UAE Padel market and operations

Pursuing sustainable growth

portas

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Padel is one of the fastest growing sports in the world. The sport's high popularity in the UAE has translated into many Padel facilities opening across the country. Operators have found the UAE to be one of the most profitable markets globally, a further incentive for investors. And as the easily accessible market segments begin to saturate new challenges have emerged.

Portas Consulting have undertaken a comprehensive analysis to evaluate the maturity of the market, understand further business opportunities, and identify the improvements levers. This short paper presents some of the potential solutions for our clients to optimize their facilities and operations to achieve sustainable commercial success.

Global Padel landscape

Padel has more than doubled in size globally over the last 5 years. According to the International Padel Federation there are currently more than 25m Padel players globally. The number of courts since 2018 has increased by over 50% with more than 20,000 Padel courts currently in operation globally.

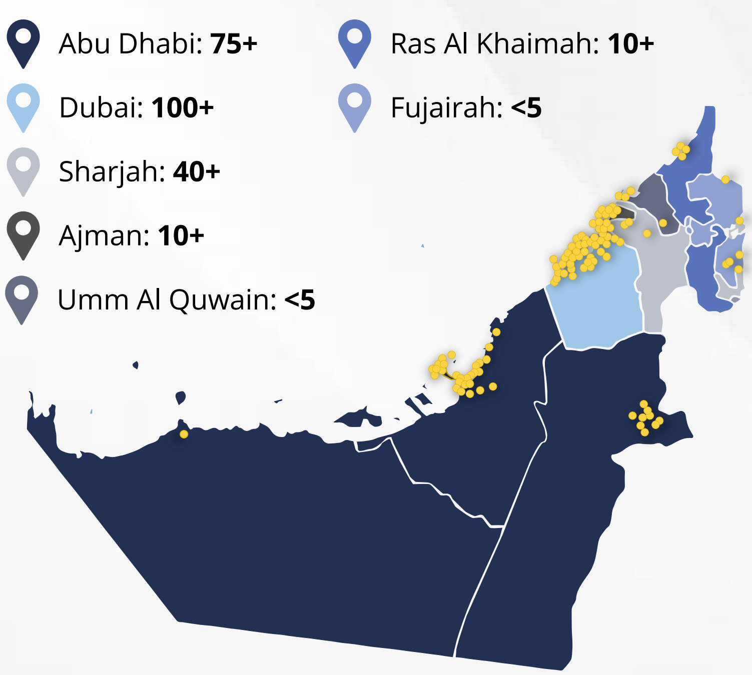
UAE current Padel landscape

Padel was formally introduced in UAE in 2013 through the NAS Ramadan tournament. Since then, the UAE has seen substantial growth in Padel activity as the sport has become highly popular with UAE residents. The country now has over 250 Padel facilities and more than 900 Padel courts.

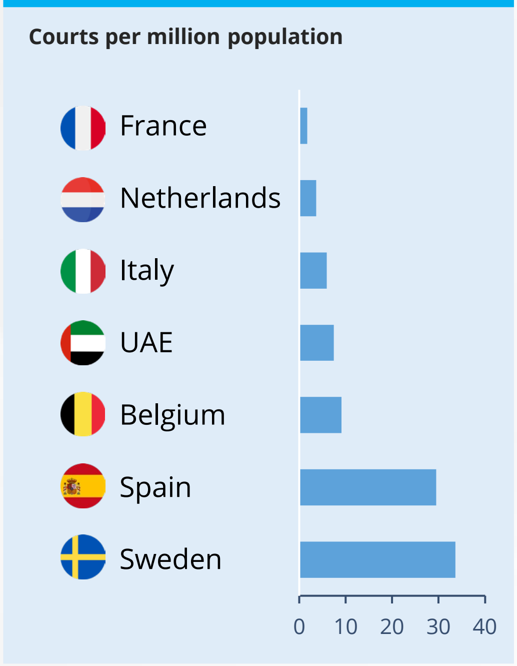
Event hosting is also on the rise; the UAE major events calendar now includes the World Padel Championship, WPT Padel Masters, Cupra FIP Tour, and the World Padel League as regular fixtures.

The UAE's Padel facilities are predominantly located in Sharjah, Abu Dhabi, and Dubai with an aggregated ~90% of clubs in those three emirates, in line with the national population distribution.

