club, making the Abu Dhabi Motors the official automotive partner for the 2015/16 season.

## Al Ghandi Auto Group (Privately Owned)

UAE

### Company Description

Founded in 1988, Al Ghandi Auto Group (Al Ghandi) is primarily the dealer of General Motors brands namely GMC and Chevrolet in Dubai and Northern Emirates. Through its dealership network, the company provides family cars, luxury cars, high-performance sports cars, commercial vehicles, rental solutions, vehicle registration, marine equipment, and power generators, among others. Additionally, the company deals in commercial vehicles and industrial equipments representing more than 20 manufacturers in over 16 locations across the Middle East and East Africa.

### Business Segments/Product Portfolio

- **Al Ghandi Auto:** Through this company, the group is engaged in the distribution of a range of vehicles from subcompact cars to medium-duty commercial trucks of GMC and Chevrolet brands in Dubai and Northern Emirates. The company also offers related ancillary services.
- **National Auto:** Through this company, Al Ghandi owns dealership rights for Fiat, Proton, Ssangyong, and Lancia in Dubai and Northern Emirates. The company is engaged in the sale of new and used vehicles and provision of after sales service and spare parts. The company's showrooms are located in Dubai, Sharjah, and Fujairah.
- **Saeed Mohammed Al Ghandi & Sons (SMAG):** Founded in 1972, SMAG is a distributor for a number of world-renowned franchises of commercial vehicles and industrial machinery and equipment in the Middle East and East Africa. SMAG distributes commercial vehicles including trucks, excavators, and buses of brands such as Iveco, Kobelco, and Golden Dragon in Northern Emirates, Dubai, and Djibouti.
- **Yaseer Car Rental & Leasing Company (Yaseer):** This company offers short and long-term car rental services, car leasing facilities with suitable payment options, full service packages, and vehicle insurance. It has a diverse fleet comprising Chevrolet, GMC, Fiat, SsangYong, Proton, and Iveco vehicles. The company has a showroom – Yaseer Rent a Car – in Dubai.
- **Tamam Vehicle Testing:** Under this business, Al Ghandi provides testing and registration of vehicles and certain machineries. The technical testing facility is approved by the Roads and Transport Authority of Dubai.
- **G-Force Performance:** Founded in 2010, this division offers vehicle customization services such as painting, body styling, and tuning, among others. The business unit also offers a range of accessories such as body kits, interiors, wheels, suspension, brakes, cat-back exhaust, and supercharger.
- **Parts and accessories:** This division distributes parts and accessories not only for General Motors and IVECO vehicles but also for many other brands in the UAE and Djibouti.
- **Al Ghandi Insurance Broker L.L.C (AGIB):** This division was launched in 2016 as an independent broker of personal, corporate, and financial service insurances.

### Recent Developments/Future Plans

- N/A

## Al Habtoor Motors LLC (Privately Owned)

UAE

### Company Description

Established in 1983, Al Habtoor Motors LLC (AHM) is a subsidiary of the UAE-based conglomerate Al Habtoor Group that has business interests in automotive, hospitality, education, real estate, and publishing sectors. AHM is the distributor of Mitsubishi, Fuso, TEMSA, Chery, JAC, Wrightbus International, Bentley, Bugatti, and McLaren in the UAE. The company offers the entire vehicle range of these brands including sedans, hatchbacks, 4x4's, convertibles, coaches, and buses. AHM has a strong network of nine showrooms, nine service centres, four body shops, and ten parts centers covering the entire UAE. In 2015, the company expanded into the Saudi Arabian market for the first time with Mitsubishi Fuso.

### Business Segments/Product Portfolio

- **Mitsubishi:** As an exclusive distributor of Mitsubishi in the UAE, AHM offers the brand's entire range of passenger cars, 4x4s, and Fuso commercial vehicles along with providing related parts and services. In addition, the company also distributes Fuso commercial vehicles in Saudi Arabia.
- **TEMSA:** AHM offers various models of buses and coaches of the TEMSA brand in the UAE.
- **Chery:** The company is the sole distributor for the Chinese brand, Chery, in the UAE. The company offers the brand's complete range of models in addition to providing repair and maintenance, auto parts, warranty, and after-sales services.
- **JAC:** AHM offers range of JAC vehicles including sedans, hatchbacks, mini-buses, delivery vans, and trucks under its distributorship agreement with the Chinese automaker. The company also offers related ancillary services.
- **Wrightbus International:** AHM has the exclusive dealership for Ireland-based Wrightbus International's vehicles in the UAE. The brand has a wide range of buses including double deck buses, single-deck buses, and mini buses.
- **Bentley:** Through an exclusive distributorship agreement, AHM offers luxury carmaker Bentley's products and services. The company also provides sale of used cars under the Bentley Pre-Owned Programme.
- **Bugatti:** AHM has the sole distributorship for Bugati's Chiron and Veyron car series in the UAE.
- **McLaren:** AHM offers McLaren's cars including the sports series, super series, and ultimate series in the UAE under an exclusive distributorship contract. It also deals in trade of pre-owned McLaren cars and provides after sales services and spare parts.
- **Tires and Batteries:** Through this division, the company is engaged in the sale of automotive tires, accessories, and batteries of brands such as Sumo Firenza, Avon Tyres, General Tire, Mastercraft Tires, Fix&Go, and Energizer.
- **Global Auto Parts LLC:** This subsidiary of AHM supplies auto parts for vehicles of all major Japanese, Korean, European, and American automobile brands.

### Recent Developments/Future Plans

- In September 2016, AHM entered into a strategic partnership with Wrightbus International to become its official distributor in the UAE.
- In August 2016, AHM opened a new Bentley Motors showroom on Sheikh Zayed Road in Dubai. Spread across 75,000 square feet area, the six-storey showroom features a personal commissioning area, a roof garden, a VIP suite and specialized water feature with number plate recognition.
- In July 2016, AHM opened two new state-of-the-art FUSO vehicle sales, services, and spare parts centers in Riyadh.

### Company Description

Incorporated in 1976, Al Nabooda Automobiles LLC (ANM) operates as a subsidiary of Khalifa Juma Al Nabooda Group, a conglomerate operating over 20 companies across different sectors. ANM is the authorized dealer for Audi, Porsche, and Volkswagen in Dubai and Northern Emirates. The company offers branded vehicles, used cars, and related services through a network of over 20 showrooms and service centers in Dubai, Fujairah, and Sharjah. The company offers car painting and accident repairs services through its bodyshop centre while its three Protech centres offers performance and tuning service for Audi, Porsche, and Volkswagen cars.

### Business Segments/Product Portfolio

- **Volkswagen:** ANM offers whole range of Volkswagen models through its network of four dedicated showrooms, of which two are located in Dubai and one each in Sharjah and Fujairah. Additionally, the company operates three service centers, one each in the three Emirates, equipped with workshop, spare parts storage facility, automatic car wash, petrol station, and car accessories. The company also offers Volkswagen certified used cars through its Das WeltAuto showroom located in Dubai.
- **Audi:** The company is engaged in the sale of Audi models and provision of related services through its three exclusive showrooms and service centres across Dubai, Sharjah, and Fujairah. The service centers are equipped with vehicle bays, wheel alignment facilities, and over 10,000 lines of spare parts. The company also offers pre-owned Audis through the Audi Approved: Plus showroom located in Dubai.
- **Porsche:** ANM offers the full range of Porsche models through its three dedicated showrooms and five service centres across Dubai, Sharjah, and Fujairah. The company also offers pre-owned Porsche vehicles through its Porsche Approved centre in Dubai.

### Recent Developments/Future Plans

- In April 2016, ANM inaugurated the world's largest standalone Audi service centre in Dubai. Spread across 11,000 square meters (sq m) area, the three-level center includes an extensive workshop, contemporary lounge, 400 parking spaces, and a closed roof mezzanine level.
- In June 2015, the company's Porsche Centre in Dubai was honored by Dubai Municipality for its continued contribution to the sustainability of the automotive sector. In recent years, ANM has undertaken several initiatives with Dubai Municipality to reduce the carbon footprint in the UAE.
- In May 2015, ANM was honored as the top performer in the Car Agency sector in the third 'Consumer Friendliness Index 2014' released by the Department of Economic Development, Dubai.

