دائرة التمكين الحكومي
DEPARTMENT OF GOVERNMENT ENABLEMENT

Investing in Abu Dhabi

Investment Teaser: HVAC Systems

INVESTOR PRESENTATION

October 2023

1-pager

Abu Dhabi Government Demand Localization: HVAC Systems Investment Opportunity

Local and regional import substitution potential

Program

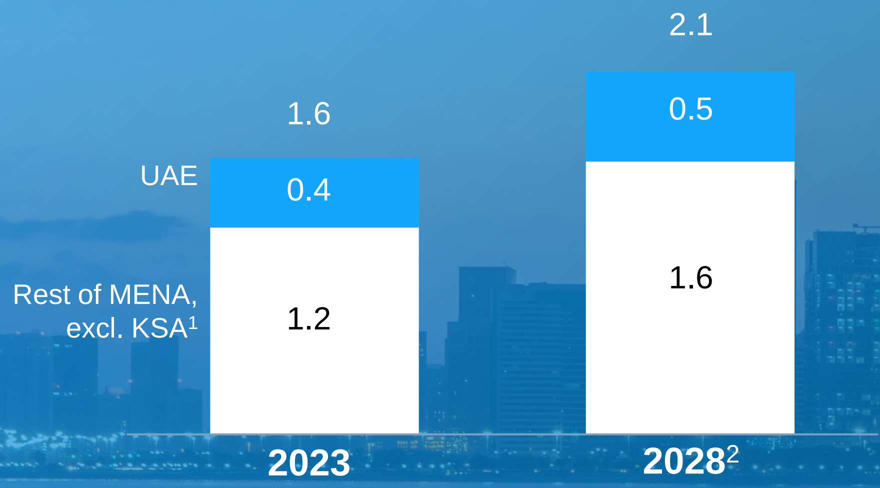
- The **Abu Dhabi Government Demand Localization** program aims to **leverage the Government's purchasing power – $37Bn by 2028** in scope for the program – to Localize high demand products and services and thus further develop the local business ecosystem.
- **Access to Government demand** is designed to act as a **springboard for new investors** as they scale to capture local and regional demand.

Investment Opportunity

- Establish a **medium-sized facility with parallel assembly and production lines** for a comprehensive HVAC (Heating, Ventilation, and Air Conditioning) product portfolio, focused on Air Conditioning
- Focus on **import substitution** of finished goods, with **additional potential upside** from aftermarket operations*(not accounted for in the calculations)*
- Opportunity to **serve the local UAE market,** as well as to **export to the broader GCC and MENA regions**, with the exception of Saudi Arabia

Target Addressable Market, USD Bn

Imports of assembled AC units for local consumption



Indicative Business Case:

Greenfield Project for Medium-Sized HVAC Assembly and Manufacturing Plant

$155Mn Revenue Potential

- Substitution of 12-15% of UAE imports of assembled units
- Substitution of 3-5% of regional (MENA, ex. KSA) imports of assembled units
- 50/50% implied split of local sales to exports

~15% IRR

with further upside potential

- Return on investor's equity contribution, assuming 60% of required CAPEX financed through local banks

$80Mn CAPEX (60% financed)

- Medium-sized facility (~40,000m2) with assembly capabilities across all product types and in-house manufacturing of heat exchangers

7 years Payback

- Estimated time to recover the equity investment

Access to Gov't Demand

- **Framework Agreements**
- **Preferred Vendor List**

Key Government Buyers (c.a. USD 37Mn p.a.)

ABU DHABI HOUSING AUTHORITY; DEPARTMENT OF MUNICIPALITIES AND TRANSPORT; DEPARTMENT OF EDUCATION AND KNOWLEDGE; DEPARTMENT OF CULTURE AND TOURISM; DEPARTMENT OF HEALTH

1) As a conservative scenario, exports to the Kingdom of Saudi Arabia are considered as low probability. 2) Estimated imports based on expert input and market reports, assuming current levels of local production.

Source: UN Comtrade, Abu Dhabi Customs, Abu Dhabi Department of Economic Development, Abu Dhabi Department of Government Enablement

3-pager

Abu Dhabi Government Demand Localization Program

Investment opportunities backed by the Government's purchasing power

The **Abu Dhabi Government Demand Localization** program aims to **leverage the Government's purchasing power** to Localize high demand products and services. This contributes to Abu Dhabi's goals of **expanding non-oil contribution to GDP** and develop **world-class business and talent ecosystems**, while acting as an initial **springboard for investors' sustainable growth** in the UAE and in the region.

USD 37Bn+ in **cumulative spend** in the next **5 years** by **Abu Dhabi Government Entities…**

Evolution of Government Procurement Budget In Scope for the Program[1],
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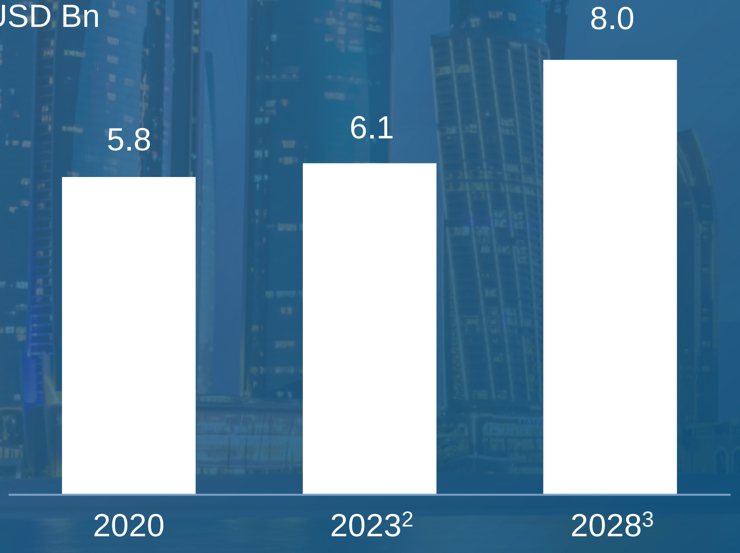

…across key sectors…

- **Construction & adjacent industries**
- Infrastructure
- Education
- Digital and Technology
- Sports
- Transportation
- …other strategic sectors

…unlocking new investment opportunities

Products *(not exhaustive)*

- HVAC systems — Detailed Next
- Lighting systems
- Electrical equipment
- Pumps
- Elevators
- Machinery
- Furniture

Services (not exhaustive)

- Architecture
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1) Potential for further budget increase from scope expansion. 2) On track to reach or exceed budgeted procurement for 2023. 3) Estimated based on government strategy, project pipeline, and macro-economic forecasts.
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Opportunity Business Case: HVAC Systems
Local and regional import substitution potential

