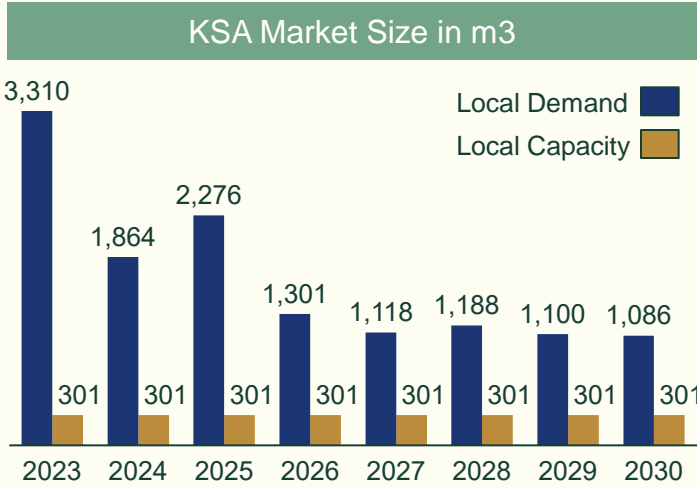


# Insulation

**Opportunity Description:** To set up an Insulation manufacturing facility to serve the local and regional demand

# Insulation – Opportunity Card (1/2)

**Opportunity Description:** To set up an Insulation manufacturing facility to serve the local and regional demand



- ### Investment Highlights<sub>1</sub>
- Expected Investment: **~\$60 Mn**
  - Expected Plant Capacity: **~550,000 m3**
  - Expected Project IRR: **~8.3%**
  - Expected Equity IRR: **~8.5%**
  - Payback Period: **~17 years**
  - Expected GDP Impact till 2030: **~\$105 Mn**

### Major Assumption

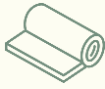
Insulation Price	<b>~\$133 / m3</b>
Debt	<b>70%</b>
Interest rate	<b>7%</b>

- ### Raw Materials
- Glass fibers
  - Basalt or slag
  - Recycled paper
  - Isocyanates
  - Aluminum foil
  - Styrene monomers

- ### Energy Sector Demand Drivers
- Saudi Aramco expanding its crude oil production capacity to 13 million barrels per day (MMB/D) by 2027
  - KSA aiming to increase the Petrochemical production from 38 to 70 M tons annually
  - The Jafurah onshore gas field is considered one of the largest unconventional gas fields worldwide and is driving the demand for insulation in KSA
  - KSA targets increasing their Natural Gas production by 40%

- ### Other Sectors Demand Drivers
- The demand drivers for Insulators are solely influenced by the energy sector

- ### Value Proposition
- KSA is the world largest exporter of Crude Oil and 2nd largest producer
  - KSA is well positioned to play a leading role and become a major clean Hydrogen exporter which will drive the demand on natural gas
  - KSA has the 6th largest natural gas reserve of 329 Tn Cubic ft
  - The recent discovery of 8 gas fields, 3 of which are unconventional



# Insulation – Opportunity Card (2/2)

## Import Dependency

- In 2021, Saudi Arabia imported **\$7.92M** in Mineral heat or sound insulating materials & articles, becoming the **44th** largest importer of Mineral heat or sound insulating materials & articles in the world<sub>1</sub>
- Saudi Arabia imports Mineral heat or sound insulating materials & articles primarily from: **United Arab Emirates (\$3.81M), Germany (\$1.34M), United Kingdom (\$507k), Mexico (\$310k), and United States (\$305k)**<sub>1</sub>

## Localization Potential

Baseline	Target	Contribution*
<b>9%</b>	<b>75%</b>	<b>58%</b>

### Scalability

- The business can expand its geographic reach by targeting new markets in the middle east region
- The business can expand its product line to offer a wider range of Insulation of varying types

## Enablers and Incentives

No enablers are taken into consideration in the financial estimation for this opportunity, but the opportunity is subject to off the shelf's incentives like:

- **SIDF financing up to 75% of CAPEX**
- **HRDF covers monthly salaries of up to 3,000 SAR / employee for Saudi employees**
- **Tax credits for R&D for manufacturers**
- **Custom duty exemption for import of capital goods/machinery required for setup of facility**

## Major Local and International Manufacturers

- Local Manufacturers: Armacell, Rockwool
- International Manufacturers: 3M, Isolatek, Johns Manville

## Key Stakeholders



## Value Chain

