

Earnings Release

9M FY23



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While management has made every effort to present a fair view of MEPCO's operational and financial performance in this presentation; it is important to note that expectations about the future results that come in light of prevailing operational, financial and market conditions may change in the future. Management does not recommend using such forward looking statements in financial modeling or investment decision making. It thus takes no liability to explain differences between future actual results and what was stated in the course of this presentation.



MEPCO's Executives

GROUP PRESIDENT

Over 30 years in the Paper industry and others.
Held leadership position for over 20 years in MEPCO and others.
Bachelor of Industrial Chemistry in 1992.



ENG. SAMI AL-SAFRAN

GROUP CHIEF FINANCIAL OFFICER

Over 17 years of finance specialized in mobilizing funds and turnaround strategies . Trusted partner with a remarkable history of guiding corporate mergers. Certified Public Accountant (CPA) . Holder of an Executive MBA from London Business School



AMR MASRY

GROUP CHIEF COMMERCIAL OFFICER

Over 20 years of international marketing and trading experience
With extensive paper industry experience and achievements
Bachelor of commerce and post graduate diploma in international trading



AHMED EL FAZARY

Outline



9M FY 23 Key
Performance
Indicators

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review

03



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9M FY23 Key Performance Indicators

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9M FY 23 Performance*



SALES REVENUES SAR 642 M

- 33 % YoY



GROSS PROFIT SAR 82 M

- 81 % YoY



EBITDA SAR 54 M

- 84 % YoY



NET LOSS SAR 45 M

- 118 % YoY



COST OF SALES SAR 560 M

+ 6 % YoY



GROSS PROFIT MARGIN 13 %

- 3177 bps YoY



EBITDA MARGIN 8 %

- 2819 bps YoY



NET INCOME MARGIN - 7 %

- 3257 bps YoY

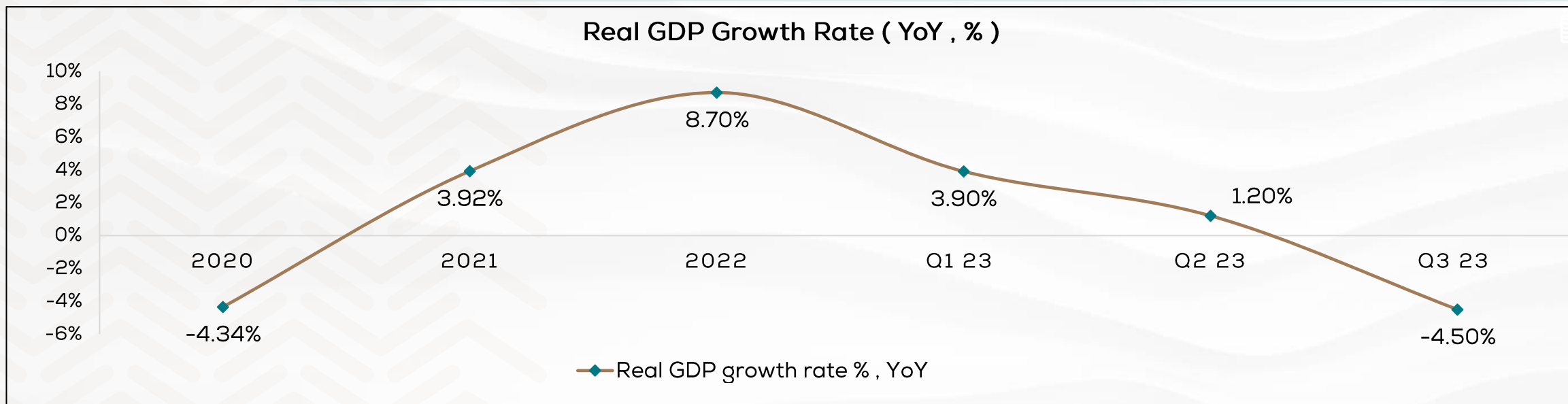
02

Macro Economic Review

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Economic Review

Saudi Arabia Economy is still growing in the nonoil activities



Brent Crude Oil spot price averaged \$ 87 /b , + 11 % QoQ

According to quarter estimates by the General Authority for Statistics (GASTAT), the real Gross Domestic Product (GDP) of Saudi Arabia decreased by 4.50 % in Q3/2023 compared to Q2/2023. This decline was due to the decrease in oil activities by 17.3 % , while the nonoil activities and government services activities by grew by 3.6% and 1.9 % respectively

According to the world bank estimates the world economy is projected to grow by 2.1% , while emerging markets excluding China , growth in emerging market and developing economies is expected to decelerate from 4.1% in 2022 to 2.9 % in 2023



