

INSTITUTIONAL CLEANERS (HEALTHCARE, HOSPITALITY, AND FOOD SERVICE)

INVESTMENT OPPORTUNITY

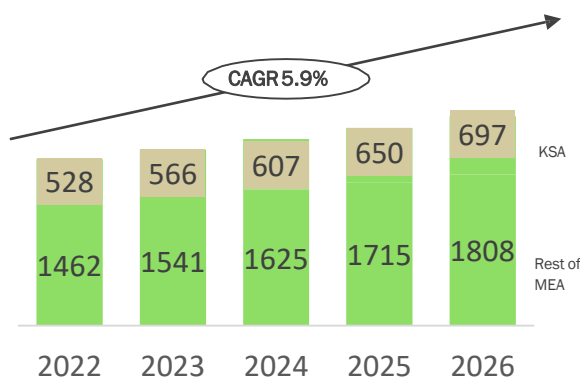
Specialty Chemicals



**OPPORTUNITY DESCRIPTION:** Setup manufacturing plant for institutional cleaners targeting healthcare, hospitality, & food service sectors in KSA

## DEMAND

### MARKET SIZE, USD Mn



## INVESTMENT OVERVIEW

### INVESTMENT HIGHLIGHTS

- Expected Investment size of USD 16-20 Mn
- Plant capacity: 40-50 ktpa
- Expected IRR\*: 10-15%
- Payback period\*: 3-6 years
- Job Creation: 40 – 50 Employees
- GDP Impact: 9.1 – 11.4 Mn USD
- Location (Region): Jubail/Yanbu

### VALUE PROPOSITION

- Significant market size with a fragmented market makes for an attractive area of investment
- I&I is still a relatively nascent industry in Middle East; Region is still a net importer and hence scope for localization is high
- Growth in the KSA hospitality sector is further expected to drive demand
- KSA is one of the largest chemical producers in the world and contributes ~10% to the global output

### KEY DEMAND DRIVERS

- High demand for disinfectants and sanitizers, due to the impact of COVID-19
- Formulations using environmental-friendly raw materials and driving sustainability are preferred (e.g., replacement of phosphates, milder intermediates)
- Diversification of the Middle East economy beyond Oil & Gas will drive demand for cleaners across other emerging industries; KSA growth expected to be higher compared to the region driven by hospitality sector and food service sector

### RAW MATERIALS

- Enzymes
- Alcohols
- Solvents
- Sodium carbonate
- EDTA

## MARKET OVERVIEW

### GLOBAL TRENDS

- Global market for I&I market is 47 Bn USD in 2020 with CAGR of 3.1%
- 18%+ share of top four players indicating a fragmented I&I Cleaners market, with several local or regional players
- Institutional cleaners contribute to ~63% of the total I&I market; Janitorial and Kitchen & Catering are the top-2 applications
- Capsule or solid-block cleaners with lower shipping/ storage costs are increasingly being used in dishwashing, laundry, meat processing, etc.
- Leading players offer an E2E system offering, i.e., services and equipment, in addition to chemicals. Increasingly, sales service provided by manufacturers has become a differentiating factor



SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- Involves metered delivery of raw materials and simple mixing or heating in batch processes, without the need for a sophisticated technology. Requires a lower capex
- Large players focus R&D efforts to develop formulations
- Often augmented with equipment, technology and services to provide complete cleaning solutions
- Several raw materials required for the formulations are available within KSA

IMPORT DEPENDENCY

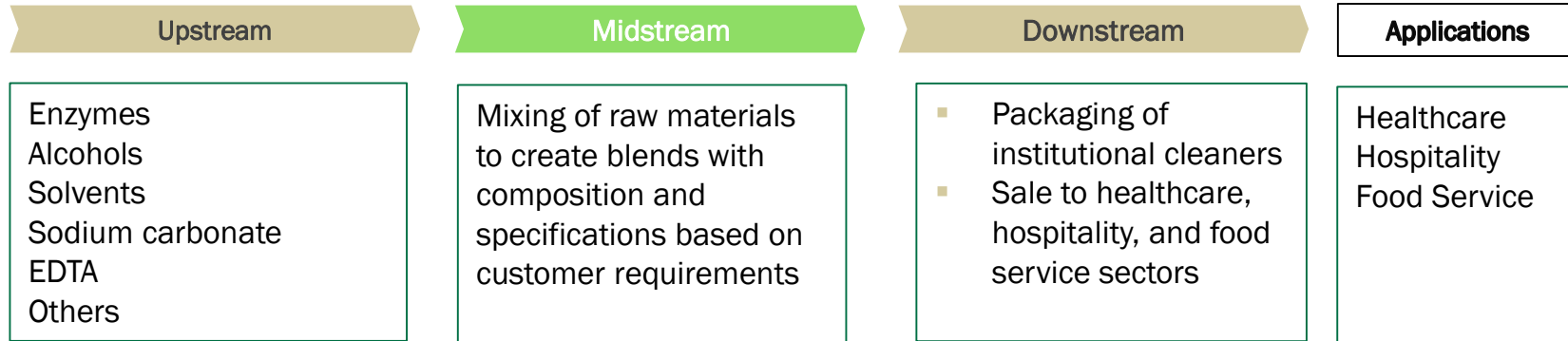
- Import of 49Mn USD in KSA and 261Mn USD in ME in 2019
- Two local players exist in the KSA

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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