### Company Description

Founded in 1957, the Dubai-based Al Rostamani Group (Al Rostamani) is a conglomerate with business interests in automotive, contracting, trading, recycling, and services sectors. The automotive business is conducted through its subsidiaries, Al Rostamani Trading Company (ARTC) and United Diesel LLC (United Diesel). Al Rostamani distributes a wide range of vehicles of some of the world's prominent automobile manufacturers such as Suzuki, Citroen, Renault Trucks, Tata Motors, UD Trucks, Unicarriers Forklifts, and Dong Feng. In addition, the company offers spare parts, car accessories, and after sales services.

### Business Segments/Product Portfolio

- **Automotive:** The automobile business includes sale of new vehicles and provision of after sales services.
  - **ARTC:** Founded in 2002, the subsidiary is a sole dealer of Suzuki and Citroen automobiles in the UAE. The product lines of these brands include cars, SUVs, and commercial vehicles. The company offers the products and services through its network of six showrooms, six service centers, and five parts centers for Suzuki brand and one each showroom, service center, and parts center for Citroen brand in the UAE.
  - **United Diesel:** Established in 1972, United Diesel holds dealership rights of Renault Trucks, Unicarriers Forklifts, UD Trucks, Tata Motors, and Dong Feng. The product range includes trucks, buses, forklifts, tractors, and transport solutions to the commercial, industrial, and educational sectors. The subsidiary also offers after sales support and genuine parts and accessories.
- **Contracting:** Through its four subsidiaries, the company is engaged in property and project management services; contracting works for residential complex, hotels, hospitals, and industrial facilities; designing and construction turnkey electrical power projects; and trading in building material products.
- **Services:** This division offers a range of services including telecommunications and information technology equipment / solutions, currency exchange and international remittance services, travel and holiday related services, and financial brokerage services.
- **Trading:** This division is engaged in trading of automobile parts for brands such as Michelin, Castrol Lubricants, Kormoran, Baroclem Batteries, Nippon Paints, and Aloca Aluminium Wheels. The company also provides air and water cooling solutions under the brands Blue Star, Coway, and Bekon.
- **Recycling:** This division undertakes recycling of tires and construction as well as demolition waste.

### Recent Developments/Future Plans

- In January 2016, ARTC launched the new Suzuki Vitara in the UAE, marking an addition to the SUV series including Grand Vitara, Jimny, and SX4.

## Al Tayer Motors LLC (Privately Owned)

UAE

### Company Description

Established in 1982, Al Tayer Motors LLC (ATM) is the subsidiary of Al Tayer Group, a conglomerate engaged in automotive, retail, and real estate businesses. ATM is the distributor of major American and European automobile brands such as Ford, Lincoln, Ferrari, Maserati, Jaguar, Land Rover in the UAE. The company is engaged in the sale of new and pre-owned vehicles and offers after sales services. ATM also arranges personal finance and insurance services, in association with banks and insurance companies, through its in-house facilities at selected showrooms. ATM operates seven showrooms and six service centres spread across Dubai, Fujairah, Sharjah, and Ras Al Khaimah. In Abu Dhabi, the company operates through Premier Motors LLC that has three showrooms and two service centers.

### Business Segments/Product Portfolio

- **New Cars:** It offers a wide range of car models of Ford, Lincoln, Jaguar, Land Rover, Maserati, and Ferrari across the UAE. Its portfolio of vehicles also includes commercial vehicles of Ford.
- **Pre-Owned Cars:** The company facilitates the sale of used cars of Land Rover, Jaguar, Ford, Lincoln, Ferrari, and Maserati at competitive prices across the UAE.
- **After Sales:** It offers complete after sales support, which includes car servicing, auto parts, warranty, bodyshop, and roadside assistance through its network of service centers strategically located across the UAE.
- **Finance and Insurance:** ATM arranges for complimentary personal finance and insurance service for its valued customers.
- **Car Rental:** ATM established Sanam Rent-a-Car LLC in 1994, through which it offers car rental services. Sanam Rent-a-Car LLC represents National Car Rental and Alamo franchises in the UAE with a fleet of 4,500 vehicles for both rental and leasing.

### Recent Developments/Future Plans

- In September 2016, ATM was awarded with Ford's 'The Chairman's Award' for 2015. The honor was conferred after considering parameters including sales and service customer satisfaction indices as well as vehicle and parts sales achievements.
- In May 2016, ATM announced its plan to open new dedicated Lincoln concept showroom in Dubai that will provide sales, service, and spare parts. Encompassing an area of over 120,000 square feet, the construction of the facility is likely to complete by 2018.
- In December 2015, ATM opened the first Maserati showroom and service centre in Sharjah.

## Al-Babtain Group (Privately Owned)

Kuwait

### Company Description

Established in 1948, Al-Babtain Group (Al-Babtain) has business interests in multiple sectors, including automotive, information technology, industrial, investment, and financial services. The company's operations span across the Gulf, Europe, the US, and the Far East. Al-Babtain's automotive business comprises import and distribution of cars, heavy-duty vehicles, and construction equipment alongside provision of car rental and leasing services.

### Business Segments/Product Portfolio

- **Automotive:** Al-Babtain holds distribution rights for automotive brands such as Infiniti, Nissan, Citroen, Renault, CMC, Tadano Limited, and JMC. The company's portfolio of passenger cars include hatchbacks, sedans, multi-purpose vehicles (MVP) and SUVs while the commercial vehicles offerings include truck cranes, truck loaders, terrain cranes, freezer vans, panel vans, passenger vans, half lorry, and closed body trucks. Apart from vehicles, the company also offers auto spare parts such as tires, batteries, spark plugs, lubricants, and polish of brands like Dunlop Tires, GS Battery, NGK Spark Plugs, Total, Maxxis, and Holts Prestone. Al-Babtain's subsidiary, Gulf Express, is the sole distributor of premium oil products and Dunlop tires in Kuwait.
- **Information Technology:** Al-Babtain provides a comprehensive range of information technology solutions covering networking and data communications solutions, audio / video solutions, security, storage and back-up solution, and enterprise / databases integration through its subsidiary NCS ME. Some of the notable brands offered by the subsidiary include HP, Compaq, Microsoft, Autodesk, and Siemens.
- **Investment:** Al-Babtain invests in real estate projects focused on the leisure, residential, and commercial sectors.
- **Industrial:** Under this segment, Al-Babtain manufactures and supplies a wide range of coatings and plastics. The business is conducted through subsidiaries, Kuwait Paint Company and Al Ahlia Plastics Company.
- **Finance:** The company provides auto-financing services through its subsidiary Al-Babtain Finance Company.

### Recent Developments/Future Plans

- In November 2015, Al-Babtain launched the first exclusive Renault showroom in Kuwait. With the launch, the company aims to expand its business of Renault vehicles, spare parts, and services in the Kuwaiti market.

### Company Description

Founded in 1954, Alfardan Group (Alfardan) is a family-owned conglomerate with business interests in the fields of automotive, jewelry, exchange, property development, investment, marine, and hospitality. The company forayed into the automotive business in 1996 and presently represents luxury cars brands such as Rolls-Royce, Ferrari, Land Rover, BMW, MINI, Jaguar, and Maserati. Alfardan also deals in high-end motorcycles and a range of commercial vehicles. Additionally, the company offers vehicle leasing and limousine rental services and distributes various auto parts.