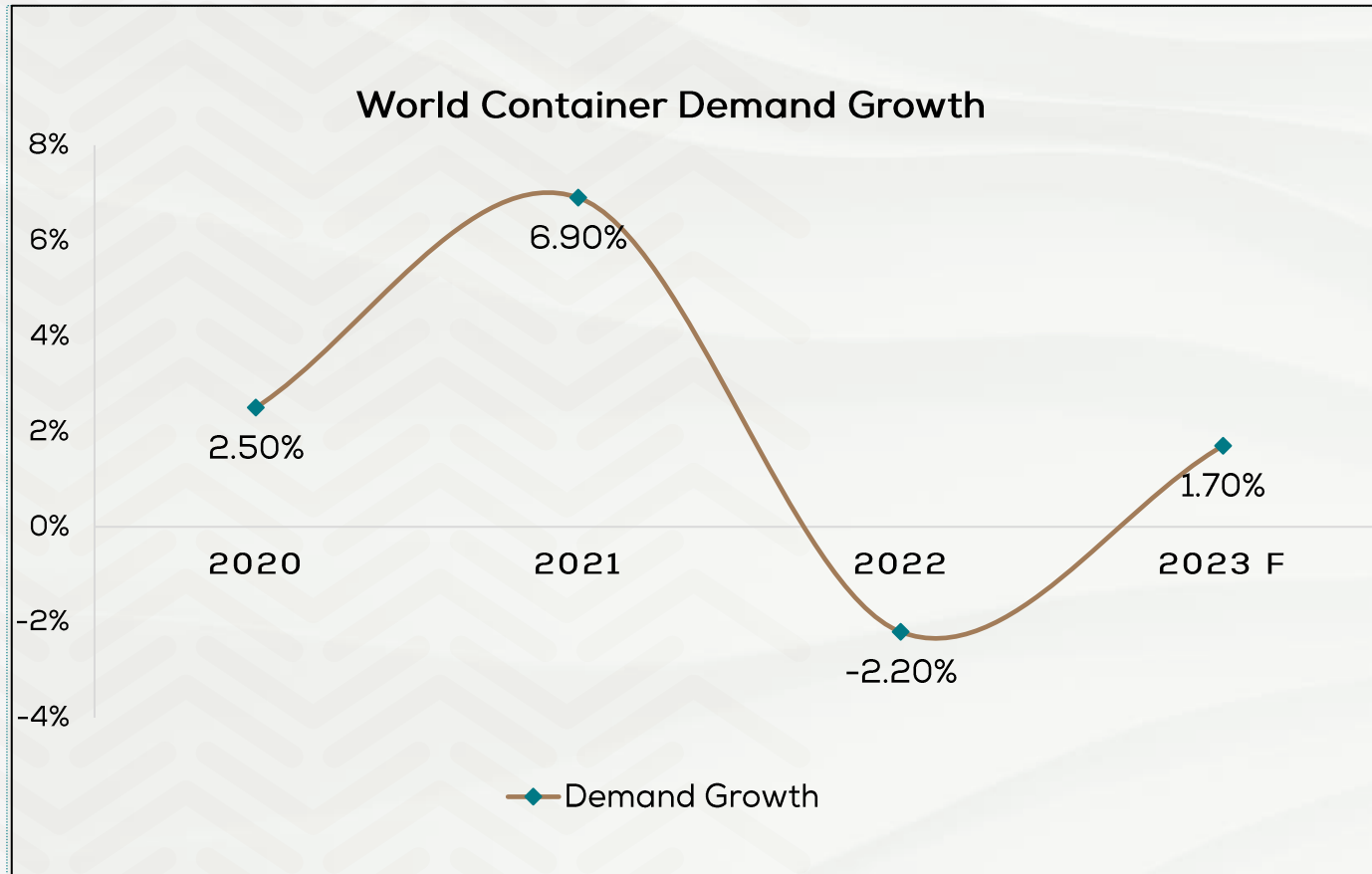
03

Industry & Market Containerboard Review

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Industry & Market Review For Containerboard

Saudi Arabia Demand for Container Board backed by healthy economy

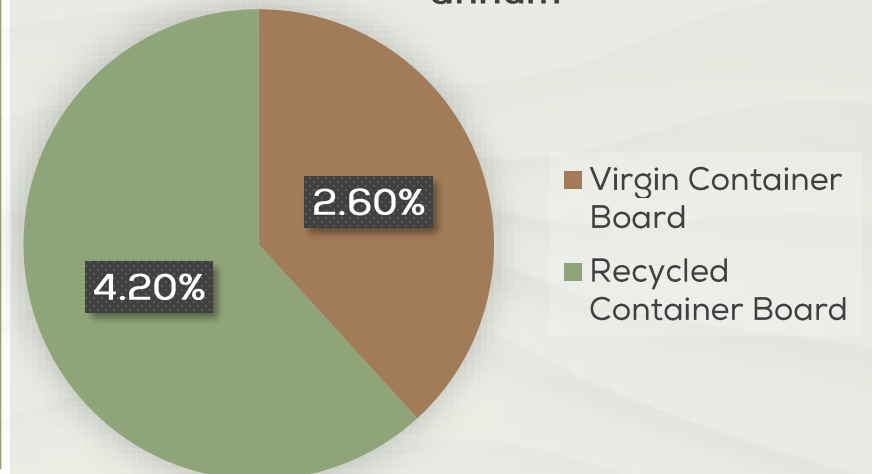


**MEPCO 's current
Market Share
31 % in KSA**

- Global Container board is c. 186 million tonnes
- MENA is c. 4.1 million tonnes
- Saudi Arabia is c. 1 million tonnes

