

# ALUMINUM PRIMARY FOUNDRY ALLOYS

INVESTMENT OPPORTUNITY SCORECARD

MINING & METALS

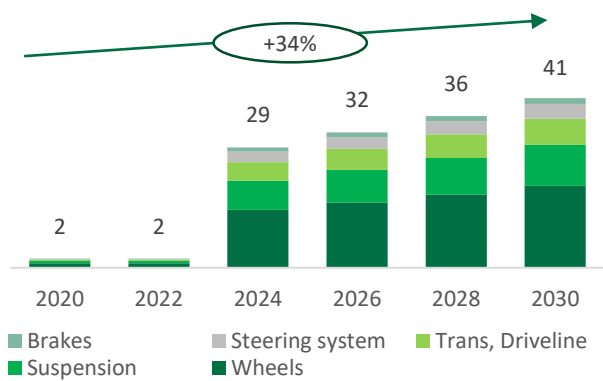


# ALUMINUM PRIMARY FOUNDRY ALLOYS

**OPPORTUNITY DESCRIPTION:** Opportunity to develop a 100 ktpa Aluminum Primary Foundry Alloys (PFA) plant to supply domestic and global market

## DEMAND

KSA MARKET SIZE, KT



## INVESTMENT HIGHLIGHTS

- Expected investment size of USD 47 Mn
- Plant capacity: 100 ktpa
- Expected IRR: 16.2%
- Payback period: 7 years

## INVESTMENT OVERVIEW

### VALUE PROPOSITION

- Mining and Metals industry set to become the “third pillar” of the Saudi industrial base due to KSA’s rich deposits of minerals
- KSA’s geographical advantage and trade agreements with neighboring countries make exporting favorable
- KSA is working to develop sustainable and globally competitive value-added semi-finished and finished metal industries (downstream) that support the Kingdom’s goals of diversification
- In line with Saudi Vision 2030, KSA aims to maximize local production of aluminum and supply primary raw material to the local aluminum-based industries

## KEY DEMAND DRIVERS

- The upcoming automobile manufacturing cluster in KSA is expected to expand automotive manufacturing which will increase domestic demand for aluminum PFA
- KSA’s aluminum PFA demand is forecast to reach 41 kt by 2030 based on plans to produce over 300,000 vehicles in the next 10 years
- Growth of the building and construction sector and infrastructure projects are set to have a major impact on the growth of aluminum primary foundry alloys (PFA) market in the country and the wider region

## MARKET OVERVIEW

### GLOBAL TRENDS

- Global demand is forecasted to increase at a CAGR of 6% in 2021-2030 – this presents opportunities for new suppliers who can compete on a cost basis with existing suppliers
- Global PFA demand growth will continue from auto light weighting, as well as passenger and commercial vehicle manufacturing growth
- PFA is a value-added product predominantly used to cast automotive parts which have intricate shapes customized for critical safety parts. PFA chemistry can be tailored to maximize strength, wear resistance, corrosion resistance and appearance. PFA is predominantly used in vehicle critical safety components, e.g. wheels, trans, driveline and suspensions
- PFA is a global commodity, with a fragmented landscape of suppliers and consumers around the world. Major global importers of PFA include mature automotive component casters in Western Europe, USA, Mexico and India



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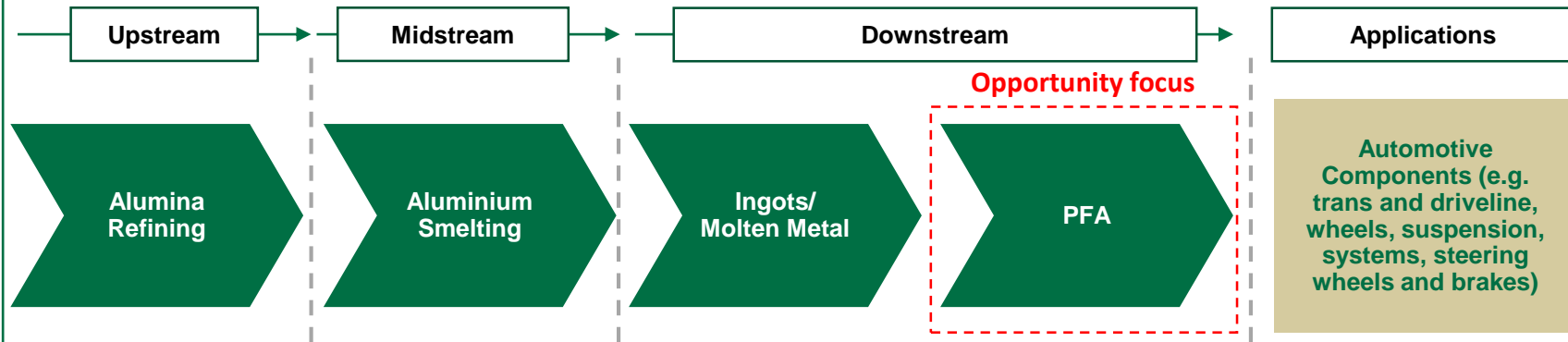
## SUPPLY

### SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- Low cost of construction, labor wages and utility fees to support low capital and operating expense for the investor and enable extending geographic footprint
- Primary aluminum ingot, molten aluminum is available widely in KSA
- End-to-end logistics connectivity exists in KSA to support investment development
- Local content policies to favor Saudi based manufacturers
- Produce added value products to align with Vision 2030, aiming to put KSA among the leaders of Aluminum manufacturing

### VALUE CHAIN ANALYSIS



### KEY STAKEHOLDERS



## ENABLING FACTORS

### ENABLERS

- Up to 75% of project financing by Saudi Industrial Development Fund (SIDF) and 2-year grace period for the repayment of loans
- HRDF covers monthly salaries for 30-50% of Saudi employees (extra 10% for females) for 2 years, provided 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
Construction Costs (Indexed to US, % 0 is cheapest)	74
Ease of getting credit (0 – 100)	50

# 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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