

HVAC (Wave 2)
INVESTMENT OPPORTUNITY
Machinery and Equipment



Machinery and Equipment HVAC

Public / متّاح

High Potential

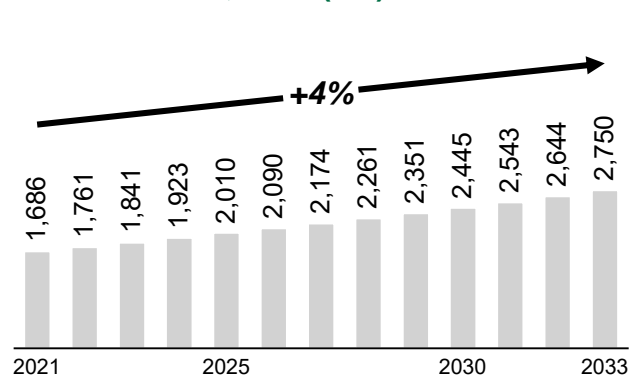
Moderate Potential

Low Potential

OPPORTUNITY DESCRIPTION: Attract leading global players to setup HVAC manufacturing base in KSA

DEMAND

MARKET SIZE, USD (Mn)



INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- Expected Investment size of USD : 50 Mn
- Plant capacity: 530,000 units/year
- Expected IRR: 13%
- Payback period: 14 years
- Job Creation: 3500
- GDP Impact: \$135 Mn
- Location (Region): Saudi Arabia

VALUE PROPOSITION

- HVAC in 2022 is \$6 Bn MEA market and \$ 1.6 Bn KSA market
- High imports (75% of total market) present an opportunity to grow local manufacturing share from 7% to 24% by 2030 and substitute imports

KEY DEMAND DRIVERS

- The three main sectors driving the demand for HVAC equipment in KSA are residential sector for household cooling, commercial sector such as offices and malls, and industrial sector
- Development of NEOM is expected to increase demand for HVAC in KSA

MARKET OVERVIEW

RAW MATERIALS - COMPONENTS

- Aluminum**
 - Extruded aluminum 6XXXX
- Steel**
 - Duct SS304
 - AK Steel Type 316
 - AK Steel Type 410
- Plastic**
 - Thermoplastics with low flammability (DIN4102B1)
 - PVC, polypropylene
- Cast iron**
 - Galvanized iron (GI)
 - Iron class 250

GLOBAL TRENDS

- HVAC in 2022 is \$118 Bn global market and is growing at 3.4% CAGR
- Demand for environmental control during Covid increased the demand for HVAC/air filtration in residential and commercial buildings
- Extended heat waves and irregular weather patterns increased the need for heating and cooling systems



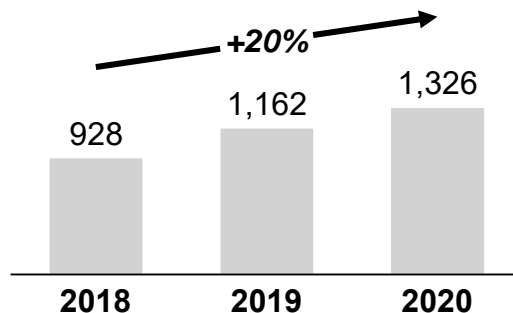
SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- Availability of existing skillsets and workforce
- Competitive landscape for existing producers
- Select availability resources and materials throughout the supply chain

IMPORT DEPENDENCY (USD Mn)

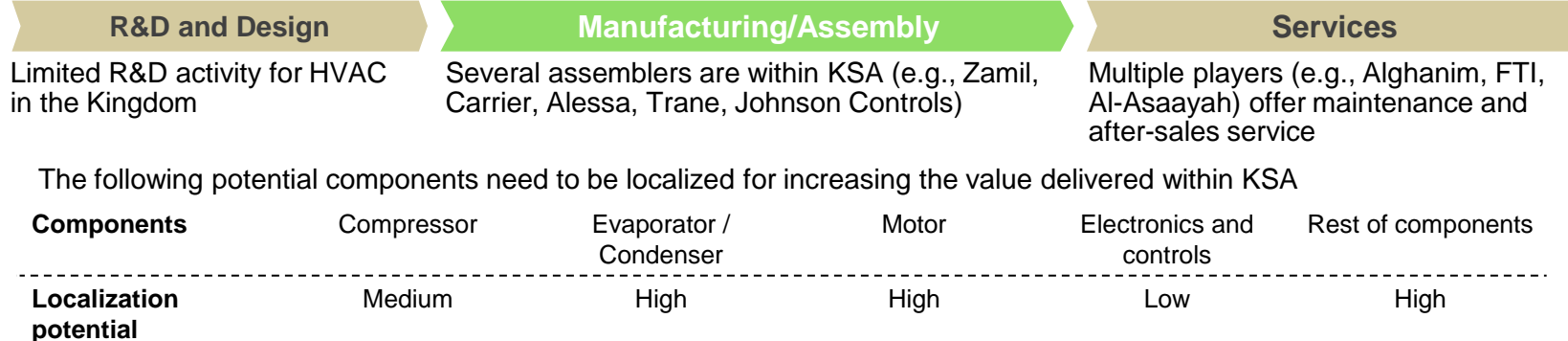


ENABLING FACTORS

ENABLERS & INCENTIVES

- Restrict bids from international suppliers where local manufacturing exists for matured industries
- Consider duty exemptions on imported raw materials/components
- Encourage availability of raw materials suitable for HVAC manufacturing
- Increase import duties on foreign products

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)	2.7
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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