

# INDUSTRY 4.0

## INVESTMENT OPPORTUNITY SCORECARD

### ICT

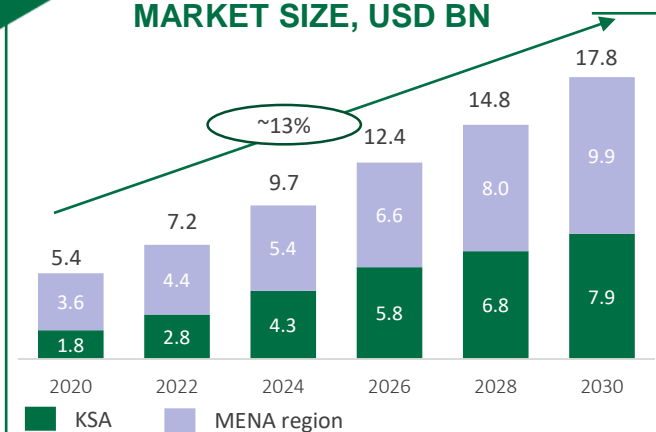
SEPTEMBER 2020

**OPPORTUNITY DESCRIPTION:** Attract leading Industry 4.0 players to enable digital transformation of industrial sector companies.

## DEMAND

## INVESTMENT OVERVIEW

### MARKET SIZE, USD BN



### INVESTMENT HIGHLIGHTS

- Entrant to generate up to \$900Mn revenues in KSA and rest of MENA region by 2030
- Entrant market share is assumed at 10% in year 1, growing to 30% by year 10

### VALUE PROPOSITION

- KSA is supporting a digitally-enabled industrial revolution for projects in mining, industry, logistics, and energy through a \$453Bn fund
- Governmental support of \$2.5Bn to build the digital infrastructure
- Support from Saudi Industrial Development Fund (SIDF) which dedicated a \$28Bn fund and delivers programs such as Tanafusiya, a program that provides consulting and financing services to enable digital transformation
- Vision to increase technical infrastructure readiness in industrial cities from 50% to 100% by 2025
- Increase in the number of facilities benefiting from the stimuli of the fourth industrial revolution from 10 in 2021 to 43 by 2025
- Five centers that develop industry 4.0 use cases and applications for Saudi Arabia and the region
- A financing program of ~\$800Mn to convert 100 factories in phase 1 for industry 4.0 transformation

### KEY DEMAND DRIVERS

- KSA is the largest technology market in the MENA region
- Vision 2030 targets include increasing non-oil revenue participation to GDP from 16% to 50%, which necessitates industrial companies to increase their operations and optimize their processes through digital transformation
- KSA has 40+ industrial cities which contain over 7,600 factories highlighting the importance for digital transformation across sectors
- Due to an increased need to reduce costs by optimizing operations and processes, factories and manufacturers are increasing their spending on technology and digital transformation – this trend has further accelerated due to COVID-19

## MARKET OVERVIEW

### MARKET READINESS AND COMPETITOR ANALYSIS

- Industry 4.0 is in early stages in KSA but the market is ready for digital transformation
- The market is ready for new entrants who can develop tailored solutions to Saudi businesses

### COMPETITOR ANALYSIS



\*Non Exhaustive list

### GLOBAL TRENDS

- Industry 4.0 has significant implications for the global economy as it spans across industries representing 62% of GDP among G20 nations, including manufacturing, mining, agriculture, oil and gas, and utilities
- Businesses are investing heavily in IoT with the most conservative independent estimates placing worldwide Industry 4.0 spend at \$500Bn in 2020
- While current use of IoT focuses on improving efficiencies, some trailblazing companies are forging ahead with unconventional ways to use the IoT by creating new products and services