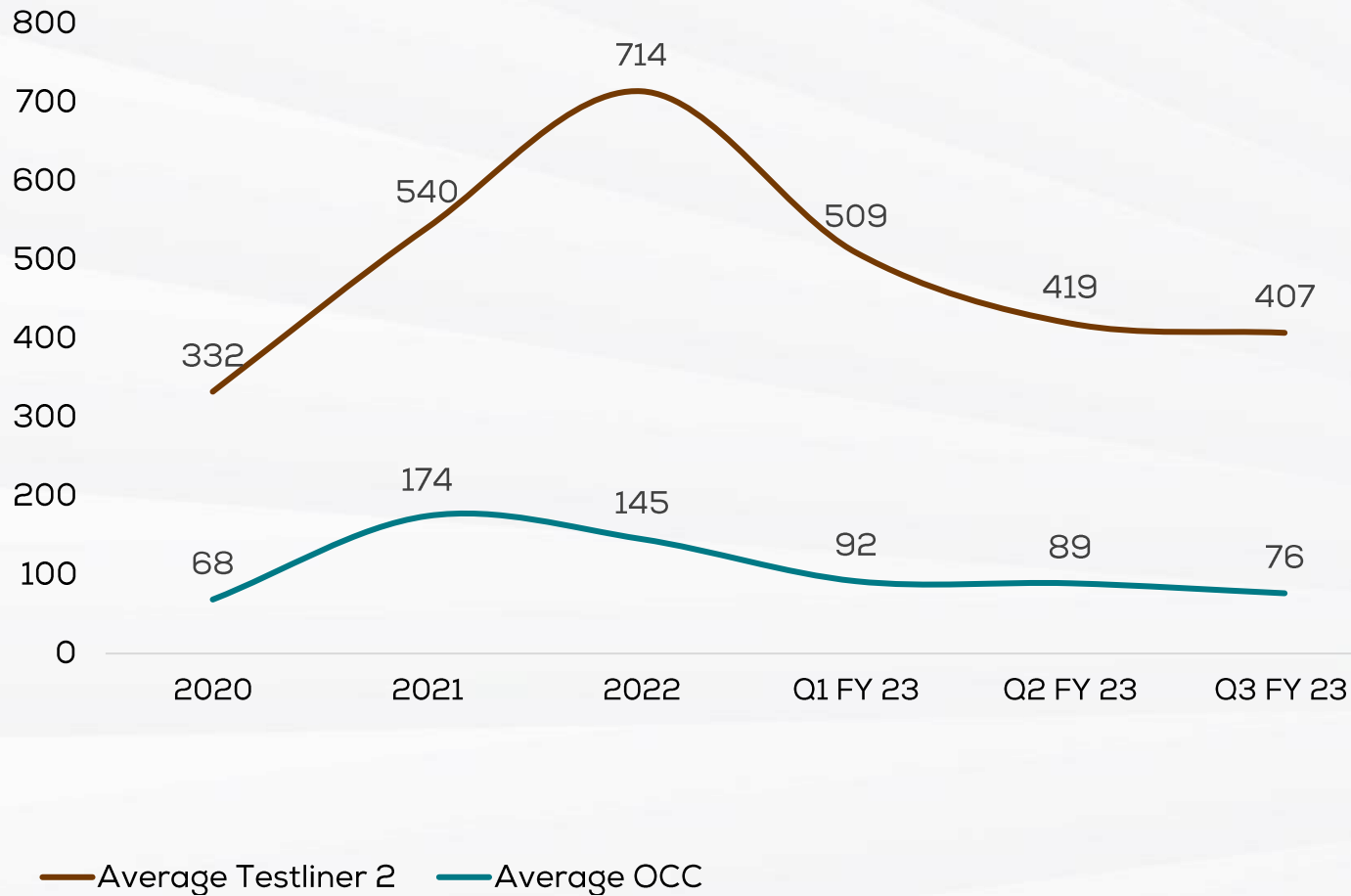


Saudi Arabia Demand Growth per annum



International Prices For Containerboard

Benchmarking with international prices for test liner 2 (Italy) and OCC international price (Europe Average) *, USD/ton



In 2023 , the prevailing global economic conditions amid concerns globally for economic recovery which has impacted a slower demand recovery than anticipated supported by cost inflation which caused sluggish consumer activity and slowness in global destocking.

Expected price movement :

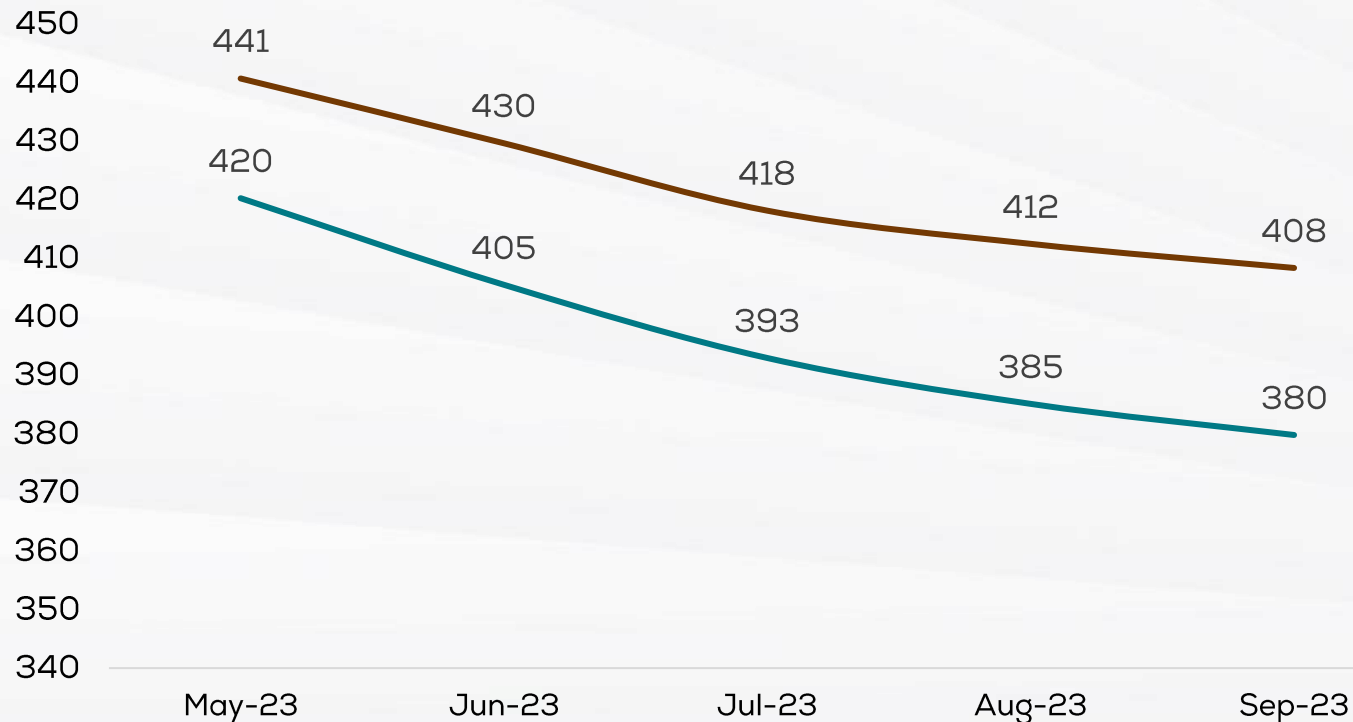
QoQ test liner 2 declined by 2.8% while OCC by 14.6% . Yet prices are taking a stabilized movement .

