



الهيئة العامة للصناعات العسكرية
General Authority for Military Industries



MECHANICAL TRANSMISSION COMPONENTS

Attracting investors to contribute in the localization of producing an integral military supply chain



Investment Overview

Opportunity Description

Opportunity to invest in one of the most vital component in military mechanical systems (land and naval), in addition to use for non-military activities

The opportunity encompasses mechanical transmission components, which include the clutch, transmission and gearbox, used in vehicles, aircrafts, in addition the axis of rotation of the steering systems of ships and boats

Investment Highlights

Clear potential for growth in local mechanical transmission components market arising from:

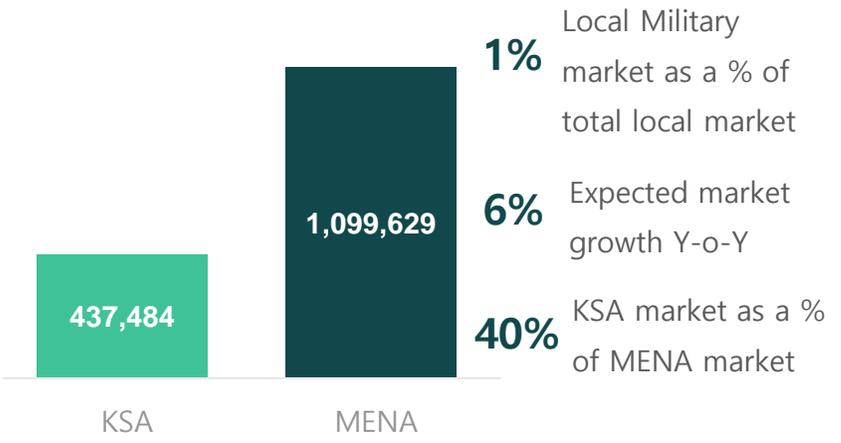
- Objective is to localize more than 50% of military expenditure by 2030
- The Kingdom being one of the largest spenders on military
- The future direction in the use of the mechanisms of industry 4.0 in transmission components, which includes the use of 3D printing technology
- KSA being the region's largest market for automotive sales and components
- Dual use in both military and non-military industries

Financial Highlights

Fixed Asset Turnover	1.2x – 1.4x
Target IRR	10% - 15%
EBITDA Margin	9% - 13%

**Note: Financial highlights are based on companies that are in a mature stage*

5-Year Market Size (2023-2027) In SAR Millions



Market Analysis

Imports & Exports (2021 – SAR Million)

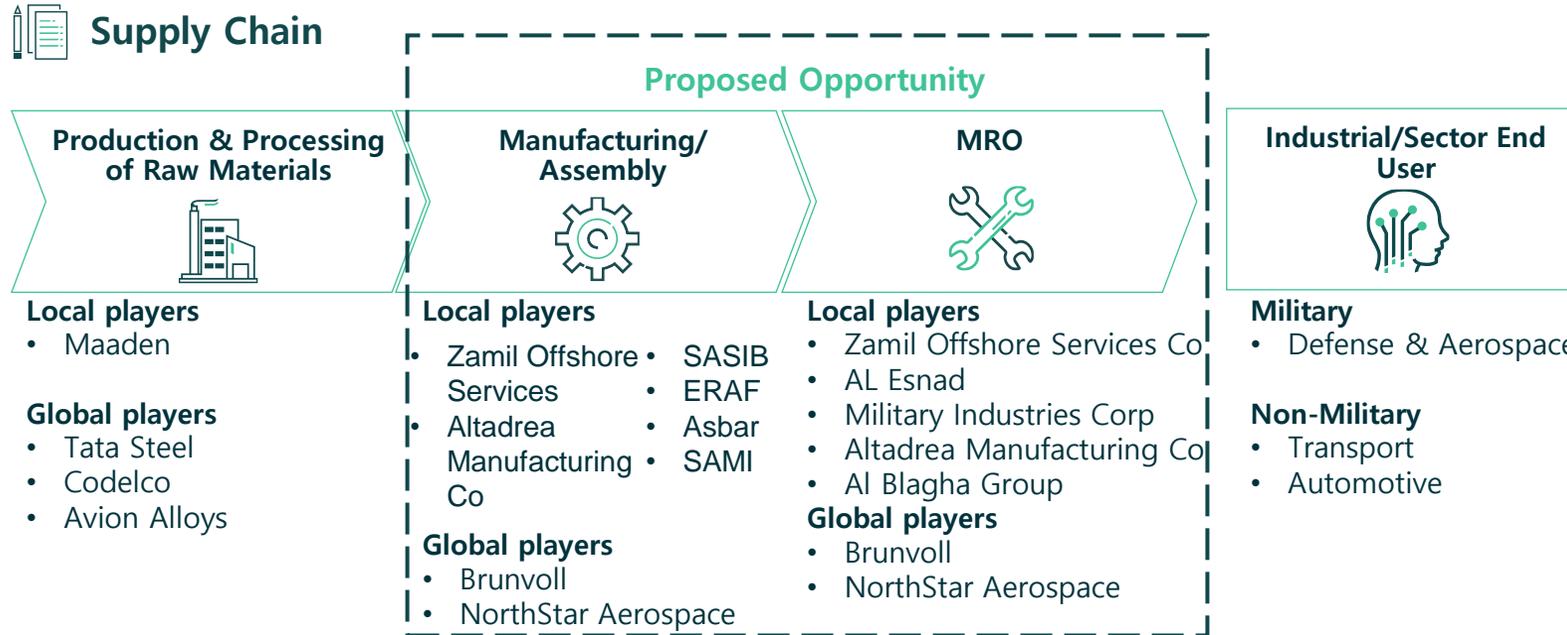


Demand Drivers

- Government initiatives to continuously grow spending on military
- Approximately 40% of all automobiles sold in the Middle East are sold in Saudi Arabia, the region's largest market for new car sales and auto components
- The increase in manufacturing of green cars (supported by government efforts) will promote high investments in electric vehicles and mechanical transmission components
- Countries are planning to strengthen their naval power by procuring new ships, generating the need for maintenance and periodic repairing

**Note: Imports & Exports are as per ZATCA standardized classification which may include/exclude other items not related/related to the supply chain*

Market Supply Chain



Scalability (Local)

- Objective is to localize more than 50% of military expenditure by 2030
- A local company, has announced the establishment of new capability that will produce composite parts for structural aerospace sub-assemblies
- Saudi Aramco is preparing to join carmakers Geely and Renault in a new joint venture for hybrid and internal-combustion vehicles.

Current Production Capabilities

- Assembly and installation of mechanical transmission in addition to MRO services
 - Production of gears, clutch plates and gearbox
 - Manufacturing fixed axles and transmission shafts for vehicles
 - Manufacturing for ships and helicopters transmission components
- Moderate
- Limited
- Lacking

Enablers

Enablers

- GAMI being the regulator, enabler and licensor of the Kingdom's military industries contributing to a highly regulated yet growing industry
- To attract investors, GAMI has developed a set of incentives that may support the investor in (i) speeding up the execution of the investment opportunity and (ii) enhancing financial KPIs

Gap Analysis

Gap Analysis (Military & Non-Military)



Local manufacturing of mechanical transmissions is expected to increase in the upcoming years allowing to cover a higher portion of the local demand

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Thank
you