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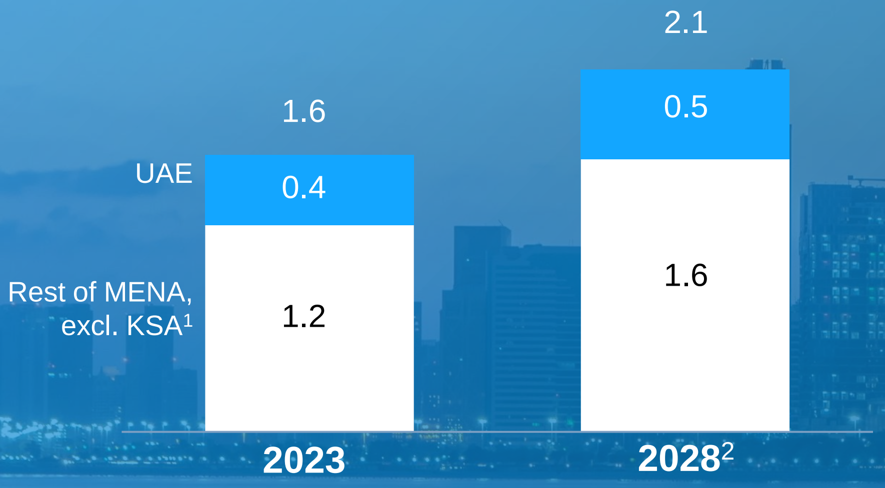

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Access to Government Procurement: HVAC Systems
Additional investor incentives

The **Abu Dhabi Government** is an **end buyer of HVAC systems**, mainly through its development projects of residential, cultural, and educational facilities.

In addition to the incentives offered to all Abu Dhabi investors, the Government can offer **additional incentives to HVAC investors**.

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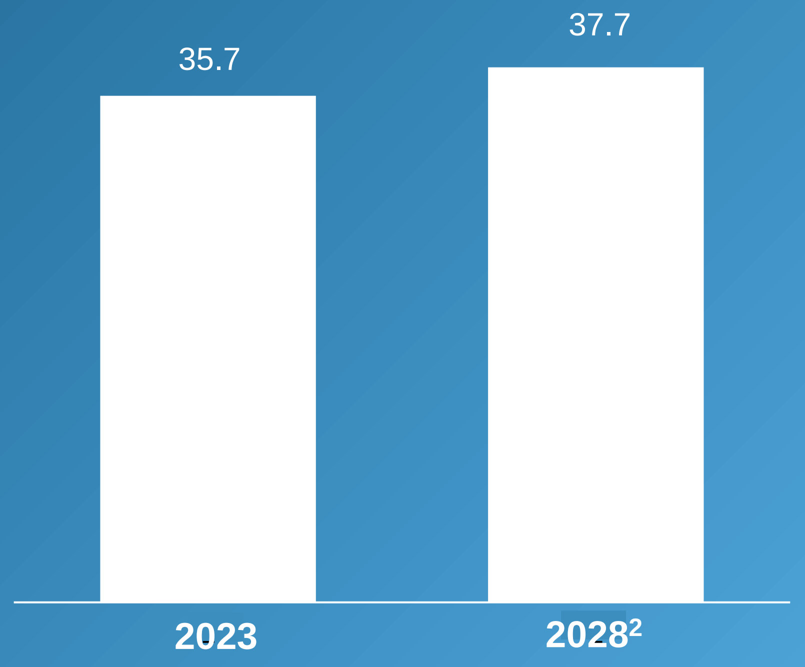
- هيئة أبوظبي للإسكان / ABU DHABI HOUSING AUTHORITY
- دائرة الثقافة والسياحة / DEPARTMENT OF CULTURE AND TOURISM
- دائرة التعليم والمعرفة / DEPARTMENT OF EDUCATION AND KNOWLEDGE
- دائرة البلديات والنقل / DEPARTMENT OF MUNICIPALITIES AND TRANSPORT
- دائرة الصحة / DEPARTMENT OF HEALTH

USD 220Mn+ in **cumulative indirect spend** in the next **5 years** by **Abu Dhabi Government Entities**

Abu Dhabi Government Indirect Procurement, USD Mn



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Source: Abu Dhabi Department of Government Enablement, Abu Dhabi Department of Finance, expert interviews

Extended deck

Executive Summary

1
Abu Dhabi 2030:
Economic and Social Powerhouse

- **Economic powerhouse** accounting for half of UAE's GDP
- **World class** digital and physical **infrastructure**
- **Top investment destination** with an established business ecosystem and special investment zones

2
Abu Dhabi Government:
Catalyst for Investor Success

- Comprehensive **business incentive schemes**
- **Government-driven investment programs** across strategic sectors
- **Significant government purchasing power**, with **USD 37Bn** in cumulative procurement budget by 2028

3
Investment Opportunity:
HVAC[1] Systems

- Opportunity to **substitute local and regional imports** – a total addressable market of **USD 2.1Bn** by 2028 – through the assembly and production of **HVAC systems**
- **Access to government procurement** through Framework Agreements and Preferred Vendor Lists
- **Attractive business case**, with USD 155Mn+ in revenue potential and 15% expected IRR

1) Heating, Ventilation, Air Conditioning

1 Abu Dhabi at a Glance
GCC's economic and social powerhouse

Abu Dhabi's GDP is **USD 299Bn[1]**, >50% of UAE's GDP and **53% non-oil contribution**

No.1 in West Asia region by FDI, with USD 21Bn inflows in the UAE in 2021

AA
Abu Dhabi Government credit rating

No. 1 for ease of doing business in the Middle East and **10th globally**

1,000+ global destinations connected to **Khalifa Port**

2nd fastest 5G connection in the world and **Smartest City** in MENA

Global hub - **80% of the world's population within an eight-hour flight**

World-class education - home to the **world's first AI university**

Consistently ranked as the **most livable city in MENA** and **safest city in the world**

1) 2022 statistics
Source: Statistics Centre Abu Dhabi (SCAD), Abu Dhabi Department of Economic Development, Abu Dhabi Investment Office

1

Investment Outlook
Attractive investment destination with streamlined procedures

The Abu Dhabi Advantage

- 100% foreign ownership of companies
- 94 tax agreements with foreign nations
- 9% corporate and income tax with low VAT rate of 5%
- Special economic zones with up to 100% profit repatriation
- No minimum requirement company setup
- Stable currency pegged to the US Dollar (USD 1 = AED 3.6725)
- UAE FDI inflow climbed to USD 21Bn in 2021
- Readily available capital for state-of-the-art technology
- Electricity generation capability and inexpensive energy
- Capital availability: equity/debt via local market – venture funds, banks, family offices, private equity funds, sovereign wealth funds (among the largest in the world)
- Attractive leasing of office and warehouse space in addition to competitive prices for land and utilities
- AA credit rating[1] for Abu Dhabi's Government, reflecting high GDP per capita and strong fiscal and external metrics