### Business Segments/Product Portfolio

- **Alfardan Automobiles:** The company is the authorized dealer for BMW, MINI, and Rolls-Royce Motor Cars in Qatar. It has one each new car showroom for BMW and MINI and a showroom for BMW certified pre-owned car in Doha. The showrooms are equipped with after sales facilities featuring the latest computerized service and diagnostic tools and technologies.
- **Rolls-Royce Motor Cars Doha:** Alfardan undertook distributorship of Rolls-Royce Motor Cars Doha in 2003. The company distributes full range of Rolls-Royce, provides after sales services, and deals in related parts and approved pre-owned vehicles.
- **Alfardan Sports Motors (ASM):** AMS is the exclusive importer of Ferrari and Maserati vehicles in Qatar, offering their full range of sports and luxury cars. It also provides after sales service and sale of used cars under the Ferraro Approved and Maserati Certified Pre-Owned program.
- **Alfardan Premier Motors (APM):** It is the exclusive importer of Jaguar and Land Rover vehicles in Qatar. In addition to selling the branded models, the company also offers their after sales services, spare parts and accessories, and certified pre-owned cars. APM conducts business through one showroom each of Land Rover and Jaguar, an after sales facility, a quick service center, and an approved used car showroom.
- **Alfardan Motorcycles:** Under this segment, the company distributes motorcycles of brands such as Ducati, BMW Motorrad, KTM, Triumph, Vespa, Aprilia, Gilera, Piaggio, Moto Guzzi, Sand-X, and Arctic Cat in Qatar. Alfardan also sells pre-owned motorcycles of some of the brands and offers repairs and modifications services.
- **Prestige Cars:** It offers car leasing, rental, chauffeur, and limousine services to individuals and corporate clients in Qatar. Its vehicle fleet includes BMW, MINI, Land Rover, Jaguar, Rolls-Royce, and Scania VIP buses. It has outlets at major five-star hotels in Doha.
- **Arabian Agencies Company (ARACO):** Through this segment, the company offers construction equipment of Volvo; trucks, gensets, coach, and buses of Scania; crushing and screening equipment of Powerscreen; trenching equipment of Trencor; and construction machineries of SDLG.
- **Auto Future Tech:** This division is engaged in the distribution of tires and lubricating oils, greases, coolants, brake fluids, and hydraulic oils of Continental and Castrol brands.

### Recent Developments/Future Plans

- In September 2016, Alardan Automobiles opened a new BMW Premium Selection showroom in West Bay.
- In March 2016, Alfardan Motorcycles opened a new showroom in Medina Centrale.

## Al-Futtaim Automotive Group (Privately Owned)

UAE

### Company Description

Headquartered in Dubai, Al-Futtaim Automotive Group (AFAG) belongs to Al-Futtaim Group that has operations in automotive, financial services, real estate, and retail sectors. Its offerings cover every facet of the automotive value chain from commercial vehicles, passenger cars, construction equipment sales and auto logistics to used car sales, auto leasing, and rentals. The business is conducted through various arms of the group. AFAG represents over 25 global vehicle brands with a network of over 170 showrooms and after-sales facilities. Through its widespread distribution network, AFAG conducts operation in 14 countries across the Middle East, Africa, and Asia.

### Business Segments/Product Portfolio

- **UAE:** AFAG is engaged in the sale of new and pre-owned vehicles and provision of car rental and leasing services and ancillary services. The company distributes Honda cars through Al-Futtaim Honda (20 showrooms and after sales centres); Volvo, Lotus, Chrysler, Dodge, Jeep, and RAM vehicles through Trading Enterprises; and Toyota, Lexus, and Hino vehicles through Al-Futtaim Motors. Additionally, the used cars business is conducted by Al-Futtaim Automall (8 showrooms), aftermarket business through Al-Futtaim Auto Centers, commercial vehicles and services business through Al-Futtaim Auto & Machinery Company (FAMCO), and car rentals and leasing services through Al-Futtaim Sons – Hertz. The company also is engaged in sale and lease of vehicles, handling equipment, and generators used in remote areas or challenging environments through Select Auto.
- **Oman:** AFAG holds exclusive distribution rights for Honda in the Sultanate through its subsidiary – Oman Marketing and Services Company. AFAG is also engaged in the sale of commercial vehicles and equipment through FAMCO and provision of car rental services through Thrifty Car Rental.
- **Qatar:** In the country, AFAG distributes vehicles of Honda, Volvo, Proton, and China Motor Company through Doha Marketing and Services Company and supplies commercial vehicles and equipment through FAMCO. The company also provides vehicle rental and leasing services through Al-Futtaim Vehicle Rentals.
- **Saudi Arabia:** In the Kingdom, AFAG is engaged in the distribution of commercial vehicles and equipment through FAMCO, provision of automotive solutions to commercial and industrial customers through Orient Marketing and Trading Company, and support services and aftermarket solutions through Al-Futtaim Auto Centres.
- **Bahrain:** AFAG offers heavy-duty construction vehicles of brands such as BP Handling Technologies, Volvo, SDLG, Merlo, and HARTL in the country through FAMCO. Additionally, the company provides construction vehicles of Eicher through Pacific Machinery.

In addition to the GCC, the company has automotive operations in Iraq, Lebanon, Egypt, Uganda, Kenya, Tanzania, Mozambique, Afghanistan, Pakistan, and Sri Lanka.

### Recent Developments/Future Plans

- In September 2015, AFAG announced its plan to open a huge showroom at Dubai Investments Park. The facility spanning over an area of 34,000 sq m, will be able to accommodate 1,400 vehicles in addition to tires, batteries, workshop equipment, and body shop divisions. The showroom is expected to become operational by 2017.

### Company Description

Founded in 1979, Ali & Sons Holdings LLC (Ali & Sons) is a conglomerate with business interests in the automotive, contracting, healthcare, industrial, information technology, oil & gas, retail, real estate, media, and tourism sectors. In the automotive space, Ali & Sons represent world's prominent brands such as Volkswagen, Porsche, Audi, and Skoda in the UAE. The company offers new and pre-owned vehicles, auto parts, repair and maintenance services, roadside assistance, and auto tuning services. Through Eurostar Rent A Car, Ali & Sons provides car rental services in the UAE with its fleet of Porsche, Audi, and Volkswagen cars, and commercial vehicles.

### Business Segments/Product Portfolio

- **Volkswagen:** Ali & Sons started its Volkswagen operations in Abu Dhabi in 1987. The company is engaged in the sale of all models of Volkswagen including hatchbacks, sedans, SUVs, convertibles, and sports cars. It owns three showrooms located in the Corniche area, Musaffah, and Al Ain. The company is planning to open a new showroom in Abu Dhabi in 2017.
- **Audi:** Ali & Sons is the exclusive dealer of Audi in Abu Dhabi since 1987. It offers their entire range of cars including sedans, hatchbacks, coupes, and convertibles. In Abu Dhabi, the company has one Audi showroom in Corniche Road and an "Audi Terminal" style showroom in Rawdhat. It also operates an Audi approved used car showroom in Mussafah and two service centres, each in Al Ain and Mussafah.
- **Porsche:** The company is engaged in the import and distribution of Porsche cars in Abu Dhabi since 1987. It has two showrooms and a service centre in Abu Dhabi and one showroom in Al Ain.
- **Skoda:** In 2010, Ali & Sons obtained the sole dealership rights for Skoda vehicles in the UAE. The company operates one Skoda showroom each in Dubai and Al Ain; one after sales facility in Abu Dhabi, Dubai and Al-Ain; and one parts centre in Abu Dhabi.
- **Volkswagen Commercial Vehicles:** Under this division, the company is involved in marketing and sales of Volkswagen-branded light commercial vehicles.
- **Pre-Owned Cars:** This division conducts inspection of used cars and offers warranty, financing, and insurance deals for Volkswagen, Audi, and Porsche pre-owned certified cars
- **ABT Sportsline:** Through this division, the company offers automobile tuning services including aerodynamic bodywork parts, wheels and exhaust systems, sport suspensions, and power upgrades for Volkswagen vehicles.

### Recent Developments/Future Plans

- In December 2015, Ali & Sons opened its new Audi Terminal showroom in Rawdat, Abu Dhabi. The new showroom is spread over an area of 1,595 sq m with the capacity to display 21 cars.
- In August 2015, Ali & Sons announced that it will complete the construction of the US\$ 27 million exclusive Audi workshop by 2017. It will house an Audi-approved used car showroom and will be equipped with the latest diagnostic testing facilities.

