

Polytetramethylene Ether Glycol (PTMEG)

INVESTMENT OPPORTUNITY SCORECARD

CHEMICALS

October 2020

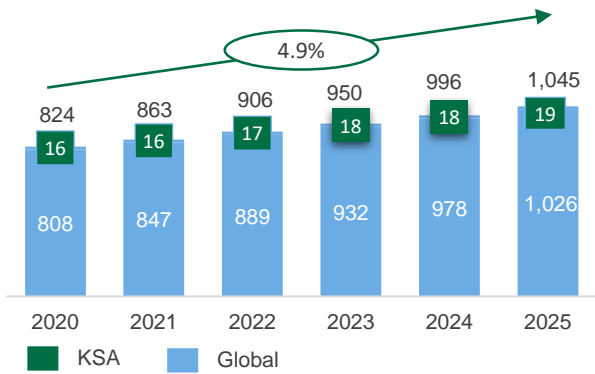


Polytetramethylene Ether Glycol (PTMEG)

OPPORTUNITY DESCRIPTION: Opportunity to setup Polytetramethylene Ether Glycol (PTMEG) manufacturing plant with 35 – 40 KMT capacity

DEMAND

MARKET SIZE, KMT



INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- Expected Investment size of USD 271 Mn
- Plant capacity: 35 – 40 KMT
- Expected IRR: More than 12%

VALUE PROPOSITION

- KSA has strategic location and access to feedstock enabling it to serve emerging markets like India, Africa 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 PTMEG and lack of competition from major global manufacturers

KEY DEMAND DRIVERS

- Demand for PTMEG is mainly driven by growth in textiles, adhesives & sealants, coatings and automotive sectors in the region
- Growth in construction industry and infrastructure development due to increasing population and urbanization will also lead to higher demand for PTMEG
- PTMEG has applications in manufacturing downstream products such as thermoplastic polyurethanes and Copolyester ethers

MARKET OVERVIEW

GLOBAL TRENDS

- Spandex is the largest end-use application for PTMEG, accounting for nearly 80% of global demand, mainly driven by high demand for the production of flexible sports apparel and textiles coupled with increasing healthcare standards across the globe
- Existing Chinese manufacturers have recently expanded their capacities and new production facilities have been setup to meet the growing demand for Spandex
- The growing demand for polyurethanes in electrical & electronics, packaging and construction industries is anticipated to generate substantial revenue for the global polytetramethylene industry



Polytetramethylene Ether Glycol (PTMEG)

SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- Local production of Tetrahydrofuran (THF) in Al Jubail ensures easy access to primary raw material for manufacturing PTMEG
- Strong logistics infrastructure and supportive regulatory ecosystem in KSA to support export of PTMEG globally

IMPORT DEPENDENCY

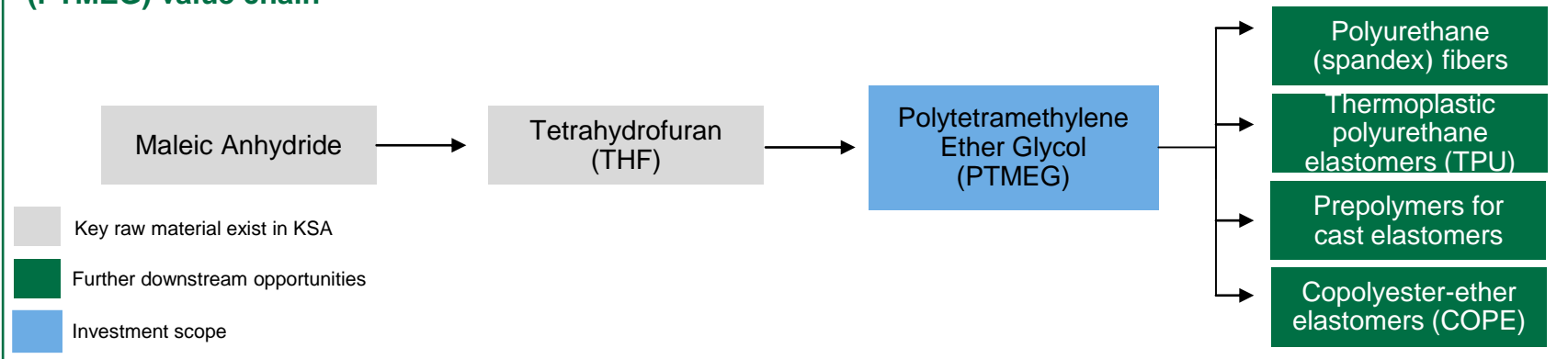
- No local production of PTMEG exists in Saudi Arabia; currently 100% of the local demand is met by imports

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

(PTMEG) 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



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:

Petrochemicals@misa.gov.sa

investsaudi.sa



@investsaudi