*To benchmark for relevant OCC prices to the GCC , average shipping cost is \$40 , transportation & Clearance is \$ 25 to be added .



PIX Packaging GCC Price Indices For Containerboard

Index was launched on 6 June 2023 , we are disclosing the prices on a monthly basis since launch date *, USD/ton



— PIX Testliner GCC — PIX Fluting GCC



The Test liner and fluting fall under the category of container board products. Test liner & Fluting presented in Q3 FY 23 c.60 % of the total sales volume .

Expected price movement :

Prices in GCC declined QoQ c.7 % but as the global prices are witnessing stability , the GCC as well is witnessing stability in prices .

Which will be reflected as well on the OCC prices.



04

The background features a blurred image of business professionals in a meeting, with one person pointing at a document. Overlaid on this are several geometric shapes: a large teal triangle on the right, a grey diamond in the lower right, and a yellow triangle at the bottom right. A yellow horizontal line is positioned below the number '04'.

Industry & Market Tissue review

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Tissue Market Review

Globally the Tissue demand is reviving , Tissues attractiveness for a local producer



**JUTHOR 's Targeted
Market Share
c.24 % in KSA**

**Products : Kitchen Towels,
Facial Tissues, Pocket
Tissues, Napkins, C Fold**

- Global Tissue consumption c.44 M ton
- Saudi Arabia is c. 250 million tonnes
- Average Global demand growth for tissue consumption : 3.3-3.4%
- Saudi demand growth : 3.5 %

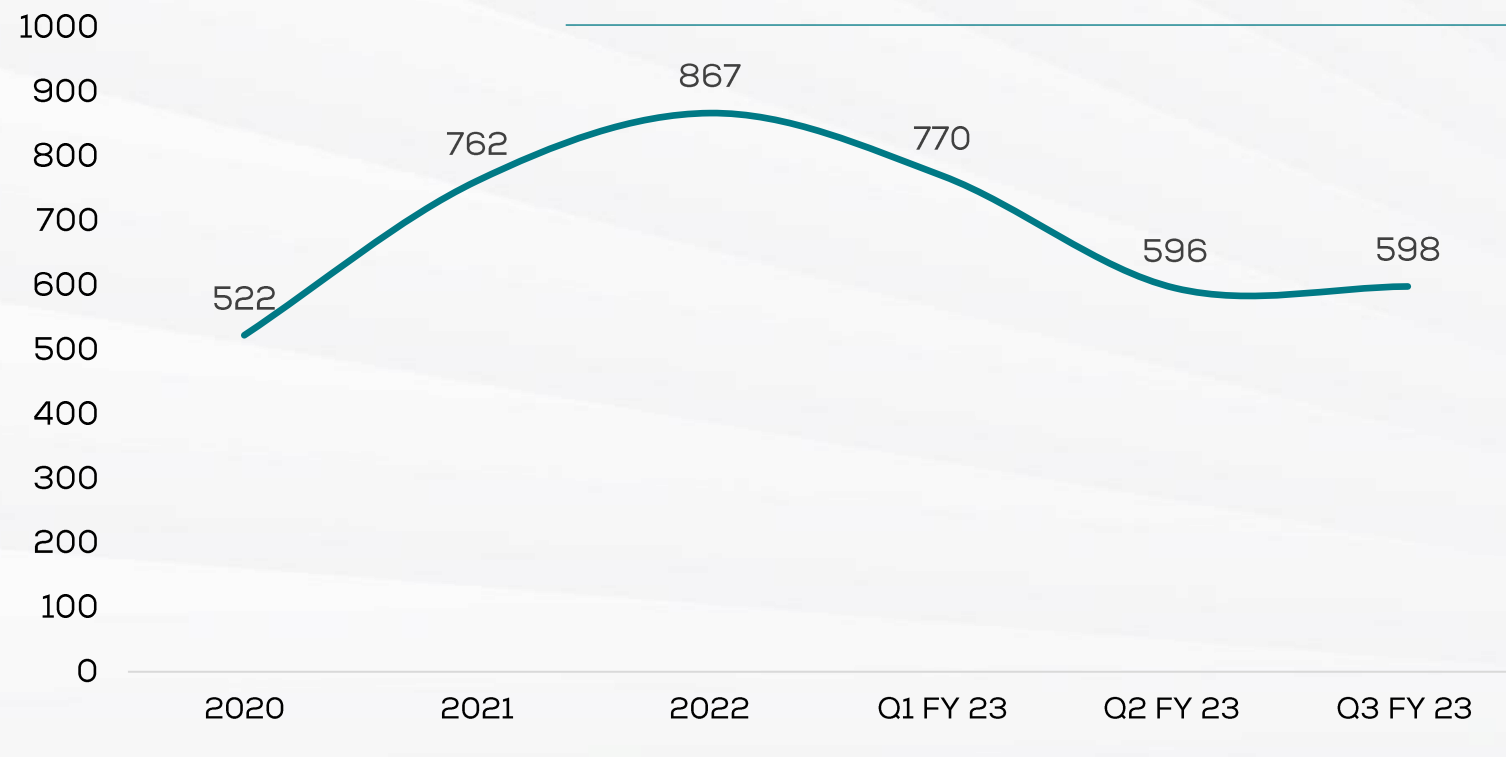


- Management expected net income by Q3 FY23 but due to some increase in direct cost to manufacturing by 40 % , net income was not achieved in Q3 FY23
- Contribution to the top line for MEPCO consolidated financial statements c . 18-20%
- Expected Gross profit c. 25%-27%



International Prices For Tissue Paper

Benchmarking with international prices for average of bleached hardwood kraft price and Northern bleached softwood kraft (China) *, USD/ton



JUTHOR end products are priced in relation to the virgin pulp prices , the bleached hardwood kraft pulp (BHKP) northern bleached softwood kraft pulp (NBSKP) are types virgin pulp that are imported from countries such as Scandinavian countries , South America . used to provide strength , purity , superior quality.