### Company Description

Incorporated in 1986, the Ali Alghanim & Sons Automotive W.L.L. (AAS) is an automotive arm of Ali Alghanim & Sons Group, a conglomerate with business interests in automotive, contracting, education, trading, investment, networking IT, real estate and manufacturing sectors. The company is a distributor of brands such as BMW, Rolls-Royce, MINI, Land Rover, McLaren, and JAC Motors in Kuwait. AAS operates a large automotive complex in Shuwaikh that encompasses an area of 22,500 sq m with dedicated showrooms for McLaren and Rolls-Royce. The facility is also equipped with workshop, body shop, quick service center, parts and accessories, vehicle financing, and 24-hour roadside service.

### Business Segments/Product Portfolio

- **Dealership Brands:** As an exclusive distributor and sole importer, AAS offers premium vehicle brands such as BMW, Rolls-Royce, MINI, Land Rover, McLaren, and JAC Motors in Kuwait. The company also deals in automotive batteries and lubricants such as motor oil, additives, chemical-based technical solutions, and car care products. AAS distributes Liqui Moly (a German motor oil brand) and Exide (an American automotive battery brand) products exclusively in Kuwait.
- **Services:** AAS offers a full range of after sales services including repair service, quick service, body shop, parts and accessories, satellite service stations, and 24-hour roadside assistance. Additionally, the company provides vehicle-leasing programs on all its brands with comprehensive insurance, warranty, and service package through its subsidiary MAKFM.
- **Used Cars:** AAS is engaged in the sale of certified pre-owned vehicles of brands like BMW, Rolls-Royce, and Land Rover. The used cars are sold through a dedicated showroom in Shuwaikh.

### Recent Developments/Future Plans

- In March 2015, AAS was recognized with five awards, including Regional Dealer of the Year, Highest Year on Year Sales Growth, Brand Ambassador, and two Certificates of Excellence for outstanding achievements in after-sales services at the annual Rolls-Royce Motor Cars Regional Dealer Awards 2014 for the Middle East, Africa, Central Asia and South America.
- In January 2015, AAS displayed four models of the MINI at its 'Yalla MINI' event held at the 360 Mall in Kuwait, which attracted over 300 people to test drive the MINI models.
- In August 2014, AAS announced the addition of Chinese automotive brand JAC Motors (Anhui Jianghuai Automobile Company) to its portfolio of premium automobile brands.
- In May 2014, AAS entered into a partnership with Liqui Moly and Exide brands to distribute their products exclusively in Kuwait.

## AW Rostamani Group (Privately Owned)

UAE

### Company Description

Founded in 1965, AW Rostamani Group (AW Rostamani) is a conglomerate with business interests in automotive, retail, real estate and construction, information technology, logistics, travel, and consultancy sectors. Headquartered in Dubai, AW Rostamani is the sole distributor for automobile brands such as Nissan, Infiniti, Renault, Morris Garages, and Zhengzhou Nissan Automobile in the UAE. In addition, the company offers certified pre-owned cars, spare parts, car accessories, car rental and leasing, and after sales services. The automotive business is conducted through its subsidiaries, Arabian Automobiles Company, Shift Car Rental, AW Rostamani Trading Company and AW Rostamani Certified Pre-owned.

### Business Segments/Product Portfolio

- **Automotive:** The business includes sale of new and pre-owned vehicles, car rental and leasing service, and provision of after sales services.
  - **Arabian Automobiles Company:** Founded in 1968, the subsidiary is a sole dealer for Nissan, Infiniti, and Renault brands in Dubai and the Northern Emirates. It offers wide range of vehicles, including hatchbacks, sedan, SUVs, convertibles, and commercial vehicles. It has a network of 11 new car showrooms, 11 service centers, and 13 spare parts outlets.
  - **Shift Car Rental:** Established in 2008, the subsidiary offers long-term leasing and spot car rental solutions to individuals and corporates. Its fleet consists of the different car models of Nissan, Infiniti, and Renault. Under the leasing solutions, the subsidiary offers buyback option on expiry of the lease term in addition to guaranteed customer service.
  - **AW Rostamani Trading Company:** The subsidiary is an exclusive distributor for vehicles brands such as Morris Garages (sports cars) and Zhengzhou Nissan Automobile (SUVs, MPVs, pick-ups, light trucks) in the UAE. It also distributes tires, batteries, lubricants, heat control films, and other allied products of brands such as CEAT Tyres, Fulda Tyres, SAVA Tyres, Amaron batteries, ELF Lubricants, Fortron Automotive Treatments, and XCool heat control films in the UAE.
  - **AW Rostamani Certified Pre-owned:** Established in 1998, the company deals in certified pre-owned vehicles of brands, including Nissan, Infiniti, Renault, Toyota, Lexus, Ford, Mitsubishi, BMW, Mercedes, Morris Garages, Audi, and Chevrolet, among others. It has five pre-owned cars showrooms located in Dubai and the Northern Emirates.
- **Lifestyle:** Founded in 2012, this division offers exclusive brands in fashion, jewelry, and home ware products. The brands under its umbrella include Georg Jensen, Vhernier, and Graffiti.
- **Real Estate:** The group offers luxury housing, affordable residential units, and commercial office spaces in the UAE. It also provides property development and management, leasing and asset management services.
- **Information Technology:** Provides IT services and business consulting solutions through its subsidiary Shift Technologies.
- **Consulting & Training:** Provides consulting and training services to governmental and private enterprises.
- **Logistics:** Engaged in logistics services including distribution, warehousing, customs clearance, freight forwarding, shipping and container freight station, and trading through its subsidiary AW Rostamani Logistics.
- **Interior Fit Out:** Offers interior fit-out and MEP services through its subsidiary, AW Rostamani Building Industries.
- **Lighting:** Through AW Rostamani Lumina, the group offers luminaires and lighting control equipment.

### Recent Developments/Future Plans

- In November 2016, Arabian Automobiles Company opened a new Infiniti certified used car showroom on Sheikh Zayed Road in Dubai.
- In January 2016, Arabian Automobiles Company opened its first Renault store in the UAE located on Al Ittihad Road, Dubai.

Source: Company Website, TradeArabia

## Behbehani Brothers W.L.L. (Privately Owned)

Bahrain

### Company Description

Established in 1952 as a general trading company, Behbehani Brothers W.L.L. (Behbehani) ventured into the automotive retail business in 1957 by becoming the distributor for Volkswagen cars. Today, the company represents the world's renowned automobile brands of Volkswagen, Porsche, Chrysler, Jeep, Dodge, RAM, Fiat, and Alfa Romeo. In addition, the company offers repair and maintenance service, spare parts and accessories, bodyshop, car leasing, and vehicle financing assistance. Apart from automotive business, Behbehani has interests in retailing watches, engineering and trading, and energy and building solutions.

### Business Segments/Product Portfolio

- **Automotive:** The company distributes a range of vehicles from hatchbacks, sedans, SUVs, convertibles, and sports cars to trucks of international automobile brands such as Volkswagen, Porsche, Chrysler, Jeep, Dodge, RAM, Fiat, Alfa Romeo. Additionally, Behbehani provides after sales services including body shop, parts and accessories, auto financing, and vehicle leasing. The company is also engaged in the sale of certified pre-owned vehicles. Through brands like Mopar and SRT, the company provides exclusive car servicing, parts and accessories, and tuning services for selected brands such as Chrysler, Dodge, Jeep, and RAM.
- **Watches:** Behbehani offers a wide collection of watches of premium brands such as Omega, Patek Philippe, Vacheron Constantin, Tissot, Roamer, Baume & Mercier, Piaget, and Jaeger-LeCoultre through its network of 14 flagship stores in Bahrain. The company also sells Italian jewelry, gift items, leather goods, and fashion ware.
- **Engineering and Trading:** Under this division, the company deals in survey software and hardware, ground penetrating radar equipment, laser scanners, mobile sensor platforms, and machine control systems.
- **Energy & Building Solutions:** Behbehani is engaged in the distribution of gas detection, strainers, and boilers of Acme Engineering Products Ltd.

