

Precision Machining for Oil & Gas Operations

INVESTMENT OPPORTUNITY

Energy Sector



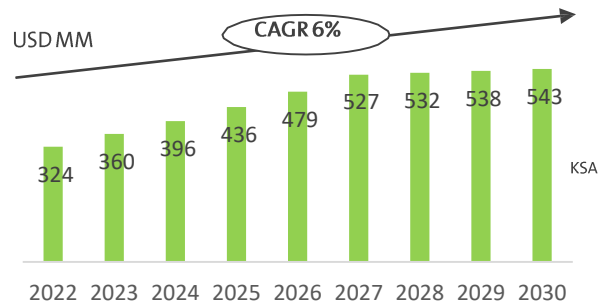
Energy – Oil & Gas

Precision Machining for Oil & Gas Operations

OPPORTUNITY DESCRIPTION: To provide precision machining services in Saudi Arabia in order to shape large/small pieces of material into a state-of-the-art precise parts, so that they can meet very exact specifications. This process involves cutting, milling, turning, ...etc.

DEMAND

MARKET SIZE, USD



INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS – 20% Market Share

- Expected Investment size of USD 150 \$MM
- Plant capacity: 4500 Orders.
- Expected IRR:12%
- Payback period: 9 years
- Job Creation: 400-500
- GDP Impact: 3,717 \$MM (Cumulative) 0.008%
- Location (Region): Eastern province

VALUE PROPOSITION

- Precision machining represents an attractive localization opportunity given the current supply gap and expected demand growth.
- Import replacement: to deliver on the Kingdom target on local content. Competitiveness of the incentive package with other countries
- Attractive cost base including low logistics, land, utilities, and labor costs
- Currently, majority of precision machining is performed out-of-Kingdom.
 - Precision machining demand is driven by the upstream activity , petrochemicals expansions and giga projects.

KEY DEMAND DRIVERS

- Oil & Gas Development
- Petrochemical Expansion
- MENA and Africa
- Industrial Hubs
- Giga Projects

MARKET OVERVIEW

RAW MATERIALS

- Steel

GLOBAL TRENDS

- Safety
- Sustainability
- Reliability
- Efficiency



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SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- To fulfill local and GCC demand with potential demand growth in Africa.

IMPORT DEPENDENCY

- This will maximize the local supply and ensure business continuity.
- Support the kingdom energy strategies.

ENABLING FACTORS

ENABLERS & INCENTIVES

- MOUs and long term contracts with Oil & Gas companies, giga projects
- Government subsidies (land, Energy, Labor fees, taxes)

VALUE CHAIN



[The process or activities that would potentially need to be carried out to deliver the underlying product or service]

<ul style="list-style-type: none"> Energy Raw material 	N/A	<ul style="list-style-type: none"> Packers Liner Hangers Cementing Tools Precision Machining 	<ul style="list-style-type: none"> Oil & Gas wells. Industrial applications
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COST OF DOING BUSINESS IN KSA

Factor Ranking amongst regional peers

N/A	
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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

DISCLAIMER

- Drilling forecast is based on given data and market research considering the expected increments in the oil and gas production.
- Market share is based on market research- 5 suppliers already in the market (big 4 and NOV(owned by TAQA)) and localization target 75%by 2030.
- CAPEX estimation is based benchmarking and market research.
- OPEX remains as an uncertainty that requires more evaluation due to the lack of public data in these sectors.
- JV is an additional option for the success of each opportunity in order to impart the knowledge, technology and SMEs

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