

Transformers (*Wave 1*)
INVESTMENT OPPORTUNITY
Machinery and Energy

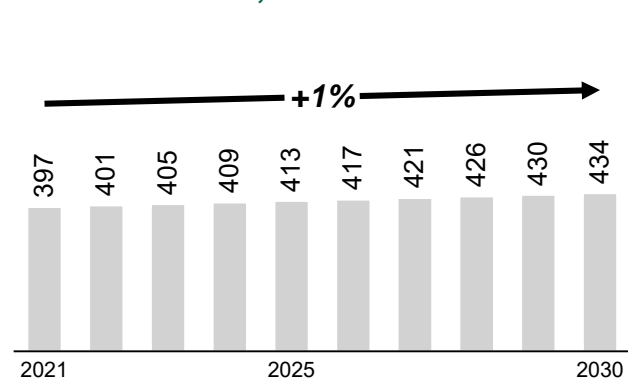


Machinery and Energy Transformers

OPPORTUNITY DESCRIPTION: Attract leading global players to setup a transformer manufacturing base in KSA

DEMAND

KSA market size, USD Mn



INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- Cumulative GDP contribution (by 2024): USD 596 Mn
- Total Capex: USD 40 Mn
- NPV: USD 60 Mn¹
- Estimated IRR: 14.2%
- Job Creation: 710
- Payback period: 6 years

VALUE PROPOSITION

- Additional potential revenues to address KSA market (USD 50 Mn/year)
- Saudi transformers is served predominantly by High-Cost Countries which is a good case for localization

KEY DEMAND DRIVERS

- Steady demand from domestic utility companies that require annual repair & replacement of the transformers
- The transformer industry is competitive from cost differential analysis; therefore, no explicit incentive is required to bridge the cost gap
- Unutilized capacity exist in the Kingdom and import tariff may support increasing utilization of current manufacturers

MARKET OVERVIEW

RAW MATERIALS - COMPONENTS

- **Insulation:** Isolates transformer components that exist at different voltages, and contributes to better thermal health of the transformer
- **Oil:** Used in oil-filled transformers to provide electrical insulation between the parts; it acts as a protective coating layer to prevent oxidation of the metal surfaces.
- **Cooling:** Mechanism for better performance and higher efficiency of the transformer
- **Copper windings:** Used in power transformer instead of aluminum due its outstanding mechanical properties

GLOBAL TRENDS

- Innovation and new product development is slow in the market
- R&D is primarily spent on increasing product efficiency, lower failure rates, and extend the product life cycle
- Co-production potential; Power & distribution transformers can be manufactured in the same facility



Machinery and Energy Transformers

Public / متاح

Matured Product¹

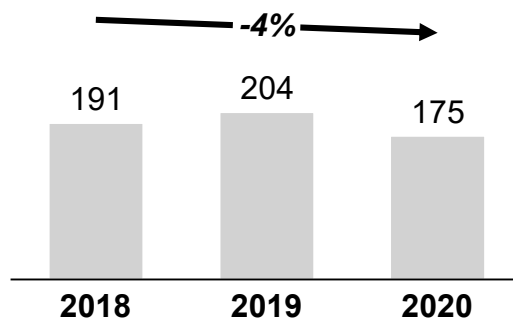
SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- KSA has capabilities and raw materials to manufacture transformers domestically
- No iron ore mining in KSA; however, prospects exist
- Scalability and localization are feasible
- Access to raw material with support from multiple entities

Import dependency (USD Mn)²

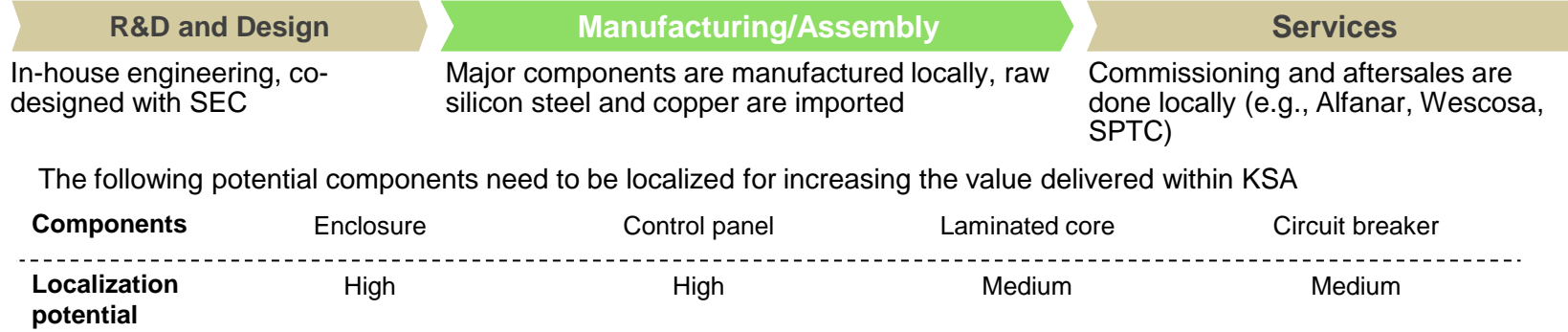


ENABLING FACTORS

ENABLERS & INCENTIVES

- Duty exemptions on imported raw materials/ components.
- Reduction/ Subsidies on administrative costs (visas, expat levy)
- Provide demand visibility by aggregating forecasted demand from National Champions

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



1. Matured product is chosen from one of the four opportunity life cycle stages of this M&E product [4 lifecycle stages are: Introductory; Growth; Matured; Decline]

2. Import value for high voltage transformers (HS codes 850423, 850434, 850490).

Source: Team analysis

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	Business 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	Global trends	Latest business developments within the sector/product category
7	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
8	Import dependency	An overview of the countries from which Saudi Arabia is importing the product and their value/volume and share in total imports
9	Value chain analysis	The process or activities that would potentially need to be carried out to deliver the underlying product or service
10	Key stakeholders	Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
11	Enablers	Factors that enable investment in the underlying opportunity
12	Cost of doing business in KSA	Key factors that position KSA as a competitive destination for investment in the region. Productivity adjusted wages do not include cost of \$1.23/hour towards annual recurring charges including work permit, resident identity (iqama) and health insurance

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