

POLY ALPHA OLEFINS (PAO)

INVESTMENT OPPORTUNITY SCORECARD

CHEMICALS

MARCH 2021

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POLY ALPHA OLEFINS (PAO)

Public / متاح

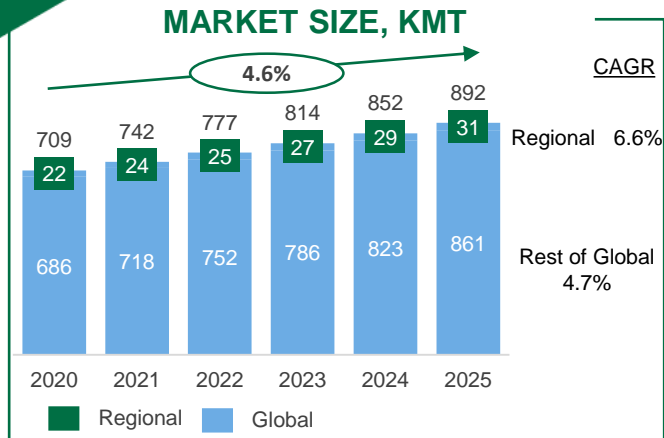
High Potential

Moderate Potential

Low Potential

OPPORTUNITY DESCRIPTION: Opportunity to setup a Poly Alpha Olefins production facility of 32 KMT to cater regional and global demand

DEMAND



INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- Expected investment size of USD 30 Mn
- Plant capacity: 32 KMT
- Expected IRR: More than 12%

VALUE PROPOSITION

- KSA is one of the largest chemical producers in the world and contributes ~10% to the global output
- KSA is strategically located at the crossroads of several markets that have high demand for chemical products
- KSA benefits from having an abundant access to raw materials and a high standard of infrastructure that is continuously being improved upon
- Opportunity for first mover advantage due to non-existent local production of Poly Alpha Olefins and lack of competition from major global manufacturers
- This opportunity has a strategic alignment with vision 2030 and National Industrial Strategy by supporting many sectors such as automotive

KEY DEMAND DRIVERS

- Macroeconomic factors including growing economy, population and employment, rising disposable income, and rapid rate of urbanization as well as industrialization will drive the local poly alpha olefin (PAO) market
- The upcoming automobile manufacturing cluster at PlasChem Park in Jubail is expected to drive the Poly Alpha Olefins market
- Increased demand from local companies – Sadara Chemical Company and Saudi National Automobiles Manufacturing Company (SNAM)

MARKET OVERVIEW

GLOBAL TRENDS

- The global Poly Alpha Olefin (PAO) Market was valued at USD 1.33 Bn in 2020 and is estimated to reach a value of USD 1.58 Bn by 2025 at a CAGR of 3.5%*
- The growth of the global poly alpha olefin (PAO) market is driven by growing automotive industry and increasing offshore drilling activities
- The key applications that could be explored in the poly alpha olefin market include Hydraulic Fluids, Industrial Oils, Lubricants, Compressor Oil, Greases, Gear Oil, Engine Oil, and Others (Liquid Chillers).
- Europe accounts for the highest market share of poly alpha olefin (PAO), mainly due to regulatory support for biodegradable products such as The White Swan Scheme and The Blue Angel Scheme, and high technological advancements. It is followed by North America

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SUPPLY

SCALABILITY AND LOCALIZATION

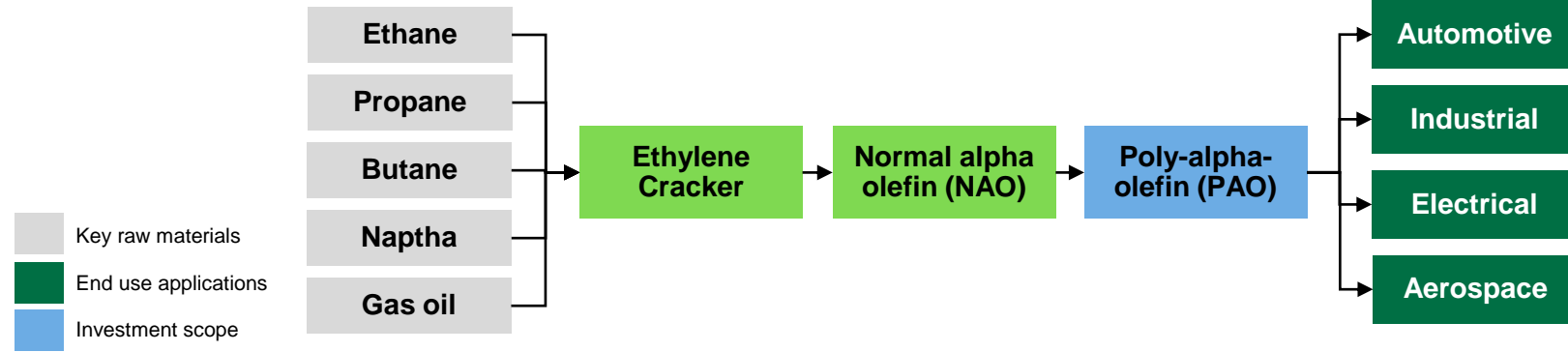
Grade: Low Medium High

- Easy local access to key raw materials in KSA –Linear Alpha Olefins (LAOs) are available in Al Jubail by JUPC and Saudi Polymers
- KSA's strategic advantage over regional peers in cost of establishing business especially in manufacturing domain
- Potential to serve local and regional market and create a 'regional hub' for chemicals manufacturing in KSA

IMPORT DEPENDENCY

- No local production of Poly Alpha Olefins in Saudi Arabia, 100% of the local demand in KSA is met by imports

VALUE CHAIN ANALYSIS



KEY STAKEHOLDERS



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
- HRDF covers 30-50% of Saudi employees' monthly salaries (additional 10% for females) for 2 years, provided that it does not exceed USD 4,000

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



Sources for Cost of Doing Business: EIU, World Bank

Bottom 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	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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