

ADHESIVES – REACTIVE ADHESIVES AND SEALANTS

INVESTMENT OPPORTUNITY

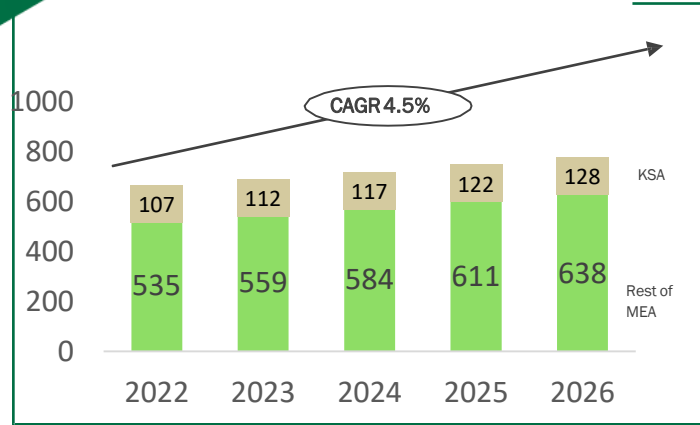
Specialty Chemicals



OPPORTUNITY DESCRIPTION: Opportunity to setup a production plant for polymer dispersion (emulsion) adhesives for enabling the building and construction industry

DEMAND

MARKET SIZE KTA



INVESTMENT OVERVIEW

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

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

- In ME region, building construction and infrastructure development projects are booming and within KSA this sector will be on high growth considering aggressive expansion plans and building of new cities.
- Reactive adhesives and sealants are often applied for bonding large areas of materials meant for nonstructural or semi structural service.
- Water-based formulations could be used, but they are generally more expensive and often cannot match the properties.

RAW MATERIALS

- Epoxy
- Urethanes

MARKET OVERVIEW

GLOBAL TRENDS

- Solvent based adhesives and sealants continue to be preferred for certain applications requiring higher performance and structural integrity

*Expected figures displayed might be slightly modified during development of actual Business Case



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

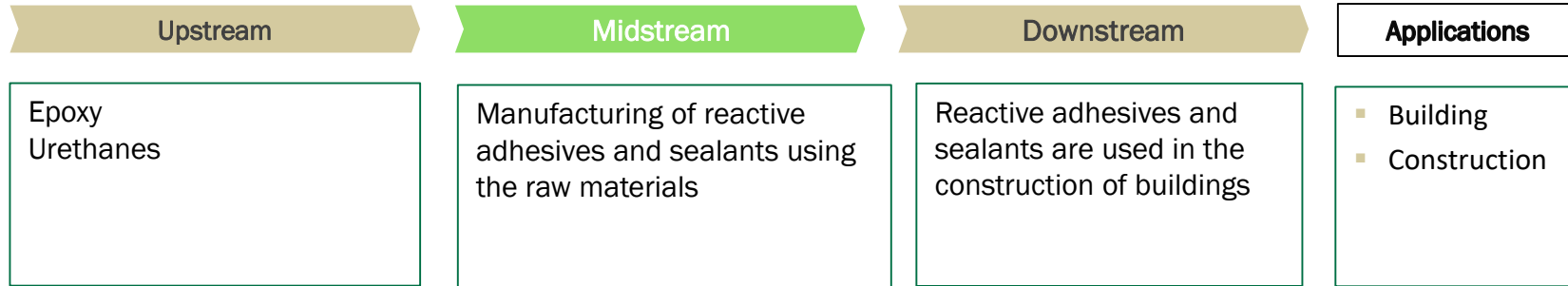
- KSA is a net importer of adhesives
- Companies like Henkel, National, Star Specialty and SIKA are already present in KSA but significant scope for expansion/others exist

ENABLING FACTORS

ENABLERS & 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



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



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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