Investment Ecosystem Enablers *(not exhaustive)*

Investment Zones

Key Enabling Government Entities

Key Enabling Semi-Government Entities *(Not exhaustive)*

1) Fitch Ratings
Source: UAE Ministry of Economy, Abu Dhabi Department of Economic Development, Abu Dhabi Investment Office

2 Investor Incentives
Attractive business and regulatory environment

Local Production Preference

Abu Dhabi Local Content

Improved commercial valuations favoring access to government procurement for local suppliers, using the In-Country Value program

2000+ government tenders with **awarded value of USD 3.1Bn**[1]

Golden List

Government curated list of local products and manufacturers; ensures automatic participation to all relevant government tenders

More than **740** Products from **164** entities

Offtake Opportunities

Make It in the Emirates initiative: provide off-take opportunities for local manufacturing leaders across multiple industrial sectors

USD 30Bn over 10 years

Cost Competitiveness

Energy Tariff Incentive Program

Incentivize electricity and gas tariffs to qualifying industrial companies

Up to 30% incentive on **electricity** and **up to 35% on gas** tariffs

Land Rent Incentive Program

Incentivize rent prices to companies aligned with Abu Dhabi's priority sub-sectors

Up to 80% incentive on **land rent prices**

Smart Manufacturing

Support the transformation towards Industry 4.0 for qualified manufacturers

Consultancy, software and hardware cost subsidies

Financing

- **Debt**
- **Development Financing**
- **Export Financing**
- **Supply Chain Financing**
- **Public Private Partnerships**
- **Equity Market** (IPO fund)

Key Partners

- Abu Dhabi Industrial Development Bureau network of 10+ banks
- Abu Dhabi IPO Fund
- Etihad Credit Insurance and Abu Dhabi Exports Office
- Khalifa Fund and Emirates Development Bank
- Abu Dhabi Channel Partners

تم TAMM

All services are accessible to investors through TAMM, Abu Dhabi's unified digital system for government services and information

1) 2021 statistics.
Source: Abu Dhabi Department of Economic Development, Abu Dhabi Investment Office, Abu Dhabi Department of Government Enablement

2

Government-Led Investment Programs

Unified effort to identify key investment opportunities in Abu Dhabi

The Abu Dhabi government is committed to identifying and providing attractive investment opportunities for local and international investors

دائـرة الـتـنـمـيـة الاقـتـصـادية
DEPARTMENT OF ECONOMIC DEVELOPMENT

دائـرة الـتـمـكـين الـحـكـومـي
DEPARTMENT OF GOVERNMENT ENABLEMENT

	Abu Dhabi Government Demand Localization	Abu Dhabi Channel Partners
Investment Scope	Services and end-product manufacturing in sectors with high government spend	End-product manufacturing in strategic industrial sectors
Key Sectors	• Construction & adjacent industries *(e.g., machinery, electrical equipment)* • Infrastructure • Education • Digital & Technology • Transportation • Sports • *…other strategic sectors*	• Chemicals • Food processing • Machinery • Pharmaceuticals • Transportation • Electrical equipment • Electronics

Detailed Next

Source: Abu Dhabi Department of Economic Development, Abu Dhabi Department of Government Enablement

2 Abu Dhabi Government Demand Localization

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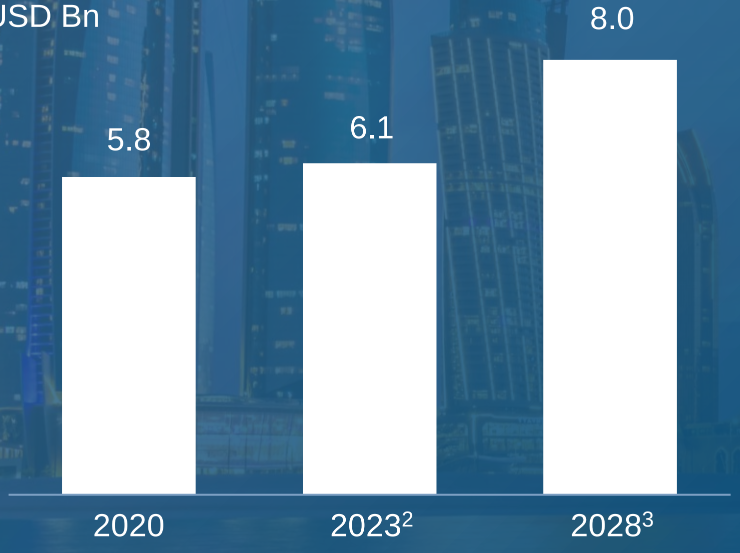

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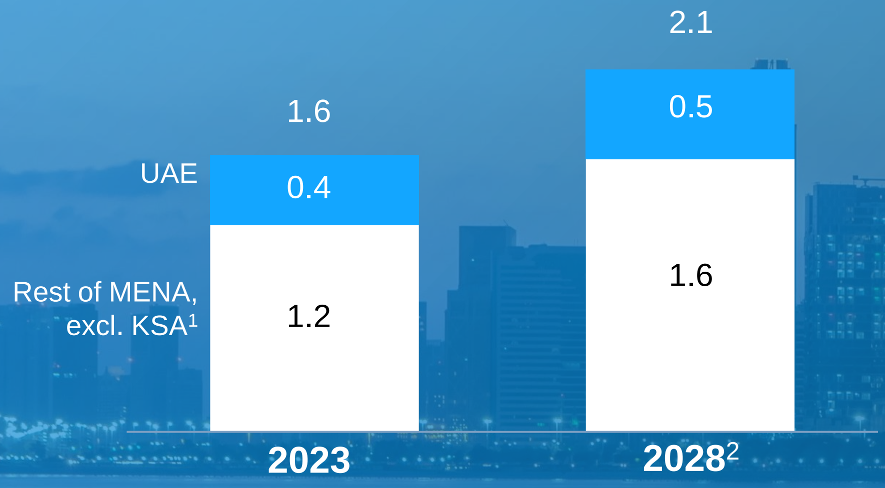