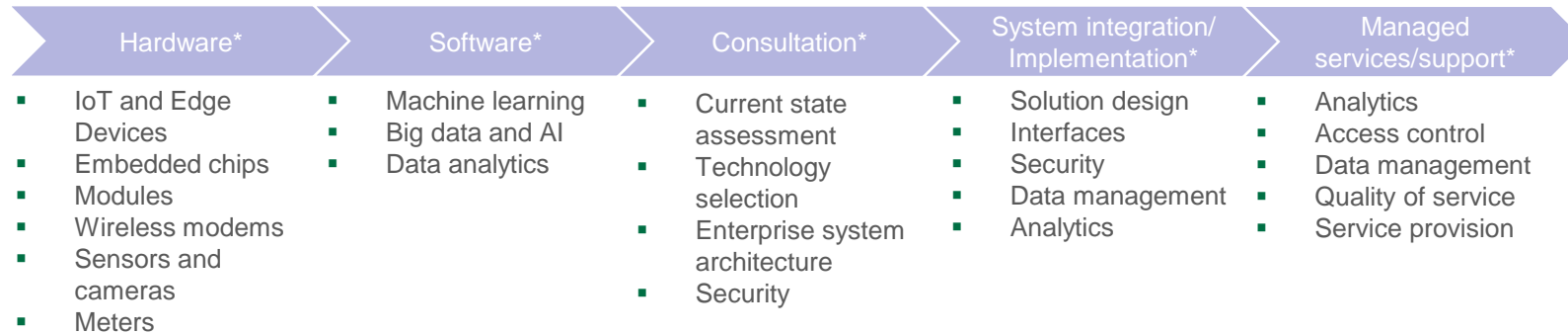
## SUPPLY

### SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- Government-led initiatives and programs aimed to enhance human capital required for digital transformation through specialized university programs, the Saudi Digital Authority (SDA) initiatives, and the Saudi Federation for Cybersecurity, Programming and Drones (SAFCSP)
- Industry 4.0 innovation center at King Abdulaziz City for Science and Technology (KACST) in Riyadh has a capacity-building center, and similar centers are set to be established in other areas in the Kingdom in collaboration with MODON and the Industrial Clusters Program
- Localization is possible due to a ready IoT infrastructure which is characterized by high mobile speed, large 5G rollout in the Middle East and presence of LoRaWAN infrastructure
- There is opportunity to scale by tapping into the wider MENA region by tailoring solutions for other markets

### VALUE CHAIN ANALYSIS



\*Select examples

### KEY STAKEHOLDERS

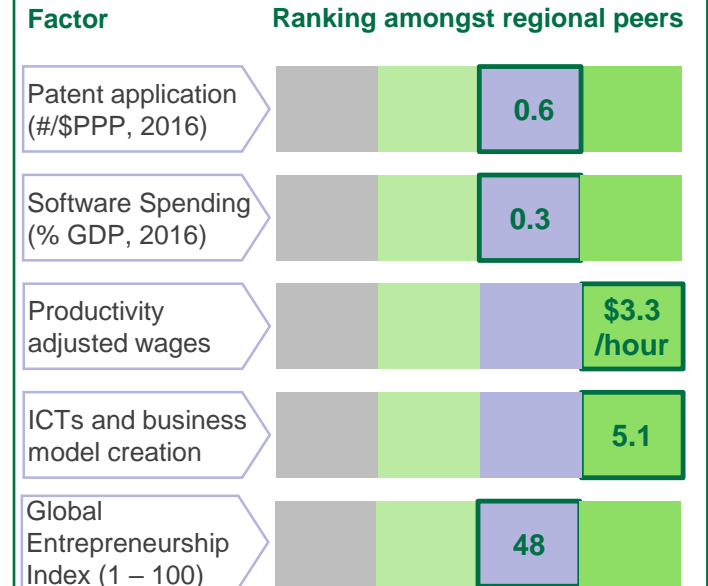


## ENABLING FACTORS

### ENABLERS

- Digital Enablers Platform initiative which supports facilities in their digital transformation
- Strong ICT infrastructure and government programs for localization of services
- Support from Saudi Industrial Development Fund (SIDF) through programs such as Tanafusiya
- Human Resources Development Fund covers (15% for males, 20% of females) monthly salaries of Saudi employees

### COST OF DOING BUSINESS IN KSA



Bottom 25% | Top 75% | Top 50% | Top 25%

# DEFINITIONS

#	SCORECARD SECTION	DEFINITIONS
1	<b>Market size</b>	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	<b>Demand drivers</b>	A select number of factors that will influence future demand for the related product/service
3	<b>Investment highlights</b>	An overview of key financial metrics summarizing the investment opportunity along with the expected return based on the suggested investment size
4	<b>Value proposition</b>	Summary of key differentiators that position KSA as a strategic choice over other regional/global peers
5	<b>Market readiness</b>	An overview of KSA market structure, market maturity and level of participation by local and global players
6	<b>Competitor analysis</b>	List of the local & international players manufacturing the underlying product in Saudi Arabia and their market share
7	<b>Global trends</b>	Latest business developments within the sector/product category
8	<b>Scalability and localization</b>	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
9	<b>Import dependency</b>	An overview of the countries from which Saudi Arabia is importing the product and their value/volume and share in total imports
10	<b>Value chain analysis</b>	The process or activities that would potentially need to be carried out to deliver the underlying product or service
11	<b>Key stakeholders</b>	Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
12	<b>Enablers</b>	Factors that enable investment in the underlying opportunity
13	<b>Cost of doing business in KSA</b>	Key factors that position KSA as a competitive destination for investment in the region

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The logo icon consists of a stylized green tree with three horizontal branches and a vertical trunk, with a green 'X' shape at the bottom right.