

First Infrastructure Holding Company

Introduction:

in 2016 Saudi Arabia announced Vision 2030 which highlights key strategic objectives the country is implementing to diversify the economy and reduce dependency on Oil, grow the economy by introducing new sectors in accordance to the potential the country has and reduce overall government spending. One of the key initiatives under Vision 2030 was the establishment of the National Center for Privatization, which focuses on increasing private sector participation through privatizing key government assets and creating variable PPP opportunities in many sectors. This initiative creates an opportunity for the private sector to invest in sovereign assets in a structured way that ensures proper delivery of key projects and attractive return to investors.

To further ensure delivery of objective, the National Center For Privatization created the private sector participation law that highlights the overall governance, process and implementing regulations of this mandate. Furthermore, the development of the law dependent on applying global best practices, increasing transparency and mitigating private sector risks. With this in mind, the establishment of such laws brings added value to such investments and creates an attractive investment opportunities.

As most infrastructure projects in Saudi Arabia prior to Vision 2030 was funded by the government we can see that infrastructure investments is considered a niche market and First Infrastructure Holding Company has the potential to dominate the sector through building unique capabilities that can offer increased efficiency, innovative solutions and maximized value for money.

First Infrastructure Holding Company will capitalize on this opportunity through building an innovative business model that focuses on having the optimum value proposition, developing required know-how and maximizing shareholder return.

The overall business strategy of First Infrastructure Holding Company consists of delivering innovative infrastructure solutions and becoming a leader in infrastructure investments.

Objectives:

In order to achieve the stated goals First Infrastructure Holding Company initiated a thorough study of the infrastructure sector in Saudi Arabia and the relative laws and mandates to develop an optimum strategy roadmap:

examining of the market:

as a first step, the company has to examine the Saudi infrastructure market and conduct the necessary due diligence to develop an understanding of the market. The study will depend on four key parameters. First, understanding the local economy and how much does infrastructure contribute to it and how. Second, understanding the local banking industry and optimum funding sources. Third, analyzing the political environment and establish a political risk registry with relative mitigation plans. Finally, studying the local market participants (suppliers, contractors, operators...etc) and explore possible synergies.

Understanding the needs:

In order to properly assess the feasibility of the opportunities, the company have studied each opportunity thoroughly to develop an overall understanding of the capabilities required to deliver such projects. During this phase the study will focus on benchmarking the projects against similar projects around the world and identifying the key needs to deliver each project.

Develop an investment strategy:

In order to maximize shareholder return, the company must establish a clear investment strategy. To elaborate, the opportunities presented are across multiple sectors with different characteristics varying from investment size, needed capabilities to expected return. Therefore, an optimum investment strategy will depend on defining the criteria each opportunity needs to pass in order to pursue it .

Defining the business model:

The success of the company depends on establishing the right business model that can help the company in achieving its strategic objectives through an outstanding value proposition, optimized value chain and above market return on investment.

Creating partnerships:

As a holding company investing in infrastructure projects, having the right partnerships is a key success factor. Therefore, the company must establish local and international partnerships designed to ensure the ability to achieve the stated goals.

Capstone Intention:

the subject represents an idea that reflects my career in which I am passionate and hold great experience. Over the last 5 years I have worked in the infrastructure sector and had the opportunity to participate in implementing the privatization mandate. While it was a challenging career but it showed me first hand the value of the sector. As a result, i applied to HEC to further my educational background and grow my talents to create such venture. As illustrated, the capstone project will help me apply the knowledge to grow the idea into a tangible opportunity I can peruse with passion and knowledge.