

SILICONE SEALANTS

INVESTMENT OPPORTUNITY

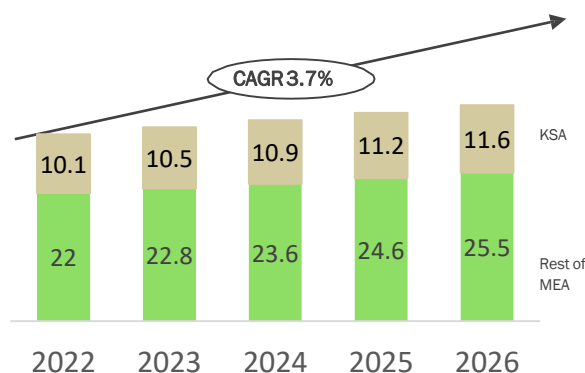
Specialty Chemicals



**OPPORTUNITY DESCRIPTION:** Opportunity to setup manufacturing plant for silicone sealants in KSA

### DEMAND

#### MEA DEMAND, KTA



#### INVESTMENT HIGHLIGHTS

- Expected Investment size of USD 8.3 Mn
- Plant capacity: 10 ktpa
- Expected IRR\*: 10-15 %
- Payback period\*: 3-6 years
- Job Creation: 15-20 Employees
- GDP Impact: 2-3 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 Silicone sealants are imported in KSA showing high scope for localization
- Construction material, a core application of silicone sealants, is a strategic NIS sector
- KSA is one of the largest chemical producers in the world and contributes ~10% to the global output

#### KEY DEMAND DRIVERS

- Silicone sealants have a high application in the construction industry, for sealing metal to glass and expansion joints between dissimilar materials
- Silicone sealants continue to replace other sealants in highly demanding applications such as filling expansions joints in concrete roads
- Silicone sealants are also used in the electrical appliance and automotive industries
- Also, it is used to assemble solar panels, which is a growing application
- Several manufacturers are investing in development of biodegradable raw materials for use in Adhesives & Sealants

#### RAW MATERIALS

- Polysiloxanes
- Silanes
- Other additives

### MARKET OVERVIEW

#### GLOBAL TRENDS

- Global Adhesives and Sealants market in 2019 is 21.2 Bn USD growing at a 4% CAGR; Silicone sealants contribute 20-25% 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



### SUPPLY

#### SCALABILITY AND LOCALIZATION

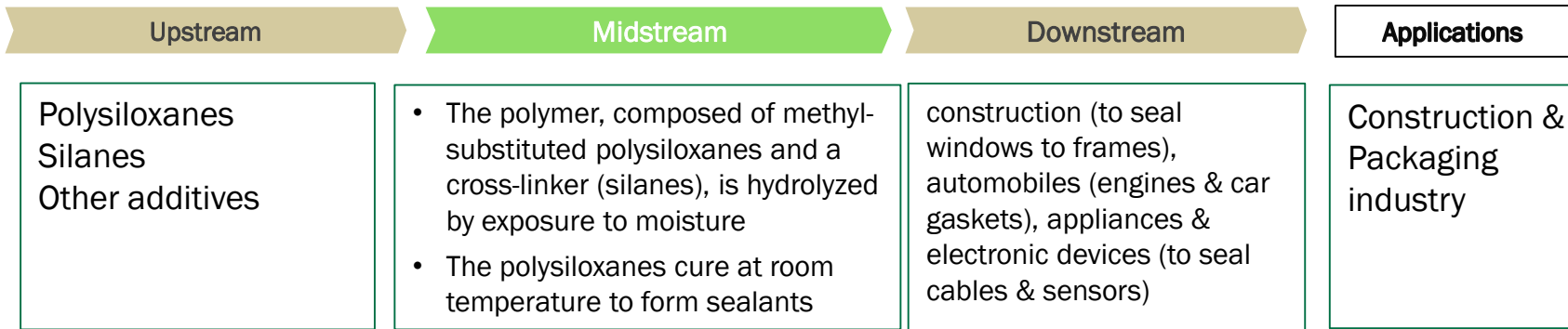
Grade: Low Medium High

- Silicone sealants have applications across diverse industries and is the dominant category of sealants
- 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 and technical service are key differentiators

#### IMPORT DEPENDENCY

- Some local players; majority demand is met by imports

#### VALUE CHAIN



#### KEY STAKEHOLDERS



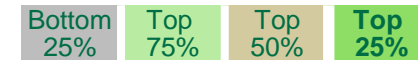
### ENABLING FACTORS

#### 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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