UAE Padel facilities distribution



UAE Padel courts penetration is comparable to growing Padel hubs in Europe



Source: Portas analysis

Staying ahead in a fragmented market

Padel tennis has been an attractive investment opportunity for a broad range of investor profiles over the past five years, which is evident by the very rapid increase in number of facilities. As a result, the market has become very competitive. One operator stated that "the market is getting to a point where it is becoming saturated". As the saturation point approaches, operators are having to differentiate their service offering, facilities, and choose their location more carefully to attract customers and achieve financial returns.

We have identified 6 strategic levers that impact investors and operators in this fragmented market:

Source: Portas analysis

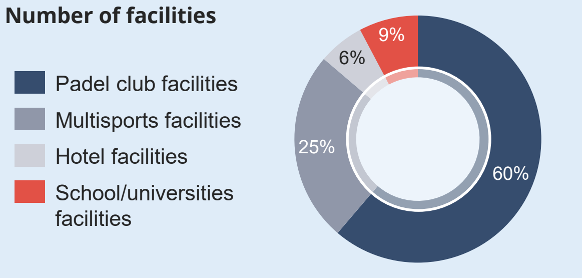
01 | Facility segment

The development of Padel in the UAE has been almost entirely been driven by private investment. Padel facilities can be organized in 4 distinct segments:

1. **Padel Clubs:** Core Padel facilities providing Padel courts for rent
2. **Multisport facilities:** Padel courts developed as part of a broader sports complex that include more than two other sports facility offerings
3. **Hotel facilities**: Padel courts located on hotel premises, operated either by a third party or the hotel itself
4. **School/university facilities:** Courts located in premises of schools and universities

Typology is a key consideration for operators as it impacts operations and market capacity. For instance, school facilities have limited operating hours and typically no adjacent service offerings, while hotels often have very limited land available to build courts.

Schools & hotels commercialising padel courts provide ~15% of the market capacity

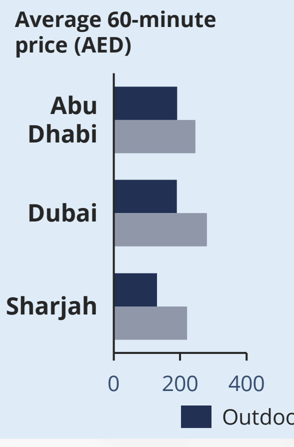


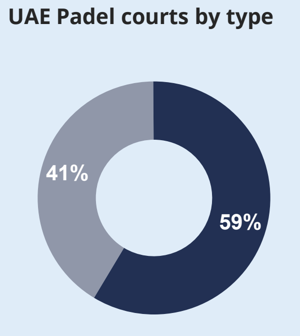
02 | Facility arrangement

There are currently more outdoor than indoor padel facilities in UAE. Utilization of outdoor facilities can be impacted significantly in hotter months. One operator with more than 10 outdoor courts sees this as a clear challenge: "To keep occupancy up during the hotter months, we have to offer massive discounts". Another operator commented on the need to provide solutions such as adding shading structures to cover courts in order to utilize outdoor courts in the summer.

Investors and operators need to balance the pricing premium of indoor courts with the significant development of operational costs which can reach 1.5x that of outdoor facilities. This price difference varies by Emirate where market conditions and overcapacity are significant pricing factors (ranging from 20% to 70% premium for indoor courts).

Indoor court rental is at a ~40% premium over outdoor courts





Case study: AlQuoz – the Padel hub of Dubai

The AlQuoz Industrial Area in Dubai has become a major hub for Padel. The area is home to over 15 Padel facilities and over 80 Padel courts. It has been a popular area for operators looking to open a Padel club in Dubai, with ~40% of all Padel clubs in Dubai located in the area. The availability of warehouses, repurposed by operators, has enabled the growth of larger indoor padel facilities (average of 5 courts per club). Operators have until recently focused on attracting players with Padel courts, while few clubs offer additional services: coffee shops are available in less than half of the clubs, other services are more sporadic.

