

Copolyester Ethers

INVESTMENT OPPORTUNITY SCORECARD

CHEMICALS

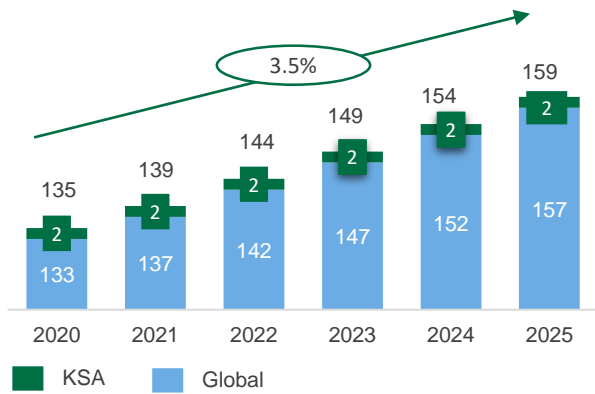
October 2020



OPPORTUNITY DESCRIPTION: Opportunity to setup Copolyester Ethers manufacturing plant with 30 – 35 KMT capacity in KSA to serve regional/global market

DEMAND

MARKET SIZE, KMT



INVESTMENT HIGHLIGHTS

- Expected investment size of USD 49 Mn
- Plant capacity: 30 – 35 KMT
- Expected IRR: More than 12%

INVESTMENT OVERVIEW

VALUE PROPOSITION

- KSA has a strategic location and access to feedstock enabling it to serve emerging markets like Europe, China, India and South East Asia
- KSA can leverage favorable trade agreements (eg: GAFTA) and strong logistics infrastructure to enhance export capability
- KSA is one of the largest chemical producers in the world and contributes ~10% to the global output
- Opportunity for first mover advantage due to non-existent local production of Copolyester Ethers and lack of global competition

KEY DEMAND DRIVERS

- High demand for Copolyester Ethers is mainly due to its physical characteristics - reversible elasticity, impact strength and good flexibility at low temperatures
- Demand for Copolyester Ethers is mainly driven by growth in automotive, healthcare, consumer and electronics industries
- Additionally, the demand is fueled by usage of the chemical in several industrial products including automotive parts, hose and tubing, and wire and cables for intermediate applications

MARKET OVERVIEW

GLOBAL TRENDS

- Copolyester Ethers demand and production are still predominantly concentrated in the United States, Europe and Japan. However, Asia is the fastest growing market with demand growth of over 3% each year; China being the largest net importer globally, accounting for over two thirds of global imports
- In commercial applications, Copolyester Ethers can replace a variety of conventional materials such as metal, cast polyurethane, leather and rubber as these are high-performance engineering materials with thermoplastic behavior and structural strength. They also exhibit elasticity and resistance to impact and flex fatigue
- At low strains, Copolyester Ethers have a low hysteresis and behave like a perfect spring with ideal elasticity. In addition, these materials possess excellent resistance to oils and chemicals and have high service temperatures

SUPPLY

SCALABILITY AND LOCALIZATION

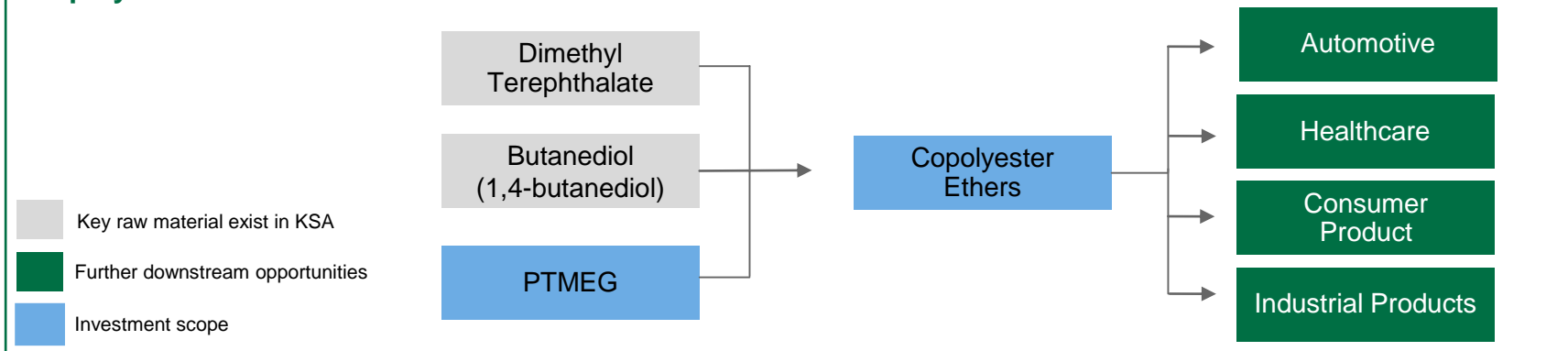
Grade: Low Medium High

- Local production of Pure Terephthalic Acid (PTA) in Yanbu and 1,4 Butanediol in Al Jubail ensures easy access to primary raw material for manufacturing Copolyester Ethers in KSA
- Strong logistics infrastructure and supportive regulatory ecosystem in KSA to support export of Copolyester Ethers globally

IMPORT DEPENDENCY

- No local production of Copolyester Ethers exists in Saudi Arabia; currently 100% of the local demand is met by imports

Copolyester Ethers value chain



Key stakeholders



ENABLING FACTORS

ENABLERS

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

Bottom 25% | Top 75% | Top 50% | Top 25%

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

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