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- دائرة الثقافة والسياحة — DEPARTMENT OF CULTURE AND TOURISM
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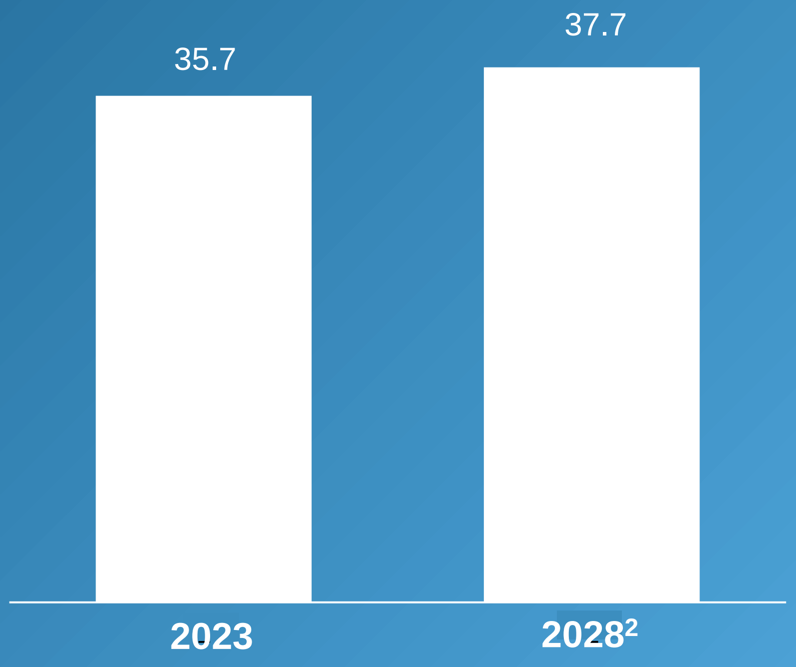

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Source: Abu Dhabi Department of Government Enablement, Abu Dhabi Department of Finance, expert interviews

Take your first steps into Abu Dhabi

Next Steps

1. Review investment materials
2. Meet ADIO
3. Confirm interest (MoU)
4. Start feasibility analysis

Indicative Timeline

October 20th – October 27th

October 27th – November 3rd

November 3rd – November 10th

November 10th – November 17th

+971 2 403 1003

e.management@adio.gov.ae

investinabudhabi.gov.ae

InvestAbuDhabi

Abu Dhabi Investment Office

APPENDIX

HVAC Systems

Detailed Opportunity Card

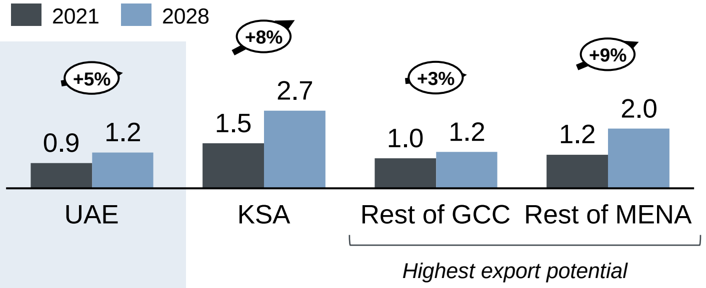
3

Executive Summary

Backward integration of HVAC systems, with standalone assembly or assembly and manufacturing of select components, with the objective to fill local and regional supply gaps through import substitution.

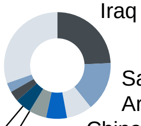
Market Insights

Imports for Local Consumption, Assembled Units and Parts, USD Bn



- Significant **local and regional supply gaps,** with **import substitution** potential across MENA expected to reach **USD 7Bn** by 2028; **USD +35Bn cumulative** in the next 5 years
- **Demand from Abu Dhabi Government entities** is expected to reach **USD ~38Mn** by 2028; **USD 180Mn cumulative** in the next 5 years

UAE Overview

High Potential for Incremental Localization	Available Local Players for Potential JVs	Established Regional Logistics Hub
Current Localization Levels, Assembly and Manufacturing  10-15%	*Assemblers / Manufacturers* TROSTEN *Agents/ Limited assemblers* Carrier, Rheem, VTS, DAIKIN	*UAE HVAC Exports and Re-Exports by Country, 2021,%* 

- Global HVAC supply chains are well established, with production in low-cost hubs (Asia, Latin America) and service teams in buyer countries, including the UAE
- Local assemblers supply only ~15% of the market demand, mostly in small, lower complexity residential split systems (both indoor and outdoor units)
- Established local and regional developers prefer foreign suppliers given perceived quality, speed of delivery and project size requirements

Business Case

Focus of this opportunity — Base Scenario

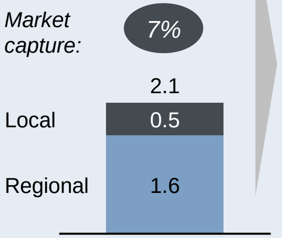
R&D and Design → Manufacturing → Assembly → Services

Manufacturing:
- ☑ Heat exchangers
- ☐ Blower motors

Assembly:
- ☑ Outdoor systems
- ☑ Indoor systems

Sample Case: Greenfield Project for Medium-Sized HVAC Assembly and Manufacturing Plant

High Potential: Imports of Assembled Units, 2028, USD Bn



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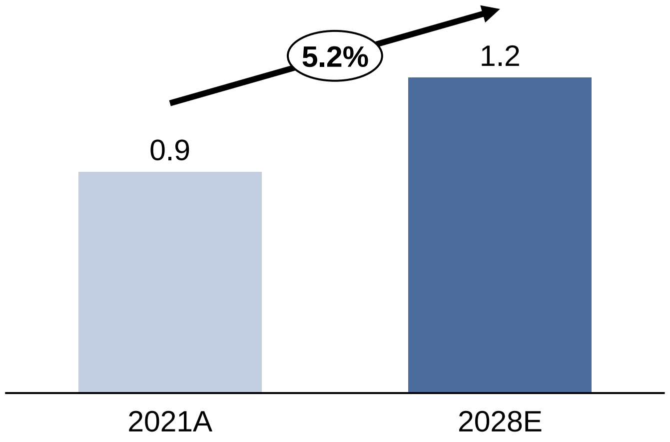
Abu Dhabi Value Proposition

- **Preferential treatment** for local production through Abu Dhabi Golden List and access to local and federal **indirect government procurement**
- Enhanced **cost competitiveness** through various **incentive schemes**, such as Energy Tariff, Land Rent, Smart Manufacturing programs
- Access to **low-cost financing for operations and trade** through the Abu Dhabi Industrial Development Bureau banks network, Abu Dhabi Exports Office, Emirates Development Bank, Khalifa Fund, among others
- **Global and regional market access** through Economic Partnership Agreements and GAFTA agreements, supported by Abu Dhabi's **global logistics hub**

3 Abu Dhabi is uniquely positioned to ensure investor access to both local and regional markets, all with the full support of the Abu Dhabi Government ecosystem

Access to UAE Demand

UAE HVAC Imports for Local Consumption, USD Bn

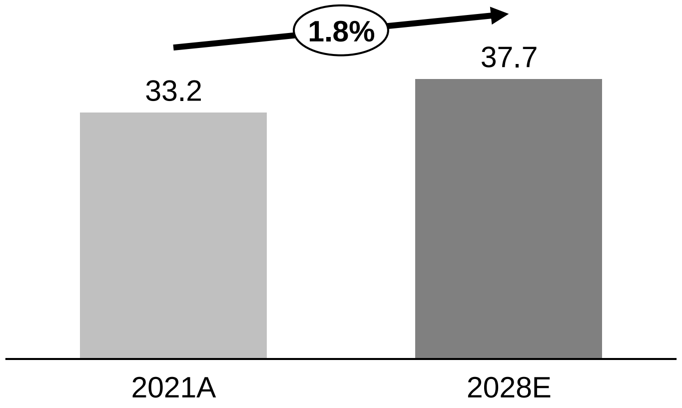


- Imports are estimated to account for ~85% of the local demand for HVAC systems in the UAE, leading to a significant import substitution opportunity
- The imports are roughly balanced between assembled units and parts
- Opportunity to establish JVs with local UAE players, such as SKM or Trosten

