

Industrial Investment Opportunities



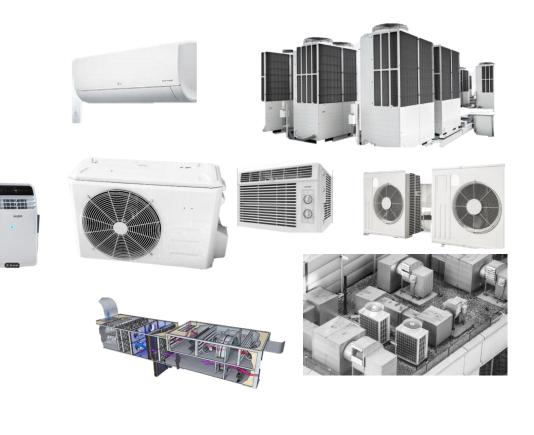
HVAC Opportunity





HVAC Opportunity

HVAC system products range from heating, ventilation to air conditioning products



Product description							
 HVAC system products are air-conditioning machines comprising: a motor driven fan elements for changing the temperature and humidity HVAC systems cover mainly three segments: residential, commercial and Industrial HVAC systems 							
Main applications Focus of opportunity assessment: Residential and commercial HVAC systems							
Main applications	assessment: Residen	tial and					
Main applications Residential	assessment: Residen	tial and					

- Ceiling Mount.



HVAC system



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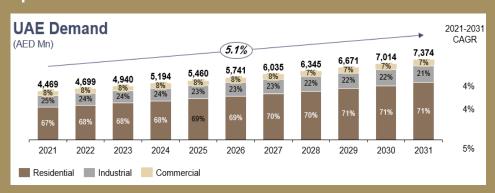
Investment Case

Setup Small to medium-sized facilities focused on manufacturing of HVAC systems (portable air conditioners, chillers air handling units) to serve both residential and industrial market segments. Sourcing components (e.g., motors and heat exchangers) mainly from globally recognized OEMs (typically from US, Japan, Republic of Korea)

- Investment Size: AED 25 30 Mn
- <u>Plant Capacity</u>: 28,000 30,000 Air-conditioners/ year.
- <u>Work Force</u>: 110 120 employees
- Expected IRR: 13%
- Expected NPV (10 Yrs) : AED 65Mn
- **<u>Payback Period</u>**: 11 Yrs

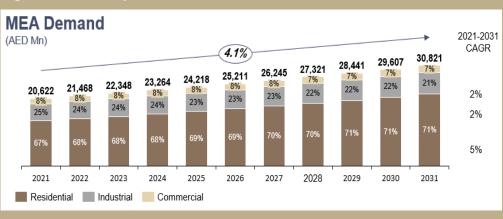
The UAE demand for HVAC system products is expected to grow at

5.1% p.a.



The MEA demand for HVAC system products is expected to

grow at 4.1 % p.a.



Key market trends

- The biggest market for HVAC is residential systems which accounts for ~70% of the HVAC market
 - Residential HVAC is expected to be the largest growing sector
 - Increase in construction of residential towers and family villas drives the demand for residential HVAC
- Expanding non-residential construction sector in developing and developed countries has propelled growth in the HVAC market and increased consumer base
- Rising global temperatures have fostered growth in demand for HVAC systems that provide cooling and relief from rising temperatures





HVAC systems (Aircon) Value Chain

UAE HVAC component manufacturing capabilities are low, however the final product manufacturing and assembly capabilities are high

R&D	Manufacturing				Services	
R&D	Component manufacturing	Design & engineering	Manufacturing	Product assembly	Distribution and marketing	After-sales
						Cut Cut
 Research to develop new HVAC models Prototyping Certification, testing 	 Manufacturing of HVAC components such as heat exchangers, motors, filters etc. 	 Manufacturing of solar inverter components such as charge controllers, transformers, semiconductors etc. Raw materials: lead, copper, silver, lithium, silicon wafers, diodes, anodes and cathodes 	 Manufacturing of the final HVAC product on the production line 	 Assembly and packaging of the components into the final HVAC system product tailored to client requirement 	 Distribution of the HVAC systems through wholesale distributors, retail stores, agents etc. 	 Installation Maintenance and repair of the HVAC system
 Few universities offer PhD tracks in engineering disciplines such as Mechanical/ Electrical engineering in the UAE 	 Little local capacity currently exists to manufacture components. Localizing component manufacturing would require a JV with one of the global OEMs 	 Limited local capacity exists for specific components. Localizing component manufacturing would require a JV with one of the global OEMs 	 Several local SME's manufacture HVAC systems such as air conditioners 	 Several local SME's assemble HVAC systems such as air conditioners 	 Several traders have a well- established network to distribute HVAC systems in UAE and the region 	 Several traders exist to serve after-sales services such as installation and maintenance







Food ingredients and concentrates



Value proposition

- Strategic location that can act as a dispatch hub for MENA
- UAE ranked 16th globally in Ease of Doing Business (WB)
- UAE ranked #10 globally for world class infrastructure in (LPI)
- High quality of life attractive for skilled talent
- 100% foreign business ownership and low VAT (5%)
- Competitive costs of licensing costs and work visas (under process)
- Strong logistics infrastructure UAE has busiest ports in MENA region strategically located and enable seamless flow of trade across a region of more than 3.5bn.



Enablers

- Up to 80% project financing by Emirates Development Bank
- 2-year grace periods and low interest-rate loans for CAPEX, working capital, and supply chain financing.
- Export credit and insurance via Etihad Credit Insurance and AD Exports
- Access to Free Trade Agreements with high-growth markets such as GCC, Arab countries, Egypt, India, Jordan, Israel, Indonesia, and others
- Customs exemptions for raw materials
- **53%** of UAE's exports are to countries with no import duties (GCC countries and other GAFTA countries with FTAs)