Agri-food investment opportunities

INVESTMENT OPPORTUNITY

استثمر في السعودية
INVEST SAUDI

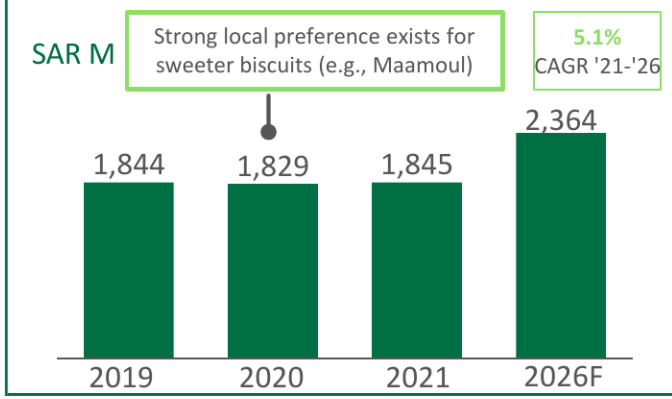
High Potential | Moderate Potential | Low Potential

Investment Opportunity: Sweet filled biscuit manufacturing

OPPORTUNITY DESCRIPTION: Establishing a facility to manufacture sweet filled biscuit products

DEMAND

KSA sweet biscuits market



INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- **Plant capacity:** 1,000 tons per month
- **Expected IRR:** 5-10%
- **Investment period:** 10 years
- **Job Creation:** Total effect of ~280 new direct indirect and induced jobs
- **GDP Impact SAR (in 10 years):** ~0.7 B
- **Location (Examples):** Al Jouf, Ha'il, Jeddah, Riyadh, Dammam
- **Investment size:** ~ 90M SAR
- **Investment size per SQM:** 6,000 SAR

VALUE PROPOSITION

KSA strengths:

- Largest sweet biscuits market in the Middle East and Africa
- Growing and highly urbanized population with significant demand for convenience, "snacking" foods such as sweet biscuits
- Tariff exemptions for imports
- Highly subsidized flour
- Tailored infrastructure support
- Strong local outbound distributors
- Major existing biscuit manufacturing facilities in KSA
- Highly subsidized utilities costs

MARKET OVERVIEW

KEY DEMAND DRIVERS

- The sweet biscuits market is much larger than the savory biscuits in KSA
- Sweet filled biscuits are the 2nd largest sweet biscuit subsegment in KSA after plain biscuits.
- The local sweet filled biscuit market is also growing quickly while offering better margins than plain biscuits

RAW MATERIALS, INPUTS AND EQUIPMENT

- Raw materials: wheat flour, milk powder, refined sugar, oil/butter/fats, flavors, colors and fragrances, eggs, inclusions (e.g. chocolate)
- Inputs and equipment: Processing equipment and technology (heat transfer, cooling, fermentation, ...)

GLOBAL TRENDS

Biscuits presents a high value global market involving multiple regional and multi-national:

- Rise in urbanization and "snacking" habits has driven demand for convenience snacks
- Continuous innovation in flavors and healthier snacks is attracting new customers

Global sweet biscuit is forecasted to grow; driven by both population growth and increased per-capita expenditure

Investment Opportunity: Sweet filled biscuit manufacturing

SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low | Medium | **High**

KSA strengths:

- Large consumer base and growing demand for biscuits
- Good biscuit manufacturing capabilities and talent
- Strong infrastructure and cheap utilities

KSA success factors:

- Key production inputs such as flour and packaging are heavily subsidized
- Good food processing talent with expertise in biscuit manufacturing
- Access to reliable, subsidized utilities and strong outbound distribution networks

IMPORT DEPENDENCY

- KSA currently imports SAR ~0.6 B of sweet biscuits in 2021
- Flour is milled inside KSA (using imported wheat) and sold at heavily subsidized prices
- Government support: Custom duty exemptions on specific imports and investments

VALUE CHAIN

Product R&D	Sourcing	Manufacturing	Distribution	Consumer
▪ Biscuit design ▪ Packaging design	▪ Wheat flour ▪ Milk powder ▪ Refined sugar ▪ Oil/butter/fats ▪ Flavors, colors and fragrances ▪ Eggs ▪ Inclusions	▪ Mixing inputs ▪ Separating dough into biscuit molds ▪ Baking biscuits ▪ Filling biscuits ▪ Packaging biscuits	▪ Supermarkets ▪ Convenience stores ▪ Online stores ▪ Cafes & restaurants ▪ Hotels	▪ Consumer

KEY STAKEHOLDERS

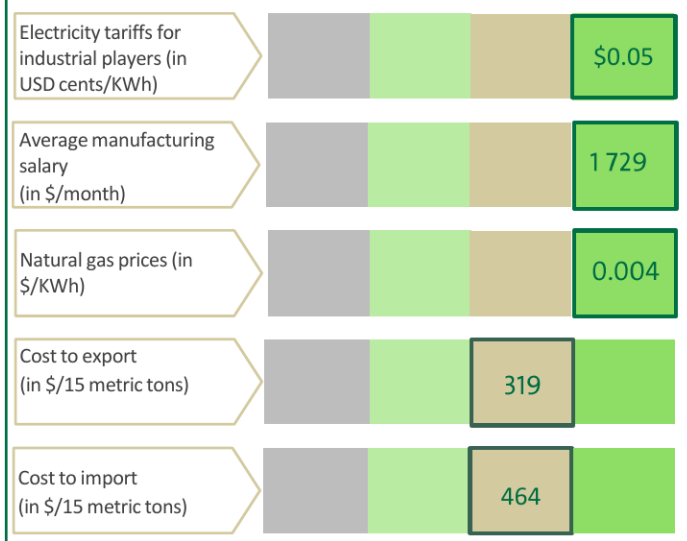
Saudi Food & Drug Authority · وزارة الصناعة والثروة المعدنية · Economic Cities and Special Zones Authority · الصادرات السعودية SAUDI EXPORTS Saudi Export Development Authority · المركز الصناعي Industrial Center · الصندوق الصناعي SIDF · هيئة الزكاة والضريبة والجمارك Zakat, Tax and Customs Authority

ENABLING FACTORS

POTENTIAL INCENTIVES & ENABLERS (SEZ)

- Reduce the minimum capital requirements for foreign branches (SAR 500k)
- Investigate the potential positive effects in reducing Saudization rate rule for the first years
- Implement investment treaties
- Accelerate immigration process
- Further reduce CIT, VAT, WHT
- Partially cover salaries for specialized foreign talent
- Subsidize infrastructure and services

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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