+

Access to Government Procurement

Abu Dhabi Government Indirect Procurement, USD Mn



- USD33Mn in annual spend from Abu Dhabi Government Entities, such as ADHA[1] and DCT[2]
- In addition to the Abu Dhabi-specific opportunity above, investors could leverage MoIAT[3] Product Offtake Initiative at federal level to tap into the USD80Mn in cumulative procurement over 5 years dedicated to HVAC products from key semi-government buyers (e.g., Aldar, ADNOC)

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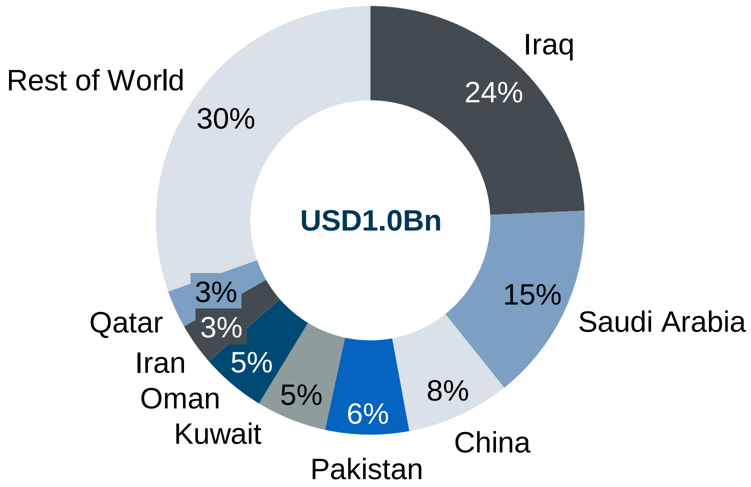
Access to Regional Markets

UAE HVAC Exports and Re-Exports by Country, 2021, USD Bn



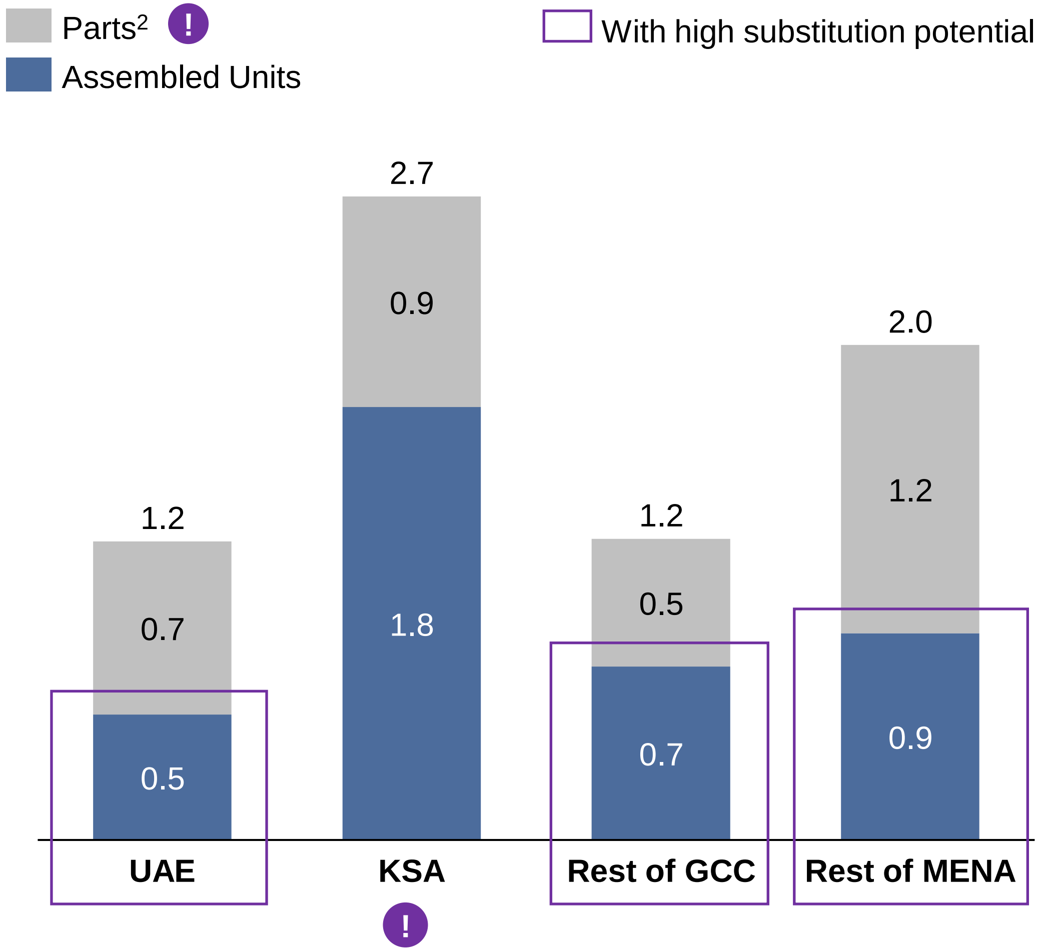
Opportunity to leverage UAE's and Abu Dhabi's regional status as a competitive advantage to substitute HVAC imports in MENA

- UAE and Abu Dhabi is a major logistics hub, with established supply chains into the GCC and MENA
- In addition, regional market access is supported by existing trade agreements (e.g., GAFTA)

Note: 1) ADHA: Abu Dhabi Housing Authority; 2) DCT: Department of Culture and Tourism; 3) MoIAT: Ministry of Industry and Advanced Technology
Source: UN Comtrade, expert interviews, market reports, desktop research, PwC analysis

