

LOCALIZATION OF CANNED TUNA

INVESTMENT OPPORTUNITY SCORECARD

FOOD PROCESSING

SEPTEMBER 2020



FOOD PROCESSING LOCALIZATION OF CANNED TUNA

Public / متاح

High Potential

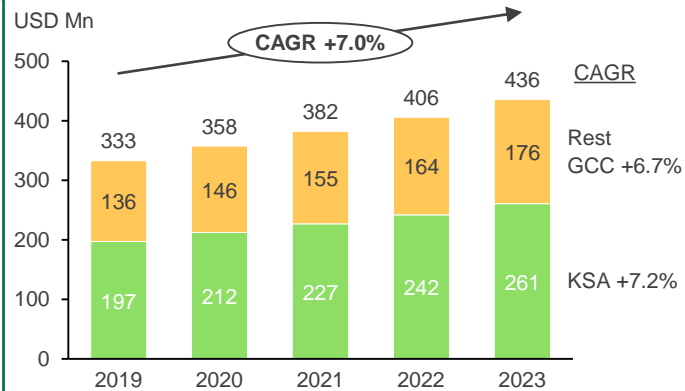
Moderate Potential

Low Potential

OPPORTUNITY DESCRIPTION: Support canned tuna companies to localize production in KSA (2nd order processing and packaging) to substitute imports of finished goods

DEMAND

MARKET SIZE, USD MN



KEY DEMAND DRIVERS

- Fresh fish is the largest category (~ 40% of market value) and packaged fish is the fastest growing in the market (5% GAGR)
- Busy work schedules and higher number of working women are driving demand for ready to eat food and convenience seafood products including tuna
- There is a need to improve packaging, labeling and distribution to help boost exports
- Need to localize food production to ensure sustainability of food availability and price resilience – two factors that are vital for national security

INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- With an initial investment of USD 240Mn, the canned tuna company could achieve an EBITDA margin of 8% by 2024 and an IRR of 12%
- Estimated to create 220-250 direct and 480-500 indirect jobs
- Secondary processors have the highest estimated profit as compared to other processes in the supply chain

VALUE PROPOSITION

- Marine biodiversity of Red Sea and Arabian Gulf provide potential for wild and controlled farming of tuna
- KSA is an approved exporting country to the EU, Japan and USA
- MEWA announced investing USD 8 Bn in aquaculture sector over next 15 years
- Manufacturing in KSA can facilitate expansion into neighboring regions enabled by KSA's geographic proximity, trade agreements with other Arab countries and favourable trade regulations on industrial goods

MARKET OVERVIEW

MARKET READINESS AND COMPETITOR ANALYSIS

- Canned tuna is mostly imported. However, there is one local manufacturing company coming up in Jazan in next 1-2 years

COMPANY	BRANDS	KSA MARKET SHARE	IMPORT VALUE (USD MN)
Basamh Trading Co	GOODY, alalali	45%	93
The Bolton Group	RIO	~10%	24
Kawasho Co Ltd	GEISHA	~10%	24
Americana Group	CALIFORNIA GARDEN	~5%	11
Others	Boton, PLYMS, HANAA	~30%	48

GLOBAL TRENDS

- The canned tuna market is expected to grow globally due to demand drivers such as busy schedules and the need for ready to eat food options
- While some consumers opt for frozen and fresh tuna as alternatives, canned tuna remains a popular choice due to its shelf life and convenience



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SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

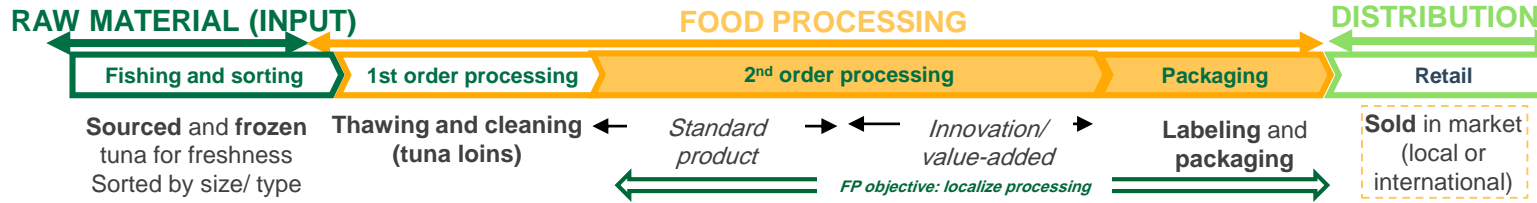
- The nature of this investment requires high localization potential which can be facilitated through required infrastructure including an integrated cold chain, leasable facilities, and easy access to the local market
- The canned tuna manufacturing can be highly scalable in KSA owing to its growing market and high export potential supported by the abundance of seafood, favorable regulatory framework that allows export of canned tuna
- The Halal market is projected to grow and KSA is well regarded for its Halal products thus allowing for greater scalability to neighboring Islamic countries and in the wider MENA region

IMPORT DEPENDENCY

- 100% of the current consumption of canned tuna is imported

COUNTRY	% of Saudi imports
Thailand	61%
Indonesia	24%
Italy	7%
Others	8%

VALUE CHAIN ANALYSIS



	Fishing and sorting	Thawing and cleaning (tuna loins)	Standard product	Innovation/ value-added	Labeling and packaging	Retail
Local Producers	✓	✓	✓	✓	✓	✓
Importers	✓	✓	✓	✓	✓	✓

KEY STAKEHOLDERS



ENABLING FACTORS

ENABLERS

- Quicker processing of licenses from Saudi Food and Drug Authority
- Low financing cost – up to 75% of CAPEX
- The regulatory framework and government partnerships for exports

COST OF DOING BUSINESS IN KSA

Factor	Ranking amongst regional peers
Electricity tariffs for industrial players	\$48 /MWh
Productivity adjusted wages	\$3.3 /hour
Cost of aluminum (per Metric Ton)	\$1,470
Logistics Performance Index (1 – 5)	3.2
Ease of getting credit	50

DEFINITIONS

#	SCORECARD SECTION	DEFINITION
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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