

Pneumatic Motors
INVESTMENT OPPORTUNITY
Machinery & Equipment



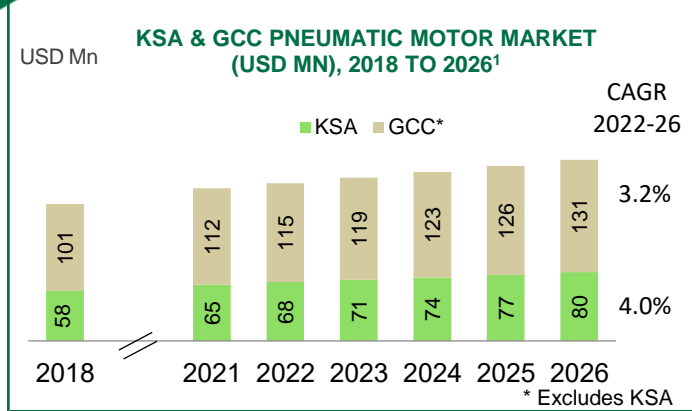
Machinery & Equipment

Pneumatic Motors

OPPORTUNITY DESCRIPTION: Investment toward localization of pneumatic motor assembly will make KSA a regional assembly hub for the product while also reducing its dependence on imports.

DEMAND

MARKET SIZE



INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- Expected Investment size of USD#: 29 to 30 Mn
 - Plant capacity#: 68,000 to 70,000 units
 - Expected IRR#: 15.6%
 - Payback period#: 8.03 years
 - Job Creation#: ~ 260 to 280
 - GDP Impact#: USD 26 Mn
- The proposed investment highlight is for a facility that can undertake assembly of both hydraulic and pneumatic motors

VALUE PROPOSITION

- Imports of finished products play a critical role in meeting the demand for pneumatic motors in the country, offering an immediate opportunity for localization²
- Export potential** – Setting up in KSA allows access to trade routes that account for 13% of world trade.
- Infrastructure** - Special economic zones and Industrial townships provide world-class infrastructure and competitive access to the manufacturing sector.

KEY DEMAND DRIVERS

- The KSA food and beverage (F&B) industry is valued at \$45Bn as of 2021 - forecasted to grow at a CAGR of 6% over the next five years. This would be the major driver for demand for pneumatic motors³
- The medical technology⁴ industry is rapidly reinventing itself with a strong push by KSA regulators to offer top-notch medical technologies for its population. The market is valued at \$3.8billion with the next five growth being estimated at 7%.

MARKET OVERVIEW

RAW MATERIALS

- Cast iron or aluminum alloy for cylindrical block, swash plate, and piston shoe
- Metal alloys (stainless steel, titanium, cast iron, low carbon steel, nickel) for drive shafts, piston, motor casing
- SAE 52100 chrome steel for bearings

GLOBAL TRENDS

- The global pneumatic motors market is valued at \$900 million as of 2021, with annual YoY growth expected to be 3.3% by 2027⁵.
- Vane-type motors are a sub-category that is expected to grow the fastest in the near term as a result of their simple construction and suitability to applications of high-speed range when compared with piston and gear-based motors.
- Rising F&B product demand, medical technology applications, and automotive manufacturing are the key drivers of growth for the pneumatic motors market.

Source: ¹Team Analysis of published strategy documents, reports from SEC & IKTVA publication, independent market reports, UN Comtrade data, General Authority of Statistics data and industry interactions, ²Team Analysis, ³MISA; ⁴Pharmaboadroom, ⁵Technavio Research, team analysis. ^{*}Expert interviews (assumptions), financial statements of peer companies.

Note: CAGR – Compound Annual Growth Rate, USD – United States Dollar, Mn – Million. Bn – Billion, Tn – Trillion. Opportunity potential is defined basis current import dependency – High refers to >80%, 2 medium >50 to 80% and low <=50%. ^{*}Job Creation covers direct and indirect jobs



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SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- Investment in a local assembly to boost production capacity expansion could help KSA to emerge as a regional hub for pneumatic motors.
- The facility can be a viable industrial base for exports to countries within GCC and Africa.
- Further, with proposed developments in casting & forging, key components such as housing, shaft/ rotor, connecting rods, vanes ,etc. can be locally manufactured to improve local content.