Source: Portas analysis

03 | Location

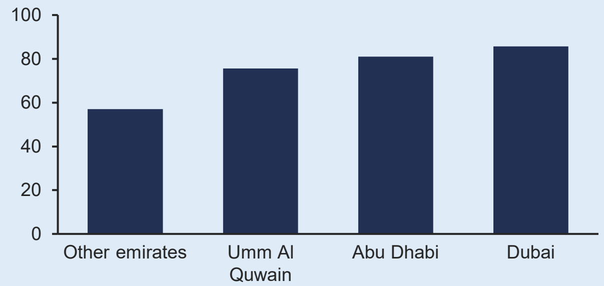
Padel is relatively accessible across the UAE except in Fujairah when considering court density distribution. 90% of Padel courts are concentrated in Dubai, Abu Dhabi and Sharjah. With the large influx of operators in Dubai and Abu Dhabi in particular, where Padel players have a much greater choice.

There are still opportunities available for operators to take advantage of the growth in the sport by choosing locations in underserved areas. In Dubai and Sharjah for example there is still a gap in the distribution Padel courts: 80% of the Padel courts are located in areas with only 50% of the population.

Padel clubs have typically been built in areas where land and warehouse space is plentiful and inexpensive, while densely populated areas (e.g. Dubai Downtown, the Marina) have priced operators out. This is evolving with developers looking to sports (and Padel) to differentiate their value proposition to tenants.

Dubai leads in the race to build Padel courts with ~90 courts per million people

Courts per million population



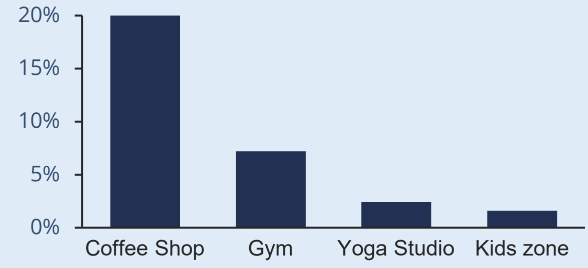
04 | Offerings

Providing additional services is a trend that has emerged in the Padel Clubs segment. Operators are providing various offerings such as Gyms, Coffee shops, Kids zones and Spas to attract and retain their customers. ~20% of Padel Clubs in UAE now offer a coffee shop, with only 5% offering gym or studio facilities. Providing these services can generate strategic advantages such as additional revenue streams, attracting families instead of only individual players, and increasing dwell time spent on premises, potentially increasing average spend per visitor. Operators recognize the importance of providing additional services as one operator stated "Every club now needs to bring something new and different for people to have a reason come to their club".

Furthermore, creating a pleasant and appealing atmosphere through facility layouts will also contribute to attracting visitors and increasing average time spent at the facility.

~20% Padel Clubs have coffee shops on their premises

Share of Padel Clubs with additional services



We are trying to build a community, not just people coming in to just play and leave, rather hang around at the club in the café, with nice surroundings. *- UAE club operator*

Source: Portas analysis

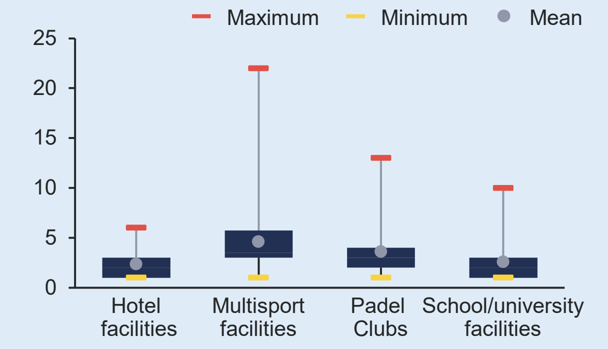
05 | Facility size

Padel facilities in the UAE tend to be small with an overall average of 4 courts per facility and over 80% of facilities ranging from 1 to 6 courts. The average size of facilities also differs by segment – Multisport facilities are typically larger with an average of 5 courts per facility. Land availability is a challenge especially in underserved urban areas, as an operator stated, "finding land in good location was our biggest challenge". However, large sites are worth the investment as they allow operators to offer additional services and increase yield.

The fragmented UAE market has created two disruption prospects: a possible consolidation play and a filtering out of smaller investors.

