

Valves (Wave 1)

INVESTMENT OPPORTUNITY

Machinery and Equipment

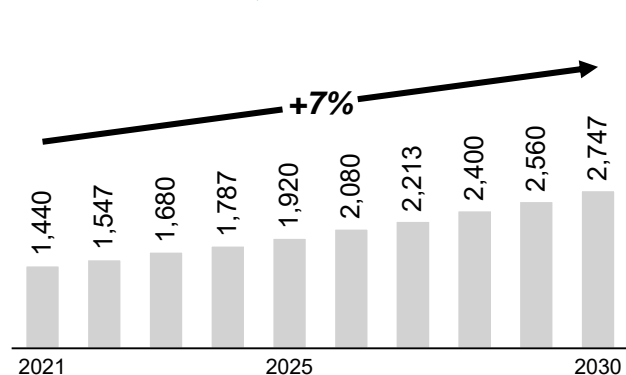


Machinery and Equipment Valves

OPPORTUNITY DESCRIPTION: Attract leading valves manufacturers to localize manufacturing, assembling and testing of industrial valves

DEMAND

KSA market size, USD Mn



INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- Number of jobs created (Year 10): 2,000
- GDP contribution (Year 10): USD 693 Mn
- Total Capex: USD 32 Mn
- NPV: USD 24 Mn²
- Estimated IRR: 7%
- Job Creation: 2,000
- Payback period: 8 years

VALUE PROPOSITION

- Easy access to high growth market – KSA projected to grow at 7 % pa with growing regional market for exports
- Sector opportunities includes catering demand by MRO¹ companies as well as EPC¹ contractors in the region

KEY DEMAND DRIVERS

- Mega projects planned/initiated in KSA to drive demand for valves in both industrial and commercial segments over next 10 – 15 years
- KSA government's ambitious development plan across oil & gas, construction, water sectors
- Market demand fueled by additional value-added services that can be provided by manufacturers/assemblers (e.g., maintenance, commissioning, monitoring, replacement services)

MARKET OVERVIEW

RAW MATERIALS - COMPONENTS

- Valve parts are typically made from the same steel or iron alloys
- Actuator:** Electronic control system to remotely control the valve operation
 - Stem:** Moving a disc or a ball to open, block or control the flow in the valve using a handle or an actuator
 - Seat:** Static component designed to ensure proper sealing with the stem depending on the valve functionality
 - Body:** Static casing consisting of the body and the bonnet (upper part). The body is cast to specific valve types using specific materials depending on the application

GLOBAL TRENDS

- Industrial valves manufacturing mostly through regional hubs to cater local/regional demand and regulations
- Global market for industrial valves is forecast to reach USD 107 Bn by 2025 driven by steady demand from petrochemical, power generation, and water & waste industries

1. MRO: Maintenance, repair and overhaul; EPC: Engineering, procurement and Construction 2. Including terminal value with growth rate of 3% and WACC of 10%



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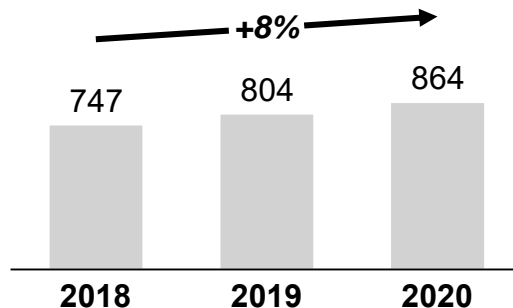
SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- Advantages across electricity price, cost of labor allow KSA to be competitive
- Strong logistics infrastructure and supportive regulatory ecosystem in KSA to support exports

KSA Import value (USD Mn)

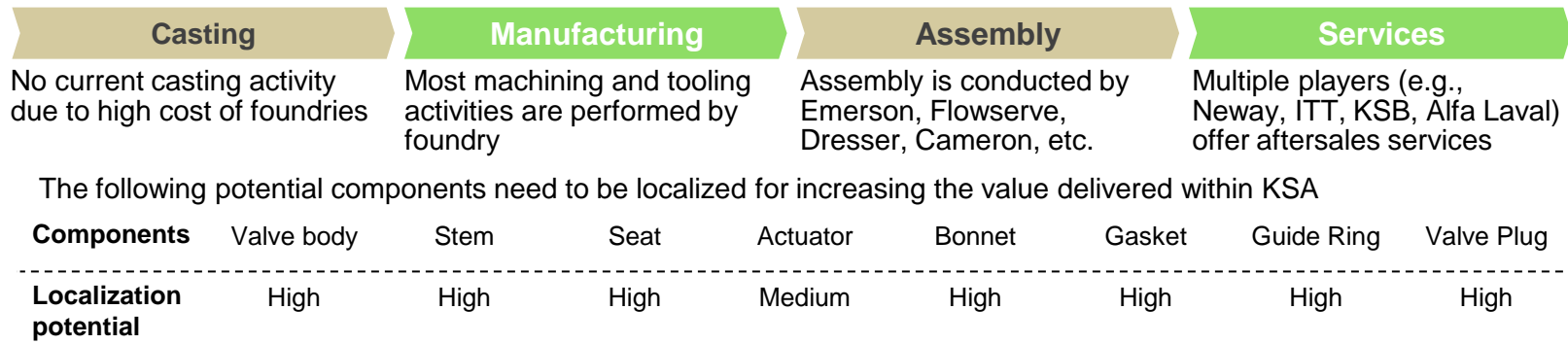


ENABLING FACTORS

ENABLERS & INCENTIVES

- Expat worker levy waived-off for industrial manufacturers until October 2024
- Up to 50% of project financing by SIDF
- 10 – 18 months grace period from the operation date of the facility by SIDF
- Free trade agreements to export locally manufactured industrial goods

VALUE CHAIN



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
Customs Clearance Index (1-5)	2.7
Ease of getting credit (0-100)	50

KEY STAKEHOLDERS



1. Matured product is chosen from one of the four opportunity life cycle stages of this M&E product [4 lifecycle stages are: Introductory; Growth; Matured; Decline]

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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