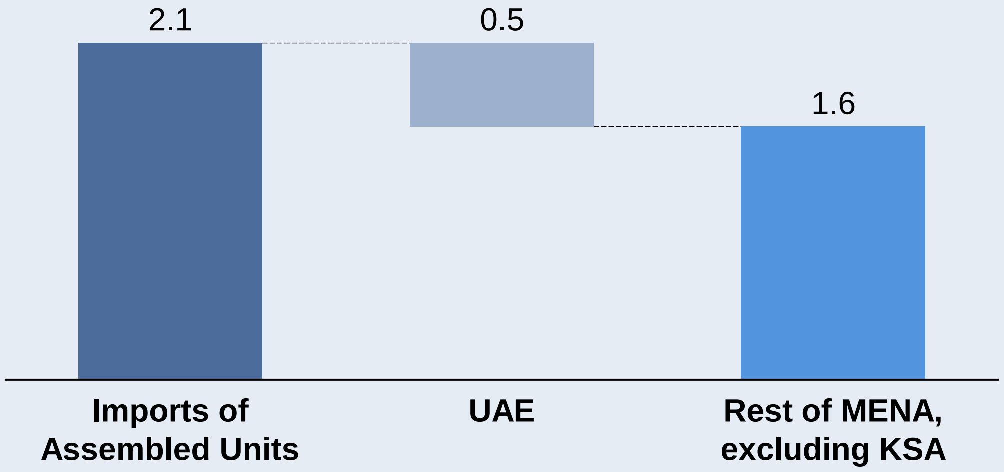
3 Local and regional segments with high substitution potential are expected to reach USD 2.1Bn by 2028

Estimated Total Imports[1] for Local Consumption, USD Bn, 2028



High Potential Segments: Imports of Assembled Units in Select Geographies, USD Bn, 2028

Imports of Assembled Units in UAE and MENA, but excluding KSA given high barriers to entry and competing localization efforts



Exclusions:

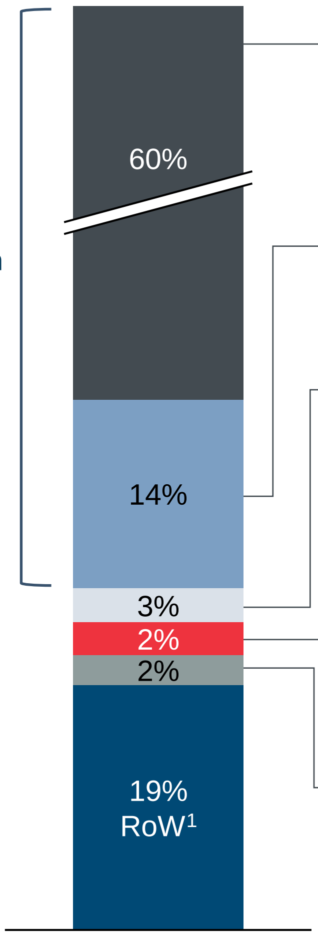
- ! **Parts:** high barriers to entry in main estimated use case, severe price competition, high volume requirements for profitability, and technological requirements for select components.
- ! **KSA Market:** demand difficult to capture given country's own localization agenda and trade barriers in place
  Note: KSA localization focus is mainly on internal demand

Note: 1) Trade balance data based on HS6 codes; forecasted demand growth rates based on market reports and expert input applied to imports to estimate 2028 values. 2) Imports estimated to reflect mainly the aftermarket (spare parts) use case
Source: UN Comtrade, expert interviews, market reports, desktop research, PwC analysis

3 Successful import substitution will require narrowing the price gap with lower cost suppliers, achievable through Abu Dhabi government support and economies of scale

MENA Imports of Assembled Units by Source Country, 2021, AED Bn

Price competition on ~75% of total imports



China
Attractive pricing relative to UAE and rest of the world; low but improving quality perception

Thailand
Attractive pricing relative to UAE and rest of the world; low but improving quality perception

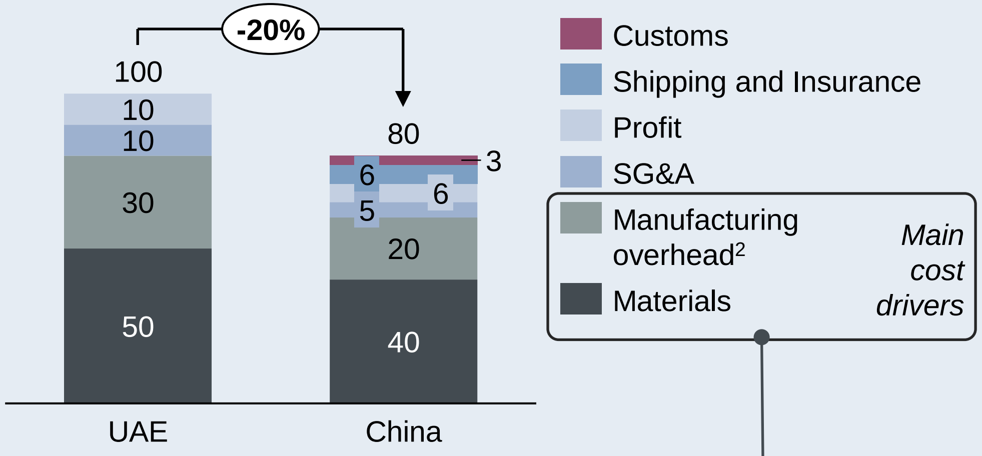
UAE
High quality at reasonable price for local HVAC brands (e.g., SKM)

USA
High quality at high price for leading global brands (e.g., Carrier, Trane), especially in commercial segment

Korea
High quality at high price for leading global brands (e.g., LG, Samsung), especially in residential segment

Example: Estimated Cost Comparison of HVAC Unit
UAE production vs. Import from China

The cost of a shipped HVAC unit from China is ~15-20% lower than one currently assembled locally



Potential Cost Offsetting Levers

- **Manufacturing overhead:** Abu Dhabi government incentive schemes, such as (i) the Energy Tariff Incentive Program (energy and gas offsets of 30% and 35%), (ii) Land Rent Incentive Program (up to 80% offset of land rent costs) or (iii) Smart Manufacturing Program, among others
- **Materials:** levers such as (i) duty exemptions for raw materials, and (ii) economies of scale, made possible by local manufacturers' enhanced regional market access

Note: 1) RoW: Rest of World. 2) Includes labor, other operating expenses, equipment depreciation
Source: UN Comtrade, expert interviews, desktop research, PwC analysis

3 The opportunity focuses on backward integration of HVAC systems: standalone assembly or combined with manufacturing of select components

Low | High | Focus of this opportunity

	R&D and Design	Manufacturing	Assembly	Services
Description	• Research on new materials and technology to improve efficiency of HVAC systems • Design of technical and aesthetic specifications	• Manufacture of HVAC components (e.g., compressor, heat exchanger, blower motor, electronic controls)	• Assembly of sub-components to produce a complete HVAC system	• Distribution • Installation, maintenance, repair, and support of HVAC systems post-sale
Potential for Localization	• Limited R&D and Design activity in the UAE, as function is retained at international manufacturer or OEM level	• Heath exchangers and low value-added miscellaneous parts currently manufactured locally, mostly for aftermarket (spare parts) • High value-added parts mostly imported (e.g., compressors, blower motors, or thermostats)	• A limited number of local assemblers focused mostly on lower complexity indoor units • Reputed international players (e.g., Carrier) doing limited local assembly with parts sourced from own international factories	• Distribution, installation and maintenance are largely localized by local players and international companies with offices in the UAE
Key UAE Market Players	SKM, TROSTEN	SKM, SAFARIO, TROSTEN	TROSTEN, SKM *NOTE: Limited assemblers (e.g., Carrier, Daikin) not included*	DAIKIN, SKM, Carrier, Rheem, TROSTEN, VTS, DAIKIN