### Recent Developments/Future Plans

- In June 2016, Behbehani announced the commencement of construction of a new multi-storey car storage facility and logistics unit in Bahrain. The construction is expected to complete by first quarter of 2017. The facility is likely to accommodate up to 1,000 cars, a public cafeteria, nine quick service workbays, eight pre-delivery inspection bays, and a hi-tech workshop.
- In November 2015, Audi Centre Bahrain (ACB), represented by Behbehani, signed a strategic leasing agreement with Bahrain's premier golf club, Royal Golf Club (RGC). Under the agreement, ACB offers RGC members and employees a broad range of attractive vehicle financing and leasing options on the Audi car models, including maintenance and servicing over the leasing period.

### Company Description

Established in 1946, E.A. Juffali & Brothers (Juffali) is a diversified player engaged in businesses of automotive, technology, AC & refrigerator, construction, chemicals, contracting services to oil and gas industry, insurance, and training services. In the 1950s, Juffali ventured into the automotive sector through its association with Mercedes-Benz brand owned by the German-based Daimler AG. Over the years, Juffali expanded its interest in the automotive sector in almost every area including retail, vehicle assembly, bodywork, tires, and spare parts. In 1977, Juffali in association with Daimler AG established a training center to train young Saudi nationals on automotive engineering and maintenance.

### Business Segments/Product Portfolio

Juffali conducts the automotive business through below subsidiaries,

- **Juffali Automotive Company (JACO):** JACO is the exclusive distributor for Mercedes-Benz cars in Saudi Arabia. The company sells cars through its showrooms in Jeddah, Riyadh, Dammam, and Asir. The subsidiary also provides after sales services and spare parts through its centers located across the country. JACO also offers online services for its customers.
- **National Automobile Industry Company Ltd. (NAI):** Founded in 1974, NAI is a JV between Juffali and Mercedes-Benz commercial vehicles formed to assemble Mercedes-Benz commercial vehicles in Saudi Arabia.
- **Juffali Industrial Products Company (JIPCO):** JIPCO is engaged in the sale, marketing, and provision of after sales services for the Mercedes-Benz range of commercial vehicles in the Kingdom. The subsidiary is also the sole distributor of Daimler AG commercial vehicles in Saudi Arabia.
- **Juffali Tyres Company (JTCO):** Formed in 2001 after the merger of Michelin Saudi Arabia with Juffali, JTC offers a broad range of Michelin products through its outlets in Riyadh, Dammam, Jeddah, Qassim, Abha, and Medinah. The subsidiary also offers after sales support across the country and runs TyrePlus Service Centres that provides a range on top-end tires and mechanical services.
- **Arabian Metal Industries Ltd. (AMI):** Established in 1976, AMI is engaged in the production and assembly of truck bodies, tippers, tanks, trailers, cargo boxes, refrigerated boxes, semi-trailer tankers, and garbage trucks at its factory in Jeddah.
- **Juffali Auto Parts Company (JAPCO):** JAPCO provides auto spare parts, warehousing facility, and unique workshop services such as automotive diagnostic systems (through its partnership with Bosch). The subsidiary also offers after sales services across the country through its network of sales outlets and a large field sales force.

### Recent Developments/Future Plans

- In September 2016, Daimler AG achieved a major milestone of selling 100,000 Mercedes-Benz Actros truck in MENA over the past 20 years. The result was attributed to the long lasting and successful business relationship between Daimler AG and JIPCO.

### Company Description

Founded in 1950, Ebrahim Khalil Kanoo Company B.S.C. (EKKC) is a diversified enterprise with presence in businesses of automotive sales and services, information technology, consulting, power solutions, security services, and painting services. The company is the sole distributor for Toyota and Lexus vehicles in Bahrain. EKKC also offers car servicing, vehicle rental and leasing services, and undertakes sale of pre-owned vehicles. Moreover, the company deals in a range of tires and other automotive equipment and tools. EKKC owns a showroom each of Toyota and Lexus and a Toyota Plaza after sales service center in Bahrain.

### Business Segments/Product Portfolio

- **Automotive Sale:** EKKC offers the whole range of passenger, commercial vehicles, and industrial equipment of Toyota brand and luxury car models of Lexus brand in Bahrain. Additionally, the after sales services of these brands are provided at the Toyota Plaza service center.
- **Automotive Services:** The company offers passenger and commercial vehicles of different brands on lease through the Kanoo Vehicle Leasing division. EKKC also engages in sale of used cars through Kanoo Pre-Owned Vehicles division and car rental services via Kanoo Daily Rental. Other services include vehicle insurance, registration, servicing, and maintenance. Besides, the company operates Kanoo Body Service Centers that provides accident repairs, chassis alignment, full body polish, and painting and fitting services, among others.
- **Kanoo Automotive Care (KAC):** KAC distributes cranes, vehicle body repair and paint equipment, and air compressors, among others of more than 35 global renowned automotive equipment brands. Through the tire division, it distributes tires of Michelin and BF Goodrich brands. KAC holds franchisee of brands such as Llumar (window film and tint provider), Ziebart (automotive detailing and protection provider), and TyrePlus (one-stop-shop offering tires and car maintenance services).
- **Diversified Businesses:** In addition to the automobile business, the company is engaged in below businesses.
  - **Kanoo Information Technology:** Offers infrastructure, storage, data center, networking, information security services, and other services in partnership with IBM, HP, Cisco, and Microsoft, among others.
  - **Kanoo Power Solutions:** Offers a range of standard power solutions in partnership with brands such as Emerson, Aksa, Exide, Power-one, and Hawker.
  - **Security 1:** Offers specialized turnkey solutions such as access control, fire alarm and suppression, video surveillance, and intrusion detection in association with Mobotix, Milestone, Bosch, and Golmar, among others.
  - **KCS Consulting Services:** Offers enterprise resource planning services throughout the entire ERP project lifecycle.
  - **Kanoo Paint Centre:** Offers full technical support in the field of automotive paint and comprehensive project consultancy.

### Recent Developments/Future Plans

- In October 2016, EKKC inaugurated a TyrePlus point of service in Nuwaidrat. The branch will offer several brands of tires, lubricants, batteries, and suspensions in the southern governorate of Bahrain. EKKC plans to have 10 TyrePlus branches throughout Bahrain by end of 2020.
- In August 2016, EKKC opened a new Ziebart Express branch in Seef Mall Muharraq. The new facility offers services such as window tinting, paint protection, waxing and polishing, and interior and exterior cleaning.

## Euro Motors Company SPC (Privately Owned)

Bahrain

### Company Description

Established in 1998, Euro Motors Company SPC (Euro Motors) is a subsidiary of Al Zayani Investments Group which is conglomerate engaged in automotive, healthcare, manufacturing, and real estate businesses. Euro Motors is the distributor for BMW, MINI, Land Rover, Rolls-Royce, Jaguar, Ferrari, and Maserati in Bahrain. The company owns a showroom and after sales center in Sitra. In addition to vehicle sales, it offers ancillary services such as car servicing, body shop, and parts and accessories. The body shop utilizes the latest technology in car body repair and body repair jig imported from Europe. It also features the water borne paint technology system, which is the first of its kind to be used by BMW and Land Rover in the entire Middle East region. Euro Motors also has a loyalty programme named, Intaleq, exclusively designed for its valued customers.