Pulp reached in Q3 to 85 60 % of direct cost of sales

Pulp prices is expected to increase slightly , which will have its impact positively on the selling prices

* RISI Pulp and Paper , Fast markets price reports

05

The background features a blurred image of a business meeting. In the center, a person's hand is visible, holding a pen and pointing at a document that contains various charts, including a bar chart and a line graph. The scene is overlaid with a dark green semi-transparent layer. On the right side, there are abstract geometric shapes in shades of teal and blue. A prominent light gray diamond shape is positioned in the lower right quadrant. Thin white lines and small square markers connect these geometric elements, creating a sense of flow and design.

Exports & Local Sales Review

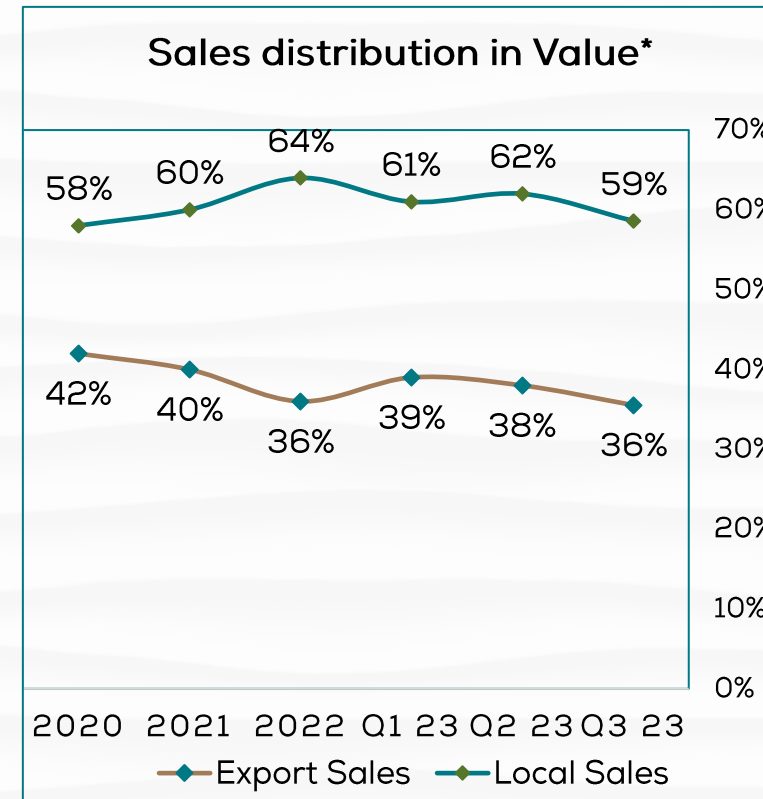
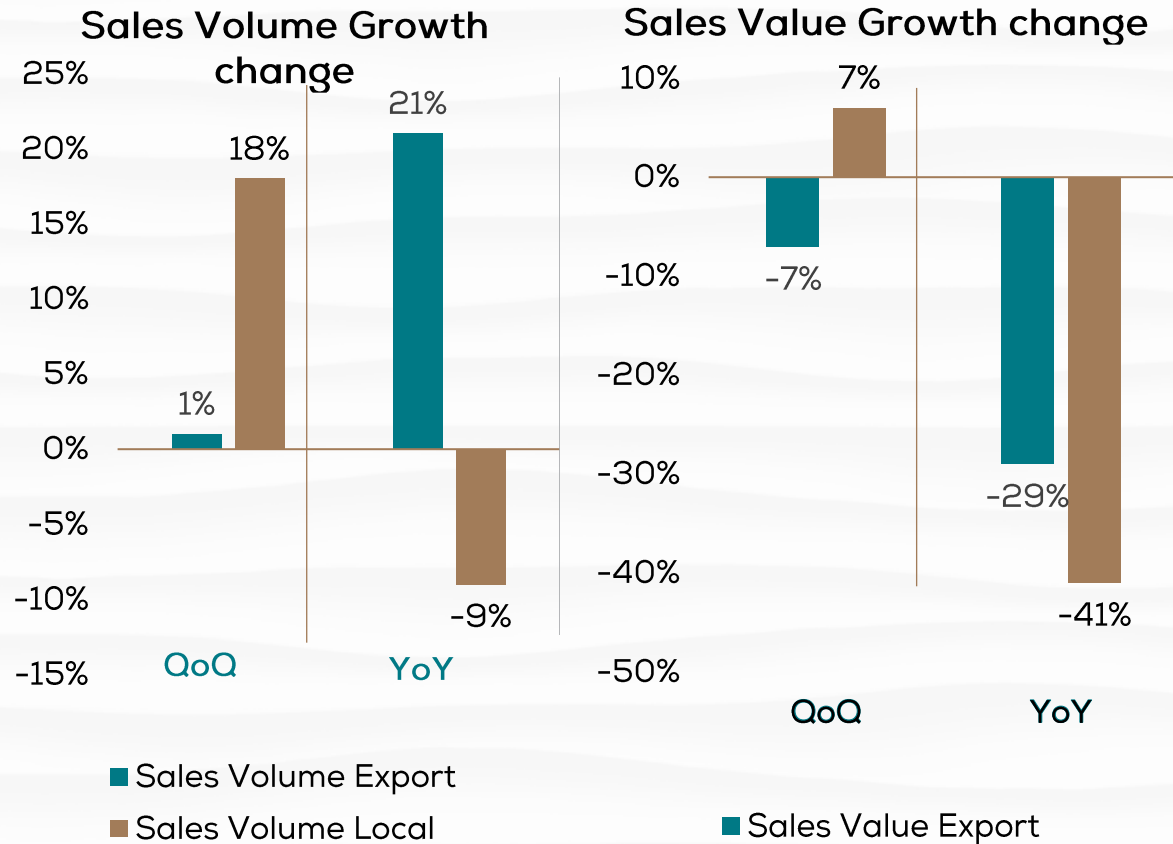
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Exports and Local Sales-Container Board & Tissues Sales Segment

