

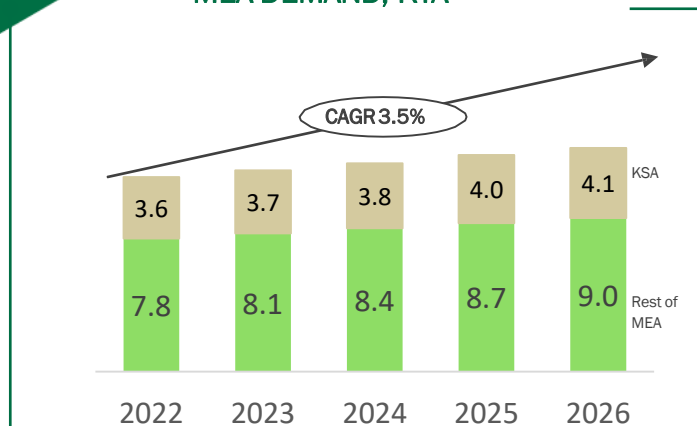
POLYURETHANE ADHESIVES AND SEALANTS
INVESTMENT OPPORTUNITY
Specialty Chemicals



OPPORTUNITY DESCRIPTION: Setup manufacturing plant for polyurethane adhesives and sealants in KSA

DEMAND

MEA DEMAND, KTA



KEY DEMAND DRIVERS

- Adoption of plastics, composites, nonferrous materials in automotive and aerospace industries to lower weight and fuel usage
- Several manufacturers are investing in development of biodegradable raw materials for use in Adhesives & Sealants
- Increase in manufacturing of battery packs for electric vehicles
- Growth of alternate energy products such as wind turbines and solar photovoltaic panels
- Rising demand for consumer electronic devices such as smartphones, tablets, etc.

INVESTMENT HIGHLIGHTS

- Expected Investment size of USD 4.2Mn
- Plant capacity: 5 ktpa
- Expected IRR*: 10-15 %
- Payback period*: 3-6 years
- Job Creation: 7-10 Employees
- GDP Impact: 1-1.5 Mn USD
- Location (Region): Jubail/Yanbu

INVESTMENT OVERVIEW

VALUE PROPOSITION

- Strategic geographic location to serve emerging markets like Middle East, Africa, Europe and Asia.
- KSA has a large captive demand and majority of PU adhesives are imported in KSA showing high scope for localization
- Construction material, a core application of PU, is a strategic NIS sector
- KSA is one of the largest chemical producers in the world and contributes ~10% to the global output

MARKET OVERVIEW

GLOBAL TRENDS

- Global Adhesives and Sealants market in 2019 is 21.2 Bn USD growing at a 4% CAGR; Polyurethane adhesives and sealants contribute 30-35% of the market
- Top 4 players contribute to ~30% of the adhesives & sealants market; thus indicating a fragmented market
- PU, epoxy, and silicone-based specialty A&S contribute to 90%+ of the MEA market driven by demand from the construction industry
- Asia-Pacific region dominated the global market share with China being the largest packaging industry and India expected to be third largest construction economy by 2030
- Major players include 3M, H.B. Fuller Company., Arkema Group (Bostik SA), Dow, and Henkel AG & Co. KGaA

RAW MATERIALS

- Polyols
- Isocyanates
- Other additives



SUPPLY

SCALABILITY AND LOCALIZATION

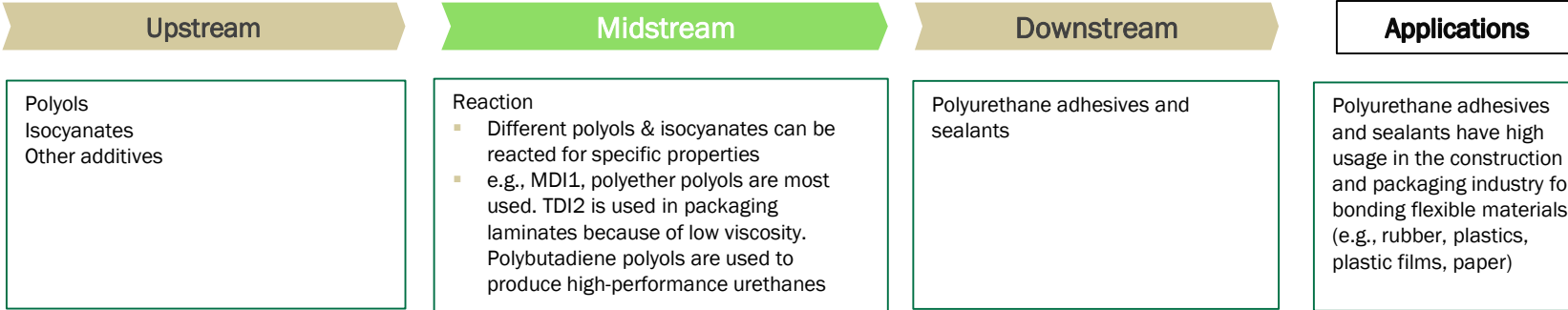
Grade: Low Medium High

- Key materials such as polyols and isocyanates are available in KSA; Sadara and SABIC produce both chemicals
- PU activate downstream opportunities in various industries
- Not a capital-intensive industry; Production can happen in smaller batches
- Regional companies are often perceived as being more responsive and have strong relationships with the local players
- Consistent product quality, competitive prices & tech. service are critical

IMPORT DEPENDENCY

- Some local players majority demand is met by imports

VALUE CHAIN



KEY STAKEHOLDERS



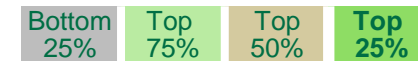
ENABLING FACTORS

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

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	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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