### Business Segments/Product Portfolio

- **BMW:** Euro Motors is engaged in the distribution of BMW vehicles in Bahrain since 1998. The company also offers original BMW parts and accessories and pre-owned vehicles bundled with a long-term warranty, after sales service, and financing options.
- **MINI:** Euro Motors is the exclusive importer for MINI in Bahrain. It offers the entire range of MINI brand vehicles and sells their certified pre-owned cars. The company also offers original MINI accessories, merchandise, and comprehensive after sales service.
- **Rolls-Royce:** Euro Motors is the exclusive importer of Rolls-Royce in Bahrain. It distributes the brand's entire range of luxury cars and offers approved pre-owned vehicles, accessories, comprehensive car servicing, and roadside assistance.
- **Jaguar:** The company has the rights to distribute Jaguar cars in Bahrain alongside their approved pre-owned cars that comes with range of benefits such as minimum two year warranty and 24/7 roadside assistance.
- **Land Rover:** Euro Motors offers several models of Land Rover. The company also sells pre-owned Land Rover cars and offers related ancillary services.
- **Ferrari:** The company has the rights to distribute Ferrari branded cars in Bahrain. Additionally, the company deals in their pre-owned cars and offers full-fledged after sales services.
- **Maserati:** Euro Motors owns the rights to distribute a range of Maserati cars in Bahrain. It also sells the brand's certified pre-owned cars and offers range of services such as car servicing, warranty, financing, and roadside assistance.
- **BMW Motorrad:** Euro Motors deals in a range of motorcycles and maxi-scooters models of BMW Motorrad and offers related accessories and navigation and communication equipment.

### Recent Developments/Future Plans

- In August 2016, Euro Motors announced its plans to build a fleet of over 100 research vehicles over the next four years, to develop and test a wide range of Connected and Autonomous Vehicle technologies. Initially, the company plans to test vehicle-to-vehicle and vehicle-to-infrastructure communications technologies that will allow cars to communicate with each other and roadside signs, overhead gantries, and traffic lights.
- In August 2016, Euro Motors received three awards – 'Best Land Rover Discovery Sport Launch', 'Best Jaguar XF Launch', and the 'Best Social Media Award' at the 2015/2016 edition of Jaguar Land Rover MENA Marketing Awards.

## Jaidah Group (Privately Owned)

Qatar

### Company Description

Founded in 1898, Jaidah Group (Jaidah) is a diversified conglomerate with interests in automotive, heavy equipment, technology, energy, industrial supply, and furniture businesses in Qatar. The company conducts its automotive business through Jaidah Automotive, its passenger vehicle division. Jaidah Automotive is the sole distributor of Chevrolet vehicles and sells the cars through its four showrooms in Qatar. The company also offers two quick service centers of ACDelco, an American automotive parts brand owned by General Motors, in addition to five General Motors certified quick service centers spread across Qatar.

### Business Segments/Product Portfolio

- **Automotive:** Jaidah Automotive offers a range of vehicles including hatchbacks, sedans, crossovers, SUVs, vans, trucks, and coupes of Chevrolet. It also offers Chevrolet certified used vehicles, vehicle rental services, long-term lease solutions, comprehensive after sales services at the company's quick service centers, 24/7 roadside assistance, genuine vehicle parts, and warranty. Additionally, the company offers one-stop-shop maintenance services, repair services, electrical services, and body services through three 'AutoLab' service centers.
- **Equipment:** Through Jaidah Heavy Equipment, the company is engaged in sale of a wide range of equipment used in industries such as energy, civil works, construction, and transportation. Its partners include Komatsu, Link Belt Cranes, Cummins, Palfinger, among others. The company also offers a full-fledged post sales solution in the form of field service, maintenance contracts, and spare parts. Through partnership with Cummins Inc., the US-based engine manufacturer, the company offers engines, power generation equipment, fuel systems, components, and filtration and emission solutions.
- **Electrical:** Through this division, Jaidah offers electrical equipment and accessories of internationally recognized brands such as Fujitsu, ABB, and Fronius. Additionally, the company provides installation and after sales service for the electrical systems.
- **Furniture:** Under this business segment, the company is engaged in the sale of premium furniture, fixtures, and fittings sourced from local as well as global suppliers. The company also provides ergonomic solutions for healthcare, education, and hospitality industries.

### Recent Developments/Future Plans

- In May 2016, Jaidah inaugurated the new AutoLab service centre in Salwa Road, Qatar. The new full-fledged service centre offers whole range of repair and maintenance services for all car brands in Qatar. The company also announced its plan to open the third AutoLab service centre near Landmark mall in Qatar.
- In January 2016, Jaidah Automotive opened the Middle East's largest standalone Chevrolet showroom in Jaidah Square, Airport Road. The new showroom is spread over an area of 3,300 sq m and displays over 33 Chevrolet vehicles.

### Company Description

Established in 1976, Liberty Automobiles Co. L.L.C. (Liberty) is a subsidiary of Liberty Investment Company, a holding company owning automobile, travel and tourism, logistics, transportation, and real estate businesses. Liberty is an authorized dealer for General Motors' brands like Chevrolet, Cadillac, and Opel. The company offers an array of services including distribution of new and used vehicles, car servicing, spare parts, and 24/7 roadside assistance. In addition, it also offers unique car customization service and automotive tuning products through its Liberty Motor Sports outlets. In addition, Liberty offers AC Delco's parts and services, Kawasaki's motorcycles and watercraft, Otokar's buses and coaches, Bonluck's buses and coaches, DesignLine's zero emission and hybrid coaches, and Foton's trucks. Liberty has seven car showrooms, eight service centers, and eight parts centers across the UAE.

### Business Segments/Product Portfolio

- **New Cars:** It offers a range of vehicles from hatchbacks, sedans, crossovers, SUVs, MPVs, coupes to buses, vans, and trucks. The seven new car showrooms are located in Abu Dhabi (Cadillac), Dubai (Cadillac, Opel), Sharjah (Cadillac, Opel, Chevrolet), Fujairah (Cadillac, Chevrolet), Ras Al Khaimah (Cadillac), Umm Al Quwain (Cadillac, Chevrolet), and Al Ain (Cadillac).
- **Service:** Liberty offers a wide range of services including scheduled servicing, major mechanical jobs, and body shop repairs. The service centers are located at Mussafah, Umm Al Nar, Al Rashidiya, Sharjah, Fujairah, Ras Al Khaimah, Umm Al Quwain, and Al Ain.
- **Parts:** The company distributes General Motors' genuine parts and accessories, parts and lubricants from AC Delco, and high-performance disc brakes from DBA, Australia.
- **Used Cars:** Through its used car sales division, the company conducts sale of certified used cars as well as provides support for bank financing, insurance, and registration.

### Recent Developments/Future Plans

- In October 2016, Al Wahda Football Club entered into a sponsorship agreement with Liberty for the Arabian Gulf League. The partnership is expected to see the logo of Cadillac brand featuring on the jerseys of the players.

## Nasser Bin Khaled Al Thani & Sons Holding Co. (Privately Owned)

Qatar

### Company Description

Founded in 1957, Qatar-based Nasser Bin Khaled Al Thani & Sons Holding Co. (NBK) is a diversified corporation having interests in varied industries including automotive, construction, real estate, luxury and fashion, healthcare, energy and industry, and travel and tourism. In the automotive space, NBK represents automobile brands such as Mercedes-Benz, Spyker, Mitsubishi, Harley Davidson, MV Agusta, and Kawasaki. The company also distributes a wide range of cars, motorcycles, and commercial vehicles in Qatar. Apart from vehicle sales, it also offers an array of premium automotive services, parts and accessories, and car rental and leasing services.

NBK's automotive business subsidiaries include Qatar Automobiles Company (QAC), Bin Khaled Automobiles, Nasser Bin Khaled & Sons, NBK Powered Sports, and United Car Rentals. Other group subsidiaries are National Industrial Contracting Company (construction), Nasser Bin Khaled Real Estate (real estate), NBK Fashion (luxury and fashion), NBK Projects Promotion (healthcare), Doha Petrol Station (energy and industry), and NBK Travel & Tourism (travel and tourism).