Localization Opportunity

Backward integration:

A **Assembly** of indoor and outdoor systems

B **Assembly** of indoor and outdoor units **and manufacturing** of select value-added components

Note: A **backward integration** approach is aimed at **minimizing business risk** through integration of low-capex value chain elements first, making the **localization of assembly** has an **optimal expected risk-return ratio**

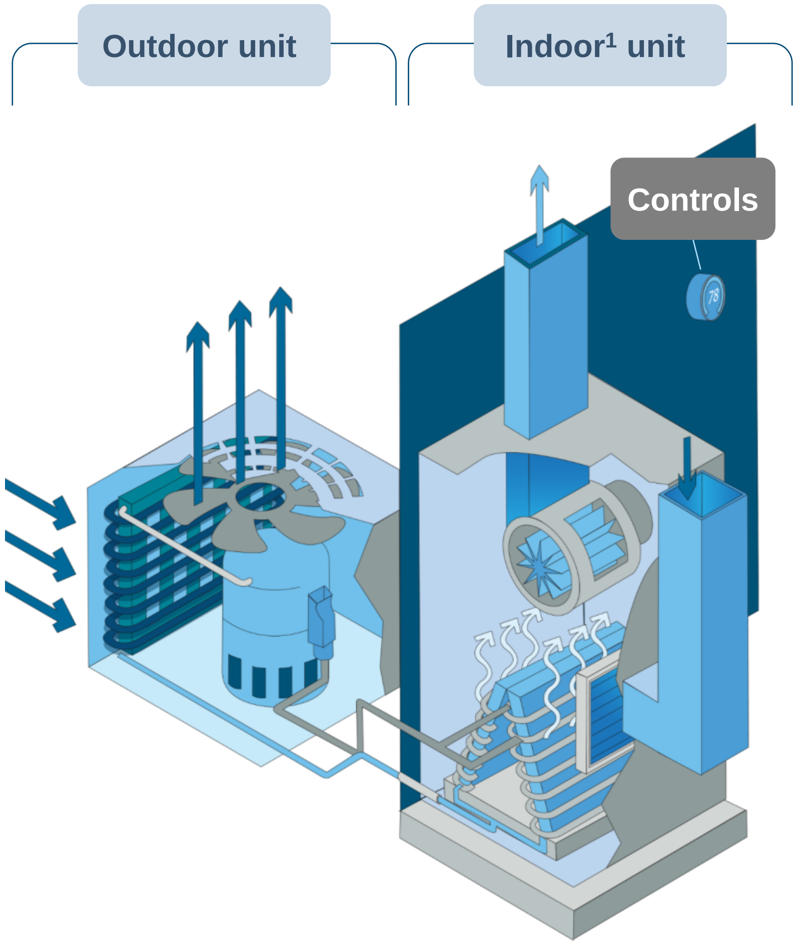
Source: Expert interviews, PwC analysis, desktop research

3 The localization opportunity spans outdoor and indoor systems, including controls

Key Elements

Representative scheme; may vary across HVAC system types

% Share of complete HVAC system cost



	Outdoor unit	Indoor[1] unit	Controls
Description	65-70% Dissipates heat and cools refrigerant	20-25% Circulates the air in and out of interior spaces	~10% Regulates flow of air to achieve target settings (temperature and/or humidity)
End products	• Chiller systems • Direct expansion systems • Variable refrigerant flow systems	• Fan coil units • Air handling units	• Thermostats (can include humidistats and airstats)
Key buying criteria	• Building area and height (i.e., required tonnage)	• Type of room • Aesthetics	• User interface • “Smart” component

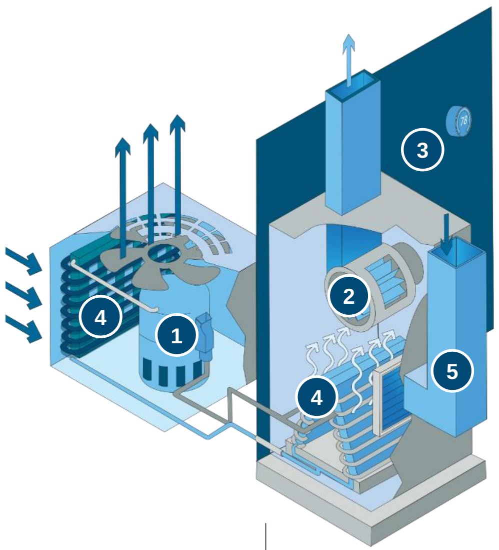
Note: 1) Combined with outdoor in some HVAC system types (e.g., Packaged HVAC)
Source: Expert interviews, PwC analysis, desktop research

3 Assemblers can source locally up to 40% of a complete HVAC system, with further localization potential of blower motors

Potential for in-house production (detailed next)

Overview

Representative scheme; may vary across HVAC system types



- Chiller systems
- Direct expansion systems
- Variable refrigerant flow systems

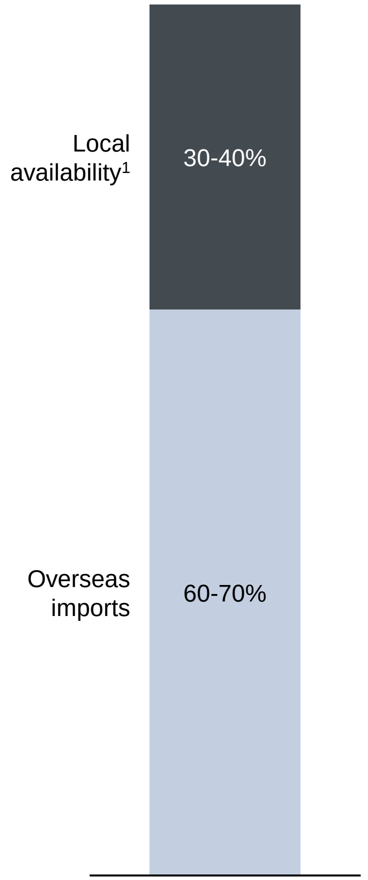
- Fan coil units
- Air handling units

End Products

Value chain breakdown by key components

	Components	Function	% Value of Assembled Unit	Potential Sourcing	
1	**Compressors / Chillers**	Compresses refrigerant / moves water to chill air	35-45%	• Imported as a whole from countries with established foundries, given it requires iron casting	**Overseas Imports**
2	**Blower Motor**	Disperses air	15-20%	• Imported mainly from specialized motor manufacturers • Low production complexity, but high volume requirement to operate profitably	**Overseas Imports**
3	**Controls (Thermostats)**	Controls temperature and air flow intensity	<10%	• Imported from specialized controls manufacturers • Not produced by traditional HVAC manufacturers	**Overseas Imports**
4	**Heat exchanger (condenser, evaporator)**	Transfers heat between cooling liquid and air	15-20%	• Established HVAC systems players typically manufacture this component in-house • Produced locally in the UAE by coil manufacturers, mainly for aftermarket spare parts	**Local availability**
5	**Ducts / Terminal**	Distributes heated or cooled air	<10%	• Produced locally in the UAE by general engineering companies or pipe manufacturers; readily available for assembly	**Local availability**
	Other (e.g., tubing, casing, wires)		<10%	• Produced locally in the UAE by general engineering companies; readily available for assembly	**Local availability**