Despite the challenging global containerboard demand, Sales volume witnessed an increase which continues MEPCO Sales and marketing successful strategy

QoQ : Total Sales Volume Increased by 11 %

YoY : Total Sales Volume Increased by 1 %



JUTHOR utilization rate has reached in Q3 FY 23 to above 50 % achieving SAR 38 M

Tissues Local Sales distribution 6 % from total sales revenue

*Sales distribution for the local is including only containerboard sales segment

06

Financial Review

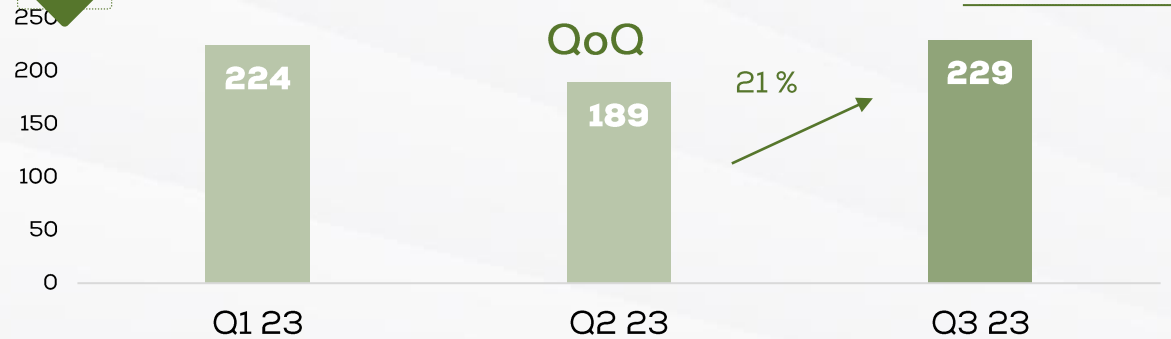
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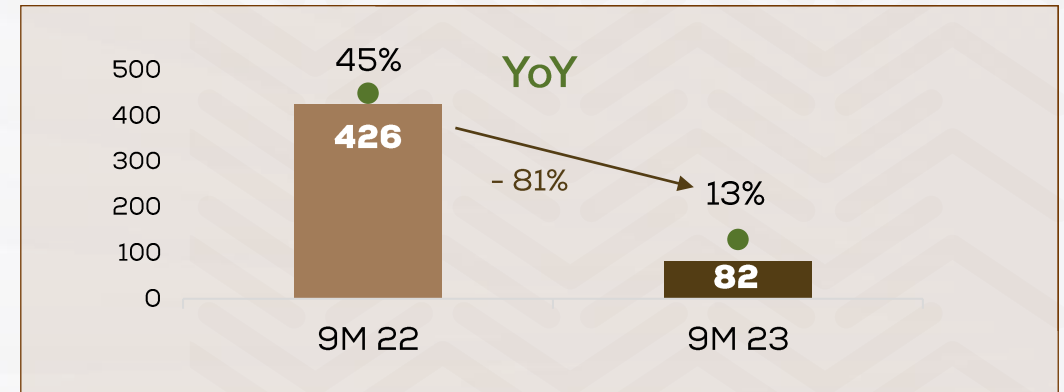
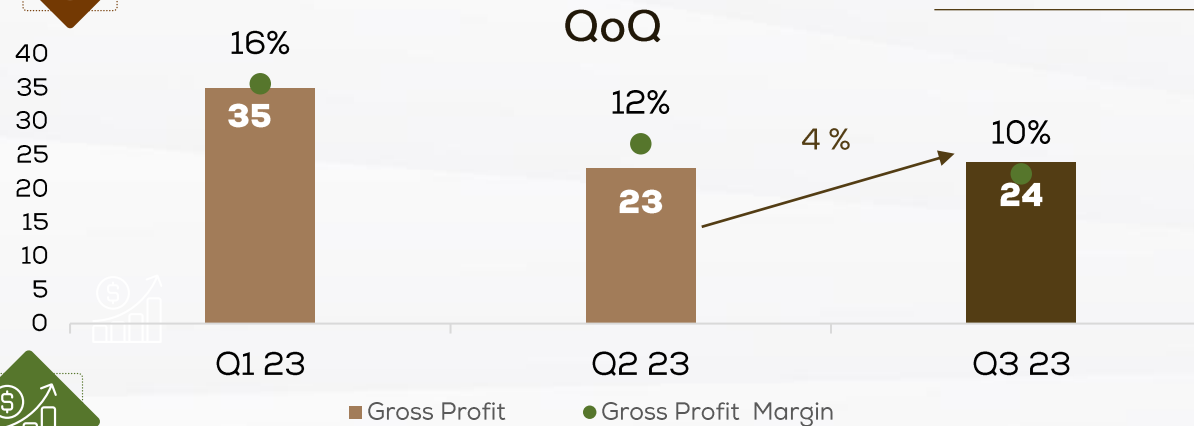
Key Financial Indicators