IMPORT DEPENDENCY

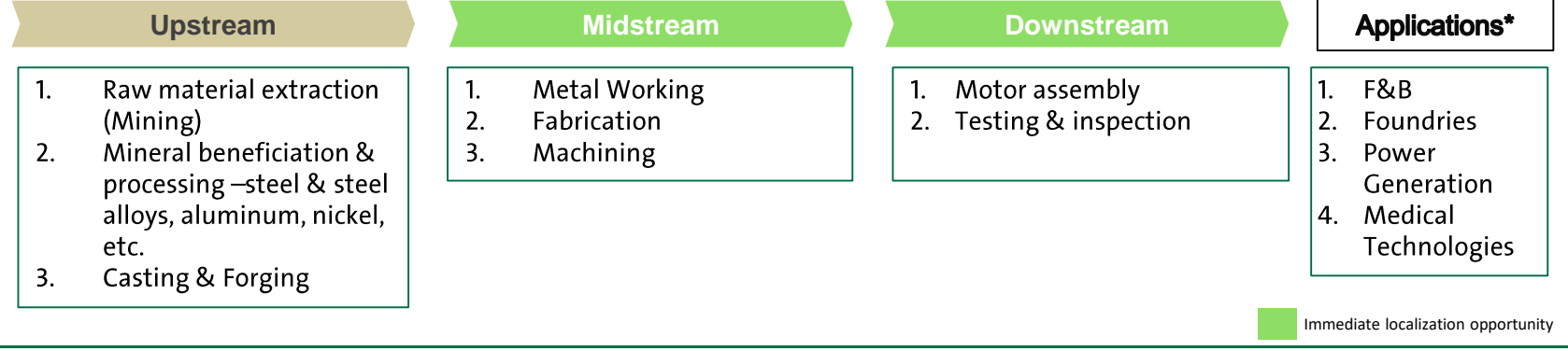
- Finished pneumatic motor imports is estimated at 100% of KSA's annual market size.
- In 2021, 60% of these imports are sourced from HCC⁵ countries such as Germany, USA, Italy, France, and the UK
- Imports from HCC provide an immediate opportunity for import substitution through local assembly and value-chain development

ENABLING FACTORS

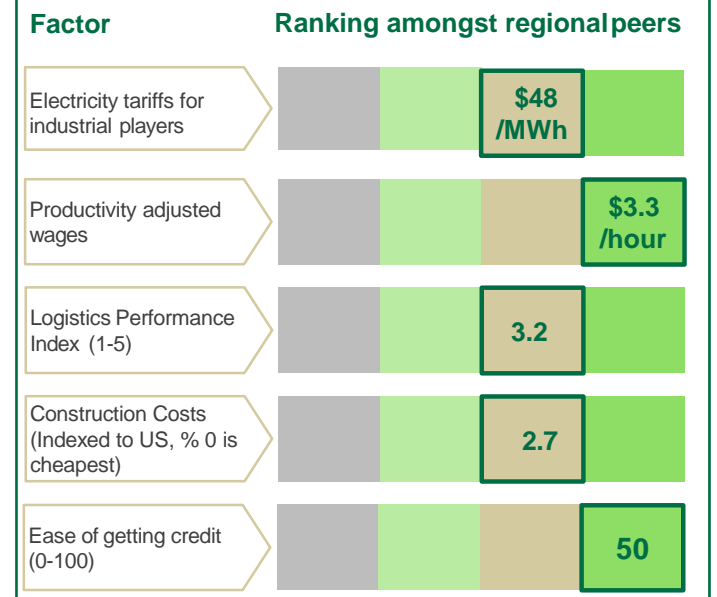
ENABLERS & INCENTIVES

- Customs duties** exemption on imported machinery, equipment, raw materials and spare parts utilized for industrial purpose
- Access to **local content initiatives and programs** at demand centers
- HRDF covers **monthly salaries of up to 30%** for Saudi employees (extra 10% for females) for 2 years
- Expat worker **levy waived off** for industrial manufacturers
- Tax rebates** on exports, raw material imports, and **50% tax credit** on Saudi national worker's payroll & training costs for 10 years
- 2-year **grace period** for the repayment of loans
- Unprecedented access to a **diversified value chain** - especially raw materials (steel and industrial minerals)

VALUE CHAIN



COST OF DOING BUSINESS IN KSA



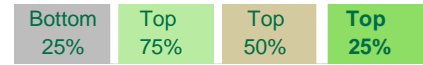
KEY STAKEHOLDERS



Source: ⁵UN Comtrade, ITC Trademap analysis

Note: HRDF - Human Resources Development Fund, Scalability & Localization Grade is defined as

1. high – if the set up can support localization of multiple product categories,
 2. medium – if multiple products within a category can be localized and
 3. low – if it supports localization of a single product only. *Only key applications are highlighted



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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