

MPEG (HPEO+MEOH)

INVESTMENT OPPORTUNITY SCORECARD

CHEMICALS

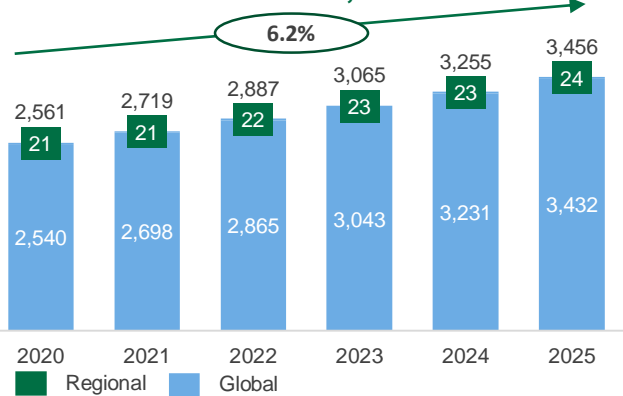
OCTOBER 2020



OPPORTUNITY DESCRIPTION: Opportunity to develop an integrated Methoxy Polyethylene Glycol (MPEG) production facility of ~45 KMT in KSA.

DEMAND

MARKET SIZE, KMT



INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- Expected investment size of USD 227 Mn
- Plant capacity: 40 – 45 KMT
- Expected IRR: More than 12%

VALUE PROPOSITION

- KSA is one of the largest chemical producers in the world and contributes ~10% to the global output
- KSA is strategically located at the crossroads of several markets that have high demand for chemical products
- KSA benefits from having an abundant access to raw materials and a high standard of infrastructure that is continuously being improved upon
- Opportunity for first mover advantage due to non-existent local production of MPEG and lack of competition from major global manufacturers

KEY DEMAND DRIVERS

- KSA MPEG demand mainly driven by increase in construction activities in the Middle East that will drive the development of an integrated MPEG/APEG facility with downstream polycarboxylate ether production
- Saudi Arabia's Vision 2030, together with investments in housing and infrastructure development will boost the construction industry in major cities in the country
- Giga projects (economic cities, industrial zones/clusters and residential complexes) planned/initiated in KSA to drive demand for Methoxy Polyethylene Glycol (MPEG)

MARKET OVERVIEW

GLOBAL TRENDS

- All the North American capacity is located in the USA and Mexico. Canada no longer produces PEGs after the shutdown of Rhodia's plant in 2010
- Methoxy polyethylene glycol reagents market constitute both industrial and lab based reagents aimed at developing superior procedures so as to increase product yield. These reagents are used in various biological, chemical and pharmaceutical settings
- Some of the chemical properties MPEG reagents for which they are being widely used are non-toxic, hydrophilic and highly flexible



SUPPLY

SCALABILITY AND LOCALIZATION

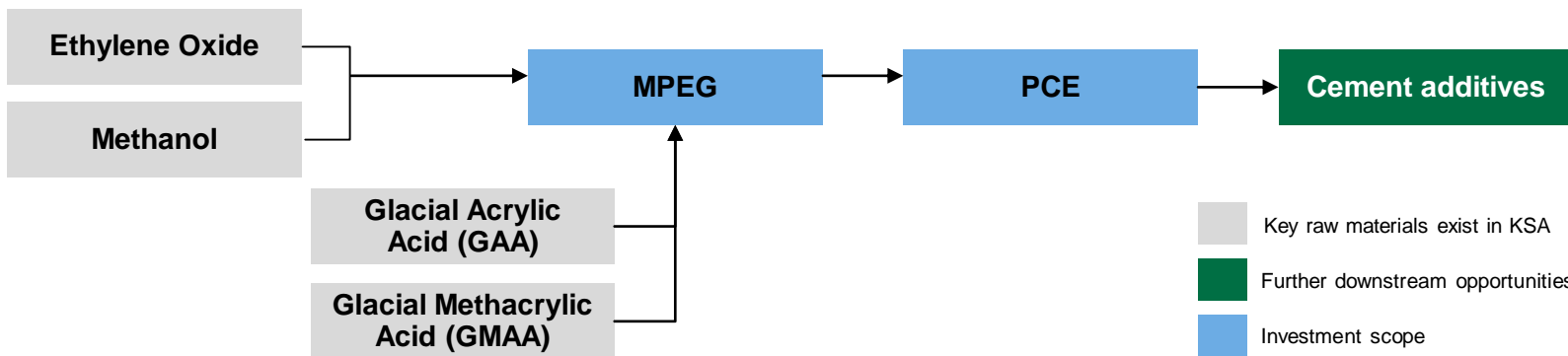
Grade: Low Medium High

- Easy access to key raw materials in KSA – Ethylene oxide and Methanol
- KSA's strategic advantage over regional peers in cost of establishing business especially in manufacturing domain
- Potential to serve local and regional market and create a 'regional hub' for chemicals manufacturing in KSA

IMPORT DEPENDENCY

- No local production of MPEG in the entire Middle East region, 100% of the local demand in KSA is met by imports

MPEG value chain



KEY STAKEHOLDERS

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

CONNECT WITH US FOR MORE DETAILS:

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