SAVORY SNACKS

INVESTMENT OPPORTUNITY SCORECARD

FOOD PROCESSING

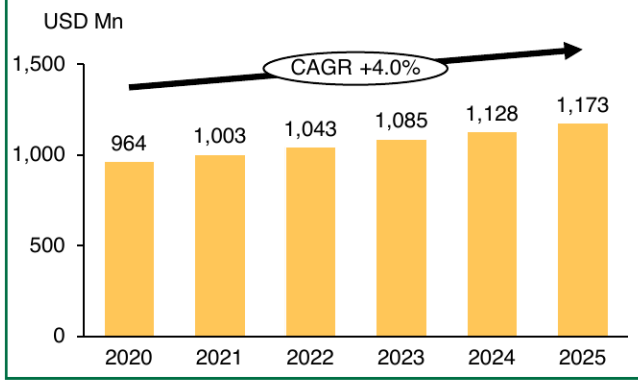
استثمر في السعودية
INVEST SAUDI

FOOD PROCESSING
SAVORY SNACKS

OPPORTUNITY'S DESCRIPTION: Opportunity to establish a facility to produce savory snacks in KSA to cater local demand

DEMAND

KSA MARKET SIZE, USD MN



KEY DEMAND DRIVERS

- Rising health concerns such as obesity and increasing demand for low calorie food have spurred demand for various snacking options
- Increasing demand for convenient/ ready-to-eat food due to general change in lifestyle and tasty/ indulgence food is anticipated to boost demand for healthy snacks
- Factors such as increasing disposal incomes and growing population are expected to favor market growth for savory snacks in the Kingdom
- Furthermore, evolving consumer consciousness for certain key sub-segments such as organic snacks is slated to uplift the market demand

INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- Current investment opportunity to setup facility to produce savory snacks is ~USD 13 Mn
- Expected IRR: 19%
- Expected payback period: 9.1 years
- Investment model: 100% private investment

VALUE PROPOSITION

- The Saudi government has a national strategy to increase self sufficiency to 60% by 2023
- High dependency upon imports raises prospect of significant import-substitution opportunities within KSA food industry
- KSA's strategic location and favorable trade agreements (eg: GAFTA) offers potential for local manufacturers to serve emerging markets like Africa and South Asia as well as matured markets like Europe
- Opportunity to leveraging recent FDI measures to motivate private sector participation in KSA food industry

MARKET OVERVIEW

MARKET READINESS AND COMPETITOR ANALYSIS

- Snack food market is dominated by three major players capturing 50% of the market share (PepsiCo – 34%, United Food and Hayel Saeed Anam – 8% each)
- ~45% of the market served through modern trade channels

COMPETITOR ANALYSIS

PEPSICO Saudi Snack Foods Co. Ltd.

الشركة المتحدة للاطعمة United Food Company

KSA

GLOBAL TRENDS

- Global snacks market size was valued at USD 496 Bn in 2020 and expected to grow at 6.2% p.a. until 2025
- Increasing replacement of meals with snacks, along with consumers asking for allergen-free, vegan products, is a key trend boosting the market
- International brands have been capitalizing upon changing consumer behavior by packaging their products in a more convenient manner to increase shelf life and make them easier to consume on the go
- Globally, the trade channel mix is becoming highly fragmented due to consumer shift towards small stores

FOOD PROCESSING
SAVORY SNACKS

SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low | Medium | **High**

- Easy access to labor, approval of foreign suppliers, and an expedited process for licenses and permits will allow for quicker localization of the industry
- Saudi Arabia has an established F&B industry that benefits from state-of-the-art technologies and highly advanced packaging, cold chain facilities and distribution networks to enable efficient distribution of manufactured products across the country
- Continued efforts in innovation and initiatives to support use of advanced manufacturing technology to help in enhancing production efficiency

IMPORT DEPENDENCY

Country	% imports	Country	% imports
Lebanon	15.9%	Italy	5.7%
USA	14.4%	Thailand	4.5%
Turkey	8.2%	Indonesia	3.3%
UAE	6.0%	Others	42.0%