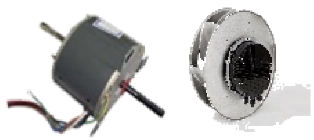
Value chain breakdown by sourcing, %



Notes: 1) Primarily for aftermarket spare parts
Source: Expert interviews, PwC analysis, desktop research

3 In addition to assembly, in-house manufacturing of blower motors and heat exchangers should be considered

Ease-of-Localization: High Low ✓ Available in the UAE

Component	Production Complexity	Supply Chain Complexity	Main Raw Materials	Global Manufacturers and OEMs
 **Blower motors**	High • Low production complexity • Uses automated assembly lines and simple machining processes	High • Low supply chain complexity • Raw materials available locally (can be provided by EGA and Emirates Steel). • Plastics and Silicon Steel can be easily imported from China	✓ Copper wires ✓ Steel/ Aluminium ✓ Silicon Steel ✓ Plastics	GREE Midea TRANE
 **Heat exchanger** (condenser, evaporator)	High • Low complexity in production and assembly • Uses automated or semi-automated processes in both manufacturing and assembly	High • Low supply chain complexity • Raw materials supplied locally (e.g., Emirates Global Aluminium; Emirates Float Glass)	✓ Aluminium ✓ Stainless steel ✓ Copper ✓ Fiberglass (For insulation)	- *Typically localized production given coil fragility at transportation*

INCLUDED IN BASE SCENARIO
Established HVAC players are expected to manufacture heat exchangers in-house to support the required scale for this opportunity and meeting buyer expectations

Source: Expert interviews, PwC analysis, desktop research

3

Business Case
Sample Case: Greenfield Project for Medium-Sized HVAC Assembly and Manufacturing Plant

Overview

- Establish a **medium-sized facility with parallel assembly and production lines** for a comprehensive HVAC product portfolio
  - Covers all key types of indoor and outdoor units
  - Serves all customer segments (commercial/industrial and residential)
- Opportunity to **serve the local UAE market, as well as to export to the broader GCC and MENA regions**, with the exception of Saudi Arabia

Business Case Triangulation

Expert input

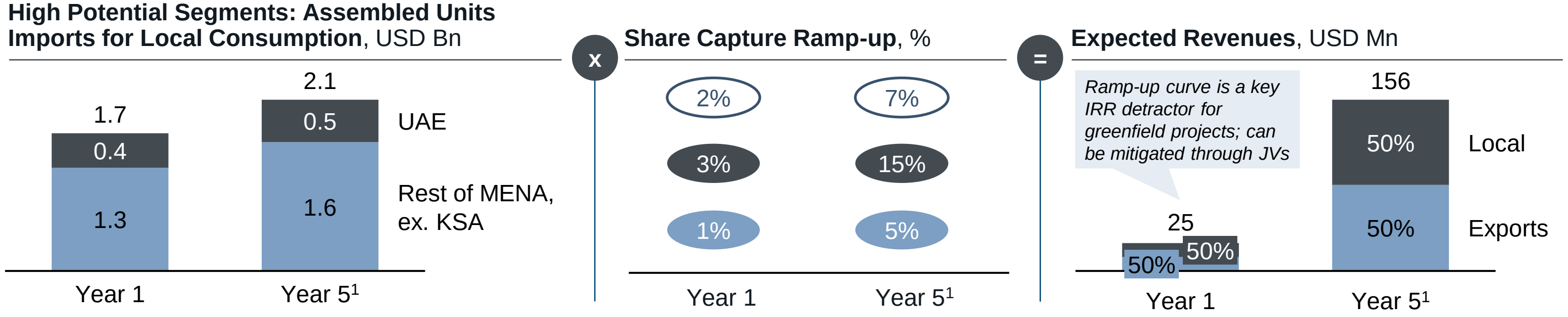
- Market capture potential
- CAPEX requirements for (i) property, (ii) assembly line, (iii) manufacturing line
- Margins and IRR sanity checking

Public comparables

- **Companies**: Carrier, Trane, Midea, Daikin
- **Benchmarks**: EBITDA margin, EBIT margin, FCF conversion, Asset Turnover assumptions

Business Cases

Market Capture



Operations

	Base Scenario: Limited Manufacturing	Alternative Scenario: Comprehensive Manufacturing
Production Overview	• Assembly and quality control lines • In-house manufacturing of heat exchangers (~20% of the value chain)	• Assembly and quality control lines • In-house manufacturing of heat exchangers (~20% of the value chain) • Manufacturing of blower motors (~15% of value chain
Considerations	+ Lower upfront costs (and business risk) + More price-efficient - Higher supply chain risk - Worse commercial positioning for large buyers	+ Better control of supply chain + Better commercial positioning with large buyers - Higher upfront risk - More expensive to produce high-value add parts inhouse

Investment Case

	Base Scenario: Limited Manufacturing	Alternative Scenario: Comprehensive Manufacturing
CAPEX Requirement	$75-80Mn	$105-110Mn
Expected IRR	~15%	~11%
Payback Period	~7 years	~9 years
Key Assumptions	• Facility size of ~40,000 m^2 (~$30Mn) • Assembly and manufacturing (~$50Mn) • 60% financing of required CAPEX (can go up to 80% with government support) • EBITDA: ~15% • Free-Cash-Flow conversion: ~50% • Assumes FCF ramp-up to stabilization in year • Assumes equipment cost of replacement as TV	• Facility size of ~50,000 m^2 (~$35Mn) • Assembly and manufacturing (~$75Mn) • 60% financing of required CAPEX (can go up to 80% with government support) • EBITDA: ~14% (in-house production of blower motors more expensive than imports) • Free-Cash-Flow conversion: ~50% • Assumes FCF ramp-up to stabilization in year • Assumes equipment cost of replacement as TV

IRR Upside Potential

- Brownfield / synergistic project (e.g., JV with local supplier; capacity expansion)
- Increasing financing up to 80% (with government support)
- Faster market capture
- Additional revenue from services / aftersales

Note: 1) Year 5=2028
Source: Expert interviews, desktop research, market reports, PwC analysis

Thank you