### Business Segments/Product Portfolio

- **Automotive:** NBK conducts its automotive business through subsidiaries and affiliates. Its subsidiary, QAC distributes new and pre-owned vehicles of Mitsubishi Motors as well as Mitsubishi Fuso and offers related vehicle servicing, body shop, and spare parts. QAC operates two showrooms, two quick service centres, one workshop and body shop center, and four spare parts stores in Doha. The distribution rights for Mercedes-Benz, May Bach, and AMG brands is owned by the subsidiary, Nasser Bin Khaled Automobiles and the rights for motorcycle brands such as Harley-Davidson, MV Agusta, and Husqvarna is owned by NBK Powered Sports. The company's business of car accessories, cars and trucks protection solutions, tires, window tinting, and other such services are conducted through Nasser Bin Khaled & Sons. This subsidiary deals in brands such as Michelin, Bosch, and Ziebrat, among others. Besides, NBK operates a heavy equipment division that offers excavators, wheel loaders, compact track loaders, telescopic truck cranes, and rough-terrain forklifts of various brands. The company also provides automotive animation, design, and tuning services. Through its JV, United Car Rentals, the company offers car rental services with a fleet of various passenger and commercial vehicles.
- **Construction:** NBK's subsidiary National Industrial Contracting Company undertakes diversified mega construction projects such as residential buildings, mixed-use compounds, pump stations, deluxe villas, workshops, factories, seaports, and beach resorts.
- **Real Estate:** The company is engaged in the purchase, sale, and maintenance of real estate and provision of property management services in Qatar through its arm, Nasser Bin Khaled Real Estate.
- **Luxury and Fashion:** Under this business, NBK retails luxury and fashion products such as apparel, jewelry, and accessories, among others of brands such as Amen, Barbara Bui, Abed Mahfouz, Quiksilver, Camilia.
- **Healthcare:** Under this business, the company is engaged in sale of hospital furniture, gym and health equipment, first aid and emergency equipment, medical gases and tubes, and medical treatment facilities, among others in Qatar.
- **Energy and Industry:** This business segment operates Doha Petrol Station that distributes petrol, diesel, kerosene products, tires, batteries, oil, spare parts and accessories.
- **Travel & Tourism:** Under this segment, NBK provides services related to air transport and hotel booking and customizing travel packages for corporate, among others.

### Recent Developments/Future Plans

- In February 2016, NBK won the 'The Best Stand' award from Auto Sport magazine at the Qatar Motor Show 2016.

Source: Company Website, Gulf Times

### Company Description

Founded in 1991, Oman Trading Establishment LLC (OTE, also known as OTE Group) is engaged in the distribution of vehicles, auto parts, lubricants, tires, batteries, consumer electronics, and home appliances. The company is a distributor of renowned vehicle brands such as Cadillac, Chevrolet, Chery, Hyundai, Isuzu, Subaru, and SsangYong in Oman. In the automotive business, OTE also offers used car sales, after sales support, and vehicle leasing and rental services. Besides, the company manufactures polymer colorants and imparts education through its vocational training institutes.

### Business Segments/Product Portfolio

- **Automotive:** OTE distributes a range of vehicles comprising hatchbacks, sedans, SUVs, coupes, MPVs and commercial vehicles of Cadillac, Hyundai, Chevrolet, Chery, Subaru, Isuzu, and SsangYong. The company conducts this business through a network of over 20 showrooms in Oman. OTE also offers after sales services, certified pre-owned vehicles, and car rental and leasing services.
- **Automotive Care:** Through its network of authorized service centers and seven ACDelco quick service centres, OTE offers an array of vehicle services under one roof. The company is also engaged in sale of genuine auto parts, including tires of brands such as Pirelli, Hankook, MRF, Kenda, Falken, and Tire Care, and batteries and lubricants of Exide, Shell, ACDelco, and BESFITS.
- **Overseas Venture:** In 2010, OTE established Al Adiyat Automobiles as an exclusive distributor for Japanese vehicle brand Subaru in Abu Dhabi.
- **Consumer Durables:** OTE offers home appliances, home entertainment, home comfort, and information technology products of brands like LG, Bosch, and White-Westinghouse, Pearl, and Prolux through its network of showrooms across Oman.
- **Vocational Training:** The company runs the Technical and Administrative Training Institute, which has several training centers across Oman providing professional training and courses in business, administration, technical, management development, and language development, among others.
- **Manufacturing:** This division engages in the manufacture of polymer color concentrates. The products are sold to plastic processors in Oman as well as exported to other countries in the Gulf region.

### Recent Developments/Future Plans

- In March 2016, OTE launched the new 2016 Subaru XV at the Subaru flagship showroom in Muscat.
- In March 2015, the company successfully delivered the fully customized state-of-the-art Chevrolet ambulance to KIMS Hospital.
- In July 2014, OTE appointed Mr. Anil Dua – the former Senior Vice President (sales, marketing, and customer care) of Hero Motocorp – as its Managing Director.

## Saleh Al Hamad Al Mana Company (Privately Owned)

Qatar

### Company Description

Established in 1951, Saleh Al Hamad Al Mana Company (Saleh) is a conglomerate with its portfolio of business covering automobiles, luxury and fashion retail, food and beverage, real estate and investments, information technology, engineering, media, and entertainment. The company conducts its business operations through 55 companies located in eight countries. The automobile business comprises distribution of vehicles of Nissan, Infiniti, and Renault and provision of after sales services and genuine parts in Qatar. Saleh also offers car rental and leasing services across Qatar in collaboration with National Car Rental.

### Business Segments/Product Portfolio

The company's automotive business comprises the below brands and services.

- **Nissan:** Saleh is the exclusive distributor for Nissan in Qatar since over five decades. In addition to sale of Nissan vehicles, the company acts as a one-stop shop for all vehicle ancillary services. Saleh operates three Nissan showrooms, two service centers, and three Express service centers in the country. For corporate clients, the company offers services such as corporate leasing, after sales packages, and internal financing through the corporate and fleet sales department.
- **Infiniti:** Saleh is the sole distributor of entire range of Infiniti car models in Qatar. In addition, the company offers maintenance service, repair service, and body paint service. Saleh has two Infiniti showrooms and five service centers in the country. The company provides also provides car rental and comprehensive after sales services.
- **Renault:** Saleh is an exclusive distributor for Renault in Qatar since 2003. In addition to vehicle sales, the company offers an array of automotive ancillary services. Saleh operates one Renault showroom in Salwa road and a service centre in Salwa industrial area.
- **National Car Rental:** Saleh acts as an agent for National Car Rental – a car rental company in Qatar. The services offered under this business include daily, weekly and monthly rentals, long-term vehicle leasing, corporate rentals, and regional and international car rental reservations. The company's rental fleet includes economic cars, compact cars, SUVs, luxury cars, and light commercial vehicles.

### Recent Developments/Future Plans

- In July 2015, Saleh's parts and accessories department secured the first place in the Nissan Genuine Motor Oil Sales Competition and received the 'Outstanding Performance' award for genuine parts sales in the Middle East region during the 2015 Annual Aftersales Conference held in Abu Dhabi.

### Company Description

Headquartered in Oman, Saud Bahwan Group (SBG) is a diversified player with presence in the fields of automobile, construction equipment, turnkey projects, industrial equipment, municipal and civic services, property and real estate, and travel and tourism. In the automotive business, SBG acts as a distributor of notable brands of Toyota, Lexus, Ford, Kia, Daihatsu, MAN, and Hino in Oman. The company is also engaged in the sale of pre-owned cars, tires, batteries, spare parts and accessories, and provision of after sales services in the Sultanate.