Sales Revenues , SAR M



Gross Profit & Profit Margin, SAR M. %

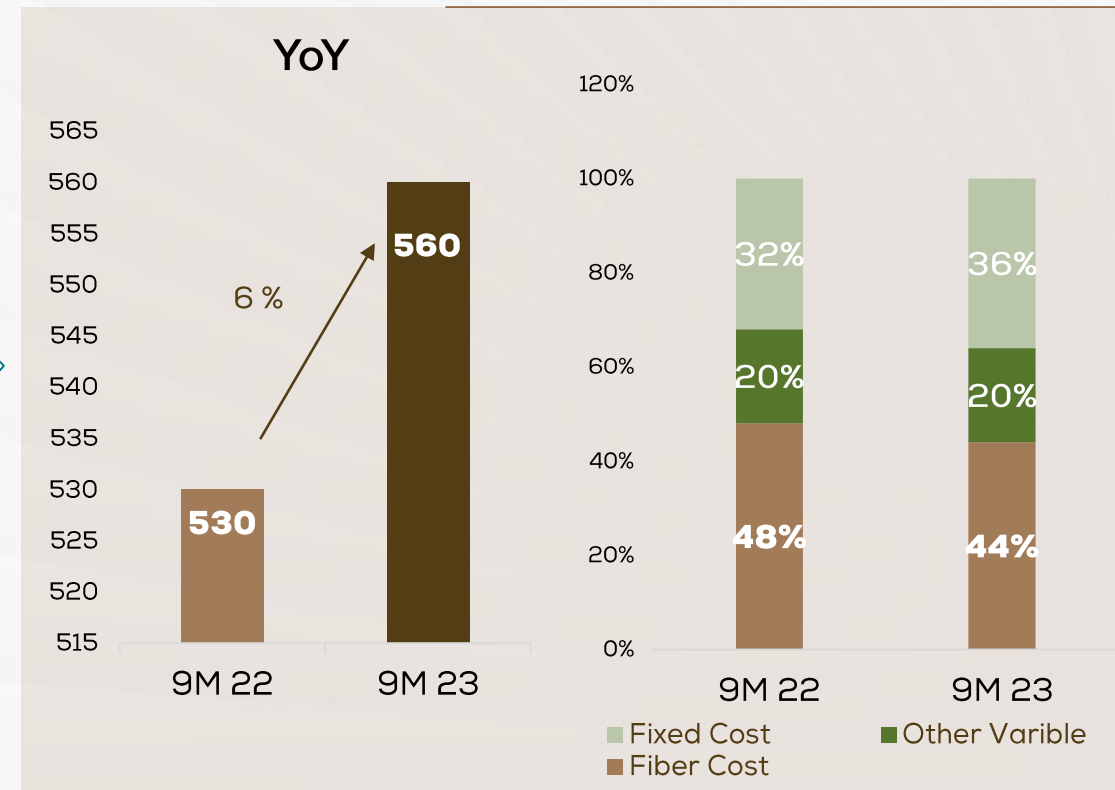
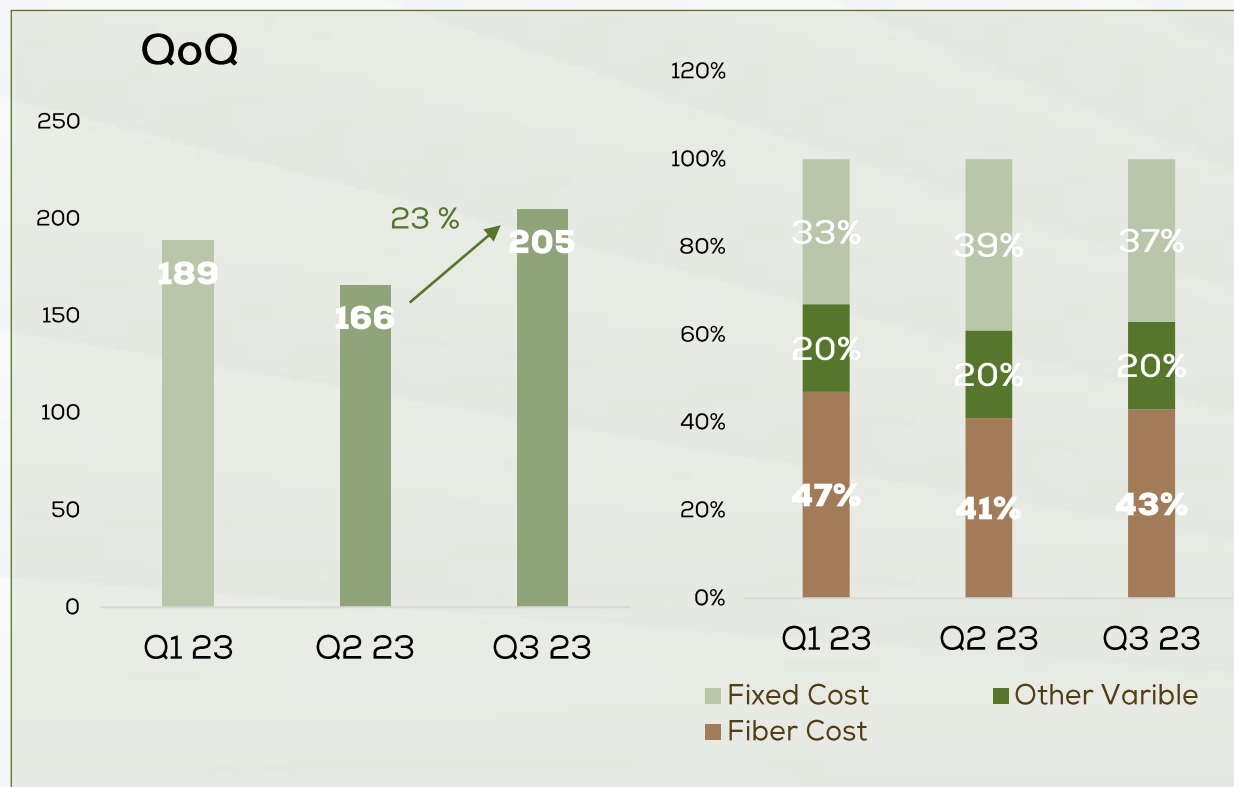