Small facilities initially emerged, while newer facilities have been larger

Facility size in UAE (courts per facility)



06 | Pricing

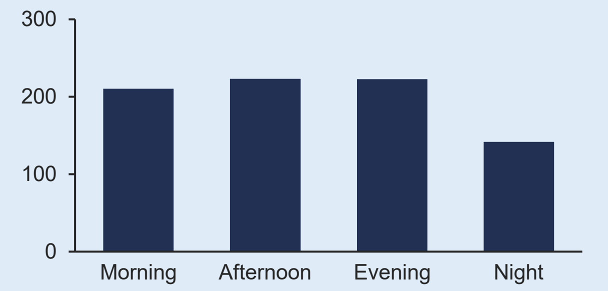
Prices can differ significantly across the emirates, depending on factors such as location, timing, and the type of Padel facility. In the UAE, for a 60-minute slot, operators charge as high as AED 360 and the cheapest slot available is for AED 60. On average, Padel clubs tend to charge higher prices than schools and multisport facilities, as schools are only looking to utilize empty facilities for out of school hours, whereas multisport facilities have diversified revenue streams and usually have outdoor Padel courts.

Operators have introduced limited forms of dynamic pricing to optimize their revenue. For example, in Dubai, average prices can differ by up to ~35% during the day based on the booking time, whereas, in Abu Dhabi, it can differ on average by ~60%.

Based on how operators position themselves in the market, they can utilize more elaborate pricing strategies to optimize utilization, consequently improving revenues.

Average prices can differ by up to ~50% during the day

Average 60-minute session price (AED)



Case study: Matcha padel club – more than just Padel

Matcha club, which has 2 facilities in Dubai with 12 courts and each covering an area over ~5,000 sqm, has become a lifestyle hub. In addition to its padel facilities, it offers 2 wellness studios for yoga and meditation, as well as fitness classes, a coffee shop, and an outdoor seating area. Furthermore, to attract families, it has established a Japanese-French eatery on its premises. It utilizes a terra-cotta theme to provide a unique look to its club. It positions itself not just as a padel club but as a focal point and a community hub to make connections with other players.

Source: Portas analysis

Opportunities for UAE Padel operators

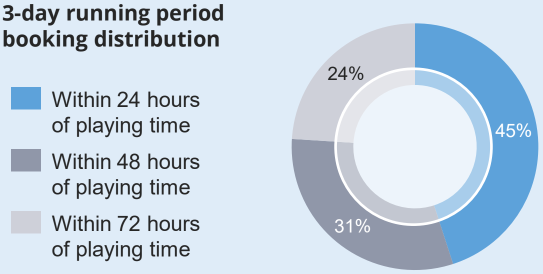
Operators are now contending with a maturing market where quality matters. The future success factors for Padel club operators will include reaching a new target markets and increasing customer loyalty by improving and expanding the service offering.

I | Improving demand visibility

Demand for bookings is highly uncertain as customers book very close to the day of play. Nearly half of reservations are made on the same day as the booked playing time, which creates a risk for operators. Incentivizing customers to book early would improve the booking visibility for operators: a simple 'yield management' approach based on customer data.

Demand is highly unpredictable due to latency of bookings

3-day running period booking distribution



II | Reducing seasonal cyclicality

Demand for Padel courts in the UAE varies significantly by season: demographics and climate conditions are the key factors creating these cycles. The hot weather makes outdoor courts unappealing to players, while the summer exodus of expatriates reduces the number of customers. Anticipating these cycles with pragmatic initiatives is important for operators to offset these effects, such as off-peak pricing, targeting B2B customers, and diversified programming (training camps, social events, temporary court covering).

III | Stakeholder diversification

Know your customers – offering a standard padel court service with limited customer engagement is no longer sufficient for operators to succeed. The increasing competition will require operators to understand and retain their customers by engaging them more frequently, increasing dwell time at the facilities, and creating adapted experiences for a wider target audience.

Building partnerships – Brands and sponsors have had limited engagement with the sport in the UAE. Padel facilities (as well as players, competitions, leagues, and media) offer broad investment opportunities for corporates to reach an audience with high purchasing power.

Collaborate with governing bodies – Padel facility operators have a key role to play in enhancing the UAE ecosystem of leagues, training standards, talent identification, and competition hosting by working together with the international, national, and emirate-level governing bodies of the sport.

Source: Portas analysis

Acknowledgements

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About Portas Consulting

We are the leading global strategy consultancy dedicated to sport and physical activity. Our mission is to help our clients harness the power of sport and physical activity for the benefit of all. Over the past 15 years, we have served leaders and decision makers across the sports sector, including federations, license holders, clubs, corporates, charities and governments. We have a team of over 100 consultants based out of regional offices in London, Dubai, Riyadh and Singapore.

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