### Business Segments/Product Portfolio

- **Automotive:** SBG distributes vehicles of Toyota through its seven dedicated showrooms, Lexus via eight showrooms, Ford through 11 showrooms, and Kia with 18 showrooms. The company deals in tires, batteries, and allied products of Yokohama, Continental, 3M, Elf, Bowtherm, Carter, Washtec, and Josam, among others. The business of pre-owned vehicles is conducted under the brand 'Best Cars' with a network of 14 showrooms. The company has a nationwide network of Daihatsu service and parts outlets.
- **Heavy Vehicles:** SBG offers a range of trucks and buses of MAN through its five showrooms and of Hino through four showrooms. The company also provides related after sales support and spare parts.
- **Construction Equipment:** This segment is engaged in the supply of construction related vehicles and equipment such as excavators, rigid dump trucks, bulldozers, tractors, cranes, and drum rollers. The products sold are of brands such as Komatsu, Kato, Kobelco, Bomag, Vogeles, Sandvik, and Holland.
- **Turnkey Projects:** Under this segment, the company undertakes large-scale turnkey projects in different industries such as infrastructure, engineering, construction, and power. Some of the notable projects executed by the company include desalination projects at Masirah, Al Nagda and Sheesha, design & consultancy for Airport MRO/Cargo, and a LPG bottling plant.
- **Special Equipment:** It provides a range of special equipment for municipal, civil defense, fire protection, seaport, and airport.
- **Industrial Equipment:** This segment offers a wide range of industrial equipment such as forklifts, cranes, material handling and access equipment, transport refrigeration, and bus air conditioning solutions.
- **Property and Real Estate:** Through this segment, the company is engaged in property management and investment in residential projects.
- **Travel and Tourism:** Through National Travel & Tourism, the company provides services related to tours, ticketing, and cargo. Within the division, the company is engaged in car rental services through Hertz.

### Recent Developments/Future Plans

- In March 2015, SBG received the 'GOLD Marketing Award' for sales performance, 'Outstanding Customer Service Award' for customer satisfaction activities, and 'Overall DIAMOND Marketing Award' for excellent performance in vehicle sales and customer service from Toyota Motor Corporation for the year 2014.

### Company Description

Established in 2004, Suhail Bahwan Automobiles LLC (SBA) is a part of Suhail Bahwan Group, a conglomerate engaged in diverse businesses such as automobiles, engineering and construction, steel and building materials, fertilizers and chemicals, and logistics, among others. SBA is the authorized dealer of Nissan, Infiniti, and Renault brand vehicles in Oman. Apart from sale of new and used vehicles, SBA also offers full-fledged after sales service, auto-financing solutions, genuine parts and accessories, and vehicle leasing and rental services. The company owns a network of 17 showrooms, 21 service centers, and 35 genuine spare parts outlets across Oman.

### Business Segments/Product Portfolio

- **Vehicles:** SBA distributes a wide range of vehicles including hatchbacks, sedans, crossovers, SUVs, convertibles, and LCVs of automobile brands such as Nissan, Infiniti, and Renault in Oman.
- **Used Cars:** Through its pre-owned car division – Popular Cars, SBA deals in certified used vehicles of different brands.
- **Genuine Accessories:** SBA sells a range of genuine parts and accessories of Nissan, Infiniti, and Renault brands.
- **Service Centers:** The company has a nationwide network of mechanical repair workshops and body shops offering comprehensive repair and maintenance solutions.
- **AUTOFINANCE:** This division of the company extends financing solutions including customized finance packages, variable installment schemes, attractive interest rates, and loan transfer facility to individuals and corporates for purchase of new and used vehicles.
- **Vehicle Leasing:** SBA also provides vehicle leasing and rental solutions in Oman.

### Recent Developments/Future Plans

- In July 2016, Nissan announced that the world's first 'Nismo Corner' dedicated showroom space for its Nismo performance vehicle brand will be launched in the Middle East. In Oman, the Nismo Corner will be showcased at SBA's Qurum showroom in Muscat.
- In September 2015, SBA received the delivery of a new automotive finishing facility in Sohar Freezone.

## Zubair Automotive Group (Privately Owned)

Oman

### Company Description

Founded in 1973, Zubair Automotive Group (Zubair) is the flagship enterprise of the Zubair Corporation, an industrial conglomerate with operations in automotive, energy and logistics, engineering, construction and contracting, real estate, hospitality, financial services, and manufacturing sectors. Zubair is a multi-brand automotive distributor in Oman. The company distributes a range of passenger vehicles, light commercial vehicles, and heavy-duty vehicles of automotive brands such as Mitsubishi, Fuso, Bentley, Audi, Volkswagen, Skoda, Chrysler, Jeep, Dodge, RAM, Volvo, Renault, Bobcat, Hi-Force, Kennedy, Graco, and Ingersoll Rand, among others. Zubair also facilitates sale of pre-owned cars and offers vehicle fabrication and paint services, leasing and rental services, repair and maintenance services, and spare parts. Zubair operates a network of 18 showrooms, 22 service centers, and 28 parts outlets across Oman.

### Business Segments/Product Portfolio

- **Dhofar Automotive:** Through this subsidiary, the company is engaged in the distribution of vehicles of brands such as Chrysler, Jeep, Dodge, Fiat, Fiat Professional, Alfa Romeo, and RAM, among others. The subsidiary has a network of seven showrooms and two service centers in Oman. It also offers after sales services and certified pre-owned vehicles.
- **General Automotive Company (GAC):** GAC is the exclusive distributor for Mitsubishi Motor's range of sedans, SUVs, pick-ups and light commercials along with the FUSO commercial vehicles. The company also provides related after sales service.
- **International Heavy Equipment (IHE):** IHE offers heavy haulage and transport solutions to the construction sector. The range of products includes buses, coaches, trucks, excavators, tractors, rigid dump trucks, bulldozers, drum rollers, and cranes of brands like Volvo, Renault, Bobcat, Kobelco, and Ferrari Cranes, among others. Additionally, IHE operates dedicated after sales services and parts outlets.
- **Rumaila Motors:** It is the sole distributor for Great Wall Motors and sells passenger cars, trucks, and SUVs of the Great Wall brand and premium SUVs of the Haval brand in Oman. This subsidiary has seven showrooms across Oman.
- **Wattayah Motors:** This subsidiary distributes vehicles of premium automotive brands such as Bentley, Audi, Skoda, and Volkswagen and offers parts, accessories and approved used cars through its strong network of showrooms and service facilities.
- **Other Divisions:** Through Zubair Mega Body Shop, the company offers a range of accident repair, fabrication, and vehicle modification solutions. Zubair also provides lighting, window tint, car entertainment systems, lubricants, batteries and filters of Magneti Morelli, Kenwood, Energiser Batteries, and Cooper & Mickey Thompson Tyres through Sayarti LLC. The vehicle leasing and rental services are conducted by Zubair Leasing.

### Recent Developments/Future Plans

- In February 2016, GAC opened a new Express Service Centre in Azaiba.
- In February 2016, Zubair launched a new Mega Body Shop facility in Sohar.
- In November 2015, Fiat Chrysler Automobiles selected Dhofar Automotive's CRM network as a best practice in the Middle East region.

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 Rated 'BB with Stable Outlook' by Standard & Poor's

**US\$ 300,000,000**  
 Debut Sukuk Offering - 5 years

Joint Lead Managers  
  

Financial Advisor  




**AL Bayan Group of Companies**  
 Sale of 100% Equity stake in the water bottle manufacturing, purification and distribution business.

to  
**Agthia Group PJSC**



Financial Advisor  




**Dubai Aerospace Enterprise (DAE) Limited**

**US\$ 230,000,000**  
 Commodity Murabaha Financing

Financial Advisor  




**US\$ 69,000,000**  
 Term Facility

Lender of Record  
  
 Asian Development Bank

Mandated Lead Arrangers  


Participants  
  

Financial Advisor  


**JET AIRWAYS**

**Jet Airways (India) Limited**  
**US\$ 150,000,000**  
 Dual Currency Syndicated Term Loan Facility

Mandated Lead Arranger, Book Runner and Agent  


Mandated Lead Arranger  
 

Lead Arrangers  


Financial Advisor  

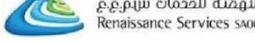



**BFC Group Holding W.L.L**

**US\$ 30,000,000**  
 Commodity Murabaha Facility

Facility Provider  


Financial Advisor  

**Renaissance International Limited**  
 (A wholly owned subsidiary of Renaissance Services SAOG)

**US\$ 125,000,000**  
 Dual Currency Subordinated Perpetual Bond Issuance

Joint Lead Managers  
  

Financial Advisor  




**Amrit Group**  
 Sale of Edible Oils & Fats Business to

**BUNGE**  
**Bunge India Private Limited**  
**US\$ 80,000,000**

Financial Advisor  


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