

# ADHESIVES - POLYMER DISPERSION/WATER EMULSION INVESTMENT OPPORTUNITY

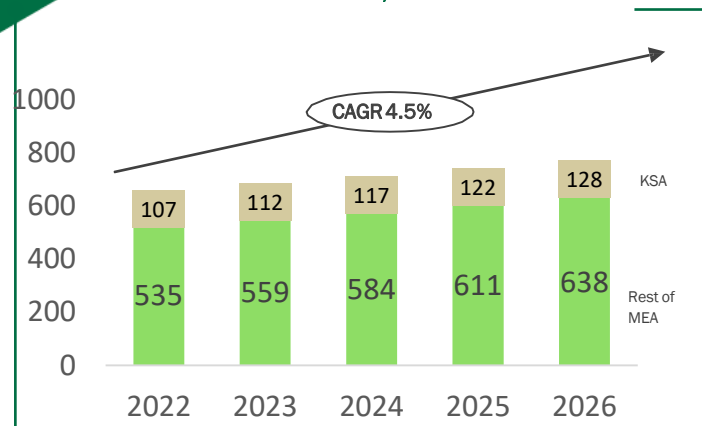
Specialty Chemicals



**OPPORTUNITY DESCRIPTION:** Production of polymer dispersion (emulsion) adhesives for packaging, tapes and labels application

## DEMAND

### MARKET SIZE, KTA



### INVESTMENT HIGHLIGHTS

- Expected investment size of USD 50 Mn
- Plant capacity: 50-60 KTPA
- Expected IRR\*: 10-15%
- Payback period\*: 3-6 years
- Job Creation: ~ 100-120 Employees
- GDP Impact: ~ 28 Mn USD
- Location (Region): Jubail/Yanbu

## INVESTMENT OVERVIEW

### VALUE PROPOSITION

- Significant market size with limited local players make for an attractive area of investment
- Potential export opportunities exist in several markets in MENA Region
- KSA is one of the largest chemical producers in the world and contributes ~10% to the global output

### KEY DEMAND DRIVERS

- Although there are some local producers, The Middle Eastern region is dependent on imports of adhesives to support local demand.
- Water emulsion-based adhesives have been steadily replacing solvent-based analogues because of concerns over VOC emissions and worker safety
- Capital requirements are low, most technologies are well known, and barriers to entry and exit for many markets are fairly minor.

### RAW MATERIALS

- Butyl and ethyl acrylate
- Acrylic acid
- 2-ethylhexyl acrylate or Styrene
- Vinyl Alcohol
- Surfactants
- Cross Linkers
- Tackifiers

## MARKET OVERVIEW

### GLOBAL TRENDS

- Water emulsions will continue to displace solvent-based PSAs at acceptable costs and performances
- Drive or shift to water emulsions are dictated by growing environmental concerns, including lower VOC and less hazardous raw materials



## SUPPLY

## SCALABILITY AND LOCALIZATION

Grade:

Low

Medium

High

- High growth sectors with good backward integration in KSA
- Hence Easy to scale and expand into downstream applications as well
- Similar raw materials used in adjacent applications like coatings and paints and hence this can also be explored

## IMPORT DEPENDENCY

- KSA is a net importer of adhesives
- Companies like Henkel, National, Star Specialty and SIKA are already present in KSA but significant scope for expansion/others exist

## ENABLING FACTORS

## ENABLERS &amp; INCENTIVES

- Custom land options from RCJY AND Modon
- Up to 75% of project financing by Saudi Industrial Development Fund (SIDF)
- 2-year grace period for the repayment of loans
- Expat worker levy waived-off for industrial manufacturers until October 2024

## VALUE CHAIN

## Upstream

Butyl and ethyl acrylate  
Acrylic acid  
2-ethylhexyl acrylate or Styrene  
Vinyl Alcohol  
Surfactants  
Cross Linkers  
Tackifiers

## Midstream

- Manufacturing of acrylic emulsions using butyl/ethyl acrylate, acrylic acid, and styrene/ 2-ethylhexyl acrylate
- Manufacturing of polyvinyl acetate glues using vinyl alcohol, surfactants, crosslinkers, and tackifiers

## Downstream

Acrylic emulsions are used in the manufacturing of pressure sensitives adhesives  
Polyvinyl acetate glues are used in the manufacturing of household glues, wood, foil, and cloth adhesive

## Applications

- Packaging
- Tapes and labels application

## COST OF DOING BUSINESS IN KSA

## Factor

## Ranking amongst regional peers

Electricity tariffs for industrial players

\$48 /MWh

Productivity adjusted wages

\$3.3 /hour

Logistics Performance Index (1-5)

3.2

Construction Costs (Indexed to US, % 0 is cheapest)

74

Ease of getting credit (0-100)

50

## KEY STAKEHOLDERS

وزارة الاستثمار  
Ministry of Investmentالمركز الصناعي  
Industrial CenterNational Industrial  
Development and  
Logistics Programالصندوق  
الصناعي  
صندوق التنمية الصناعية السعودي  
Saudi Industrial Development FundBottom  
25%Top  
75%Top  
50%Top  
25%

# 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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