

Methyl Styrene

INVESTMENT OPPORTUNITY SCORECARD

CHEMICALS

FEBRUARY 2021

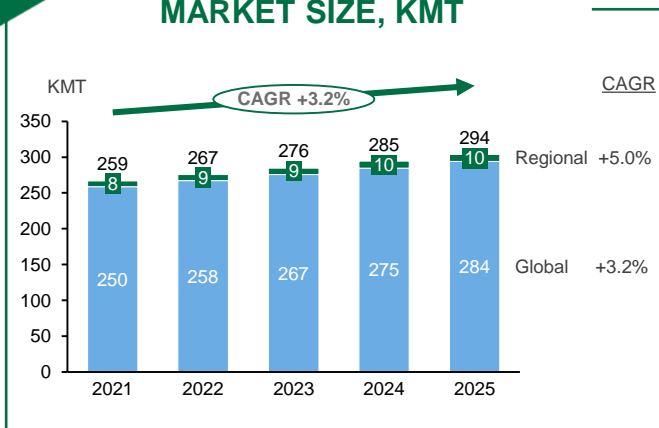


α - METHYL STYRENE

OPPORTUNITY DESCRIPTION: Opportunity to setup α-Methyl styrene manufacturing plant of 20 – 30 KMT capacity in KSA to serve regional/global market demand

DEMAND

MARKET SIZE, KMT



INVESTMENT HIGHLIGHTS

- Expected investment size of USD 13 Mn
- Plant capacity: 20 – 30 KMT
- Expected IRR: More than 12%

INVESTMENT OVERVIEW

VALUE PROPOSITION

- KSA has a strategic location and access to feedstock enabling it to serve emerging markets like India, Africa and South East Asia
- KSA can leverage favorable trade agreements (eg: GAFTA) and strong logistics infrastructure to enhance export capability
- KSA is one of the largest chemical producers in the world and contributes ~10% to the global output
- Opportunity for first mover advantage due to non-existent local production of α-Methyl Styrene and lack of competition from major global manufacturers

KEY DEMAND DRIVERS

- The National Industrial Development and Logistics Programme (NIDLP) is planning to invest USD 4.4 Bn to build an adhesive plant in KSA and α-methyl styrene is one of the key raw materials used for adhesive manufacturing
- Wide range of applications of α-Methyl Styrene in rapidly growing industries such as manufacturing, automobile and industrial equipment to further fuel demand for α-Methyl Styrene in the region
- Rise in demand for plasticizers, wax, coatings, and adhesives in the automotive industry is a key factor driving demand for α-Methyl Styrene

MARKET OVERVIEW

GLOBAL TRENDS

- Surging demand for Acrylonitrile Butadiene Styrene (ABS) from the automotive and electronic appliances industries is fueling the growth of the market across the globe. Increasing demand for consumer goods from emerging economies acts as an opportunity for the growth of the α-Methyl Styrene market, worldwide
- The Asia Pacific region was estimated to be the largest market for α-Methyl Styrene in 2019. China, India, Japan, and South Korea are the major consumers of α-Methyl Styrene in this region due to innovations in production techniques of electronic appliances, rise in population, and increase in the income of the middle-class population
- Leading global manufacturers include: Neos Group Holding (Switzerland), AdvanSix, Altivia Corp., SI Group (USA), Rosneft (Russia), DOMO Chemicals (Belgium), Kumho P&B Chemicals (South Korea), Taiwan Prosperity Chemical Corp. (Taiwan), Yangzhou Lida Chemicals (China), Solvay SA (Belgium) and Mitsubishi Chemical Corporation (Japan)



SUPPLY

SCALABILITY AND LOCALIZATION

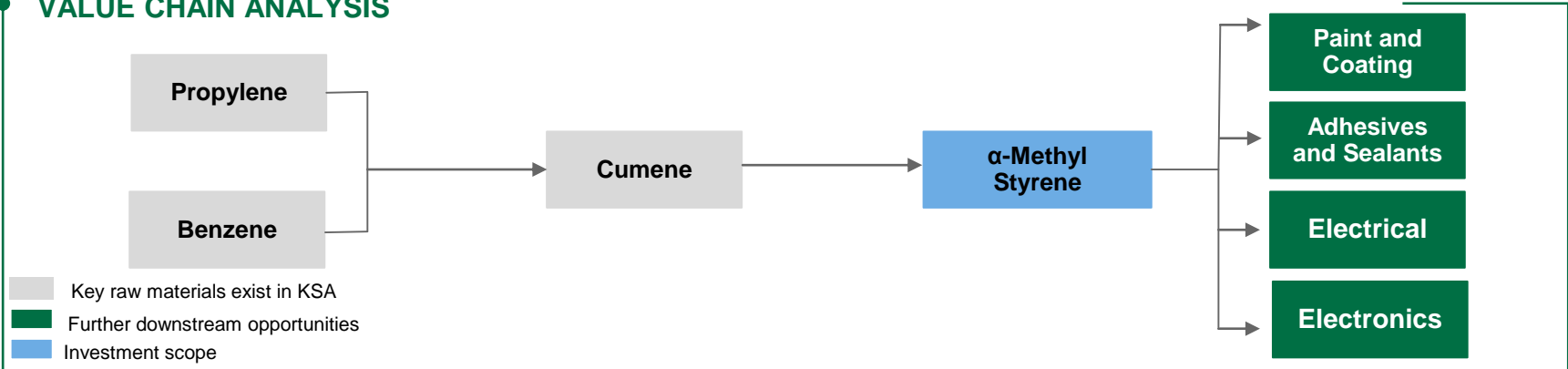
Grade: Low Medium High

- Easy access to primary raw materials in KSA – Cumene, produced by Saudi Kayan Petrochemical
- KSA has strong logistics infrastructure and supportive regulatory value chain to support export of α-Methyl Styrene globally

IMPORT DEPENDENCY

- No local production of α-Methyl Styrene exists in Saudi Arabia; currently 100% of the local demand met by imports

VALUE CHAIN ANALYSIS



KEY STAKEHOLDERS



وزارة الاستثمار
Ministry of Investment



National Industrial Development and Logistics Program



ENABLING FACTORS

ENABLERS

- 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

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
Customs Clearance Index (1 – 5)	2.7
Ease of getting credit (0 – 100)	50

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

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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	Demand 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	Competitor analysis	List of the local & international players manufacturing the underlying product in Saudi Arabia and their market share
7	Global trends	Latest business developments within the sector/product category
8	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
9	Import dependency	An overview of the countries from which Saudi Arabia is importing the product and their value/volume and share in total imports
10	Value chain analysis	The process or activities that would potentially need to be carried out to deliver the underlying product or service
11	Key stakeholders	Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
12	Enablers	Factors that enable investment in the underlying opportunity
13	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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