QoQ : Average selling prices (local & export) decreased by c.8% while average cost of sales per ton increased by c.11 %
 YoY : Average selling prices (local & export) decreased by c.34% while average cost of sales per ton increased by c.4.%

Key Financial Indicators



Cost of Sales Breakdown , SAR M



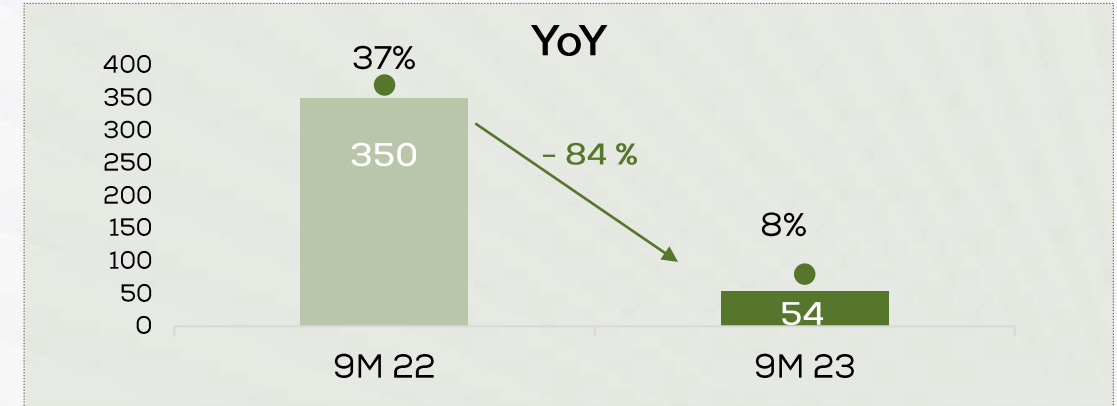
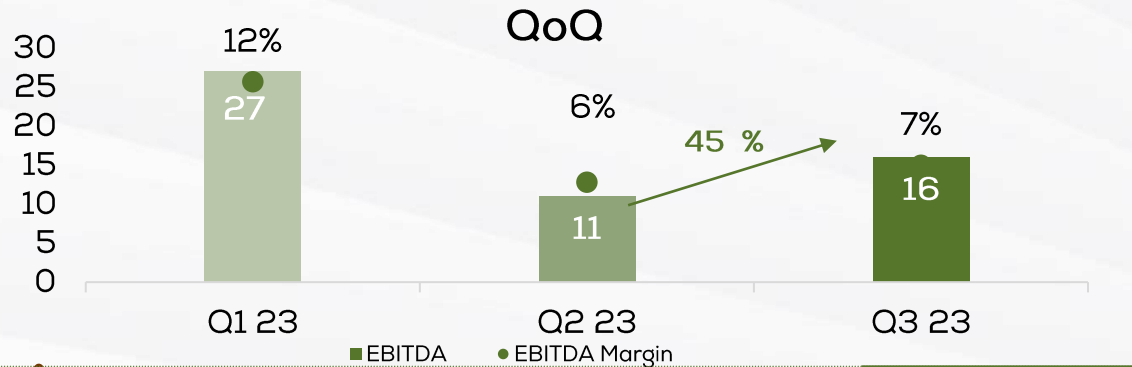
QoQ : A relative decrease in the fiber cost due to the decrease in prices of OCC by c.7 % and an increase in sales volume by 11 %

YoY : A decrease in the fiber cost due to the decrease in prices of OCC by c.33 % and increase in sales volume by 1 %

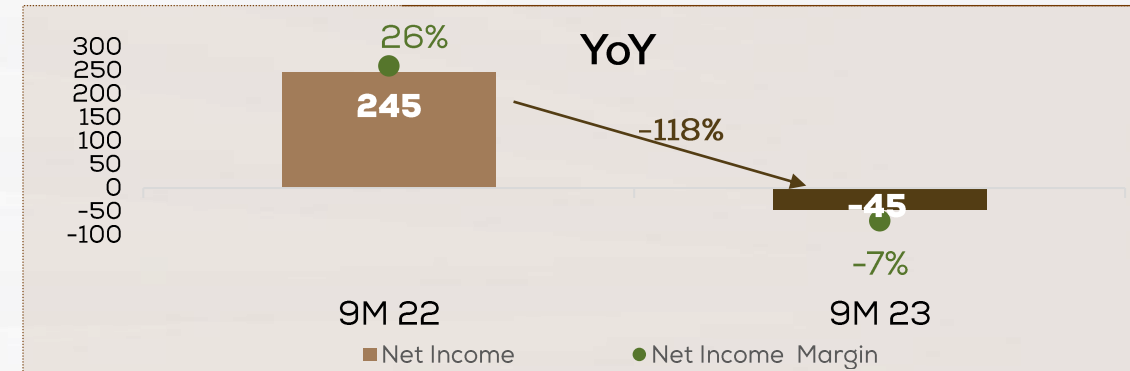
