

ALUMINUM ALLOY WHEELS CASTING

INVESTMENT OPPORTUNITY SCORECARD

MINING & METALS

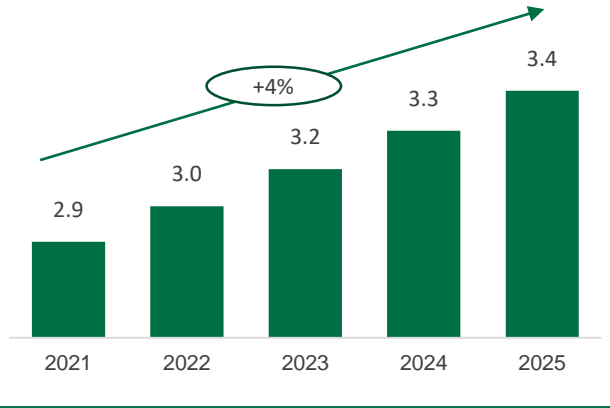


Aluminum Alloy Wheels Casting

OPPORTUNITY'S DESCRIPTION: Develop a 40 ktpa (~2.5M units) of Aluminium Alloy Wheels manufacturing plant to supply the domestic and international market

DEMAND

MARKET SIZE, USD BN



INVESTMENT HIGHLIGHTS

- Expected investment size of USD 152 Mn
- Plant capacity: 40 ktpa
- Expected IRR: 13.5%
- Payback Period: 8 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

- Market for new passenger and commercial vehicles in KSA is expected to grow at a CAGR of 2.9% and 4.6% respectively from 2020 - 2024 owing to pent up demand
- Automotive has been identified as one of the core sectors to support the Vision 2030 initiative of development of a sustainable manufacturing-based economy, for diversifying away from the oil sector
- KSA has favourable trade agreements. It is a member of GAFTA and therefore goods produced in KSA and exchanged between member states of GAFTA are exempted from all customs duties

MARKET OVERVIEW

GLOBAL TRENDS

- The global addressable market is large, where the global aluminium alloy trade totaled 3.1 Mt in 2019. This presents opportunities for new suppliers who can compete on a cost basis with existing suppliers
- Global vehicle production is forecast to increase at a CAGR of 2.2% between 2021 and 2030, supporting demand growth for alloy wheels
- The US and a number of European countries (e.g., Germany, France, UK, Belgium) account for over half of global aluminium alloy imports
- Aluminium alloy wheels are the most widely used wheel types in commercial vehicles due to their high durability, stiffness, heat conduction and light weight



ALUMINUM ALLOY WHEELS CASTING

SUPPLY

SCALABILITY AND LOCALIZATION

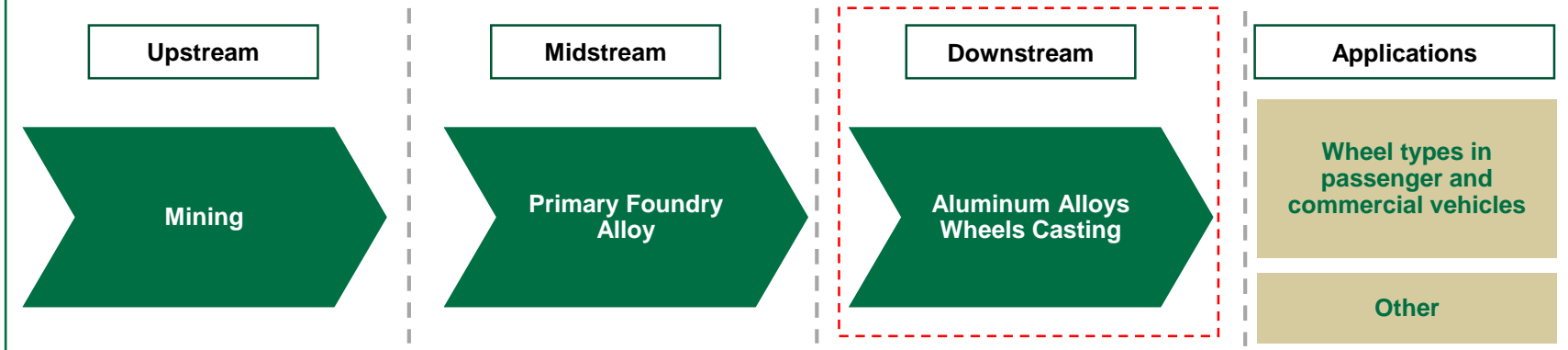
Grade: Low Medium High

- Low cost of construction, labor wages and utility fees to support low capital and operating expense for the investor and enable extending geographic footprint
- In addition to primary foundry alloys, magnesium is another raw material used for alloys wheels, which 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

IMPORT DEPENDENCY

- Currently, Aluminium Alloy Wheels is 100% imported

VALUE CHAIN ANALYSIS



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

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	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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