Source: UN COMTRADE, 2019

VALUE CHAIN ANALYSIS

Sourcing
- Identify appropriate method to procure quality raw material at competitive prices
- Basic cleaning and sorting of raw material

Manufacturing/ processing
- Setup local manufacturing base or acquire capabilities of an existing local player

Distribution
- Partnering with local logistics players to leverage existing distribution and RTM (route-to-market) networks

Retail
- Invest in branding, marketing and sales (potentially higher customer discounts/ promo) to access shelf space and increase demand

Current investment opportunity

KEY STAKEHOLDERS

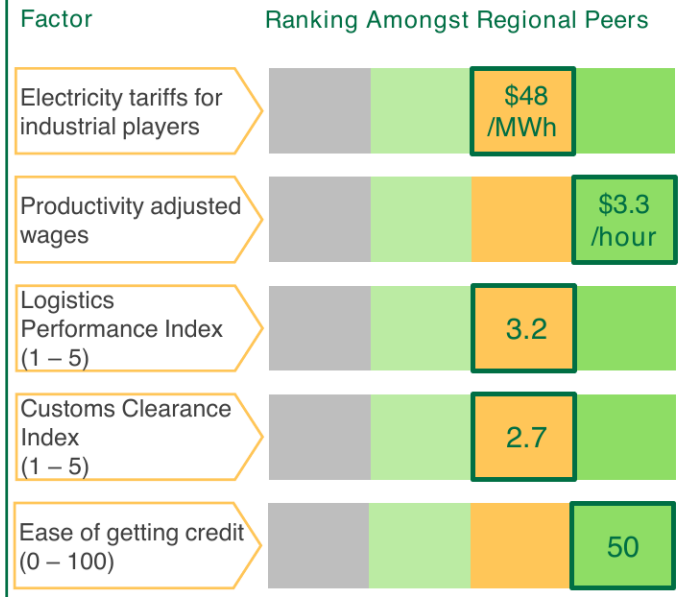
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وزارة الصناعة والثروة المعدنية Ministry of Industry and Mineral Resources
مدن MODON
الهيئة العامة للغذاء والدواء Saudi Food & Drug Authority
وزارة الاستثمار Ministry of Investment
الصندوق الصناعي صندوق التنمية الصناعية السعودي Saudi Industrial Development Fund

ENABLING FACTORS

ENABLERS

- Government supporting low financing cost ~75% of capex
- Low corporate income tax (20%) on profits only
- Protection against imports of low-priced finished goods from neighboring countries
- 100% foreign direct ownership allowed

COST OF DOING BUSINESS IN KSA



Definitions

#	SCORECARD SECTION	DEFINITIONS
1	Market size	Size of market in value/volume in KSA and/or Region (MENA/GCC) covering future projections based on available estimates from published /government sources
2	Business drivers	A select number of factors that will influence future demand for the related product/service
3	Investment highlights	An overview of key financial metrics summarizing the investment opportunity along with the expected return based on the suggested investment size
4	Value proposition	Summary of key differentiators that position KSA as a strategic choice over other regional/global peers
5	Market readiness	An overview of KSA market structure, market maturity and level of participation by local and global players
6	Global trends	Latest business developments within the sector/product category
7	Scalability and localization	Ease of scaling the business across the value chain or into new adjacent products or geographies that would maximize the opportunity's investment returns and the ability and potential to locally manufacture the product and its components
8	Import dependency	An overview of the countries from which Saudi Arabia is importing the product and their value/volume and share in total imports
9	Value chain analysis	The process or activities that would potentially need to be carried out to deliver the underlying product or service
10	Key stakeholders	Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
11	Enablers	Factors that enable investment in the underlying opportunity
12	Cost of doing business in KSA	Key factors that position KSA as a competitive destination for investment in the region. Productivity adjusted wages do not include cost of $1.23/hour towards annual recurring charges including work permit, resident identity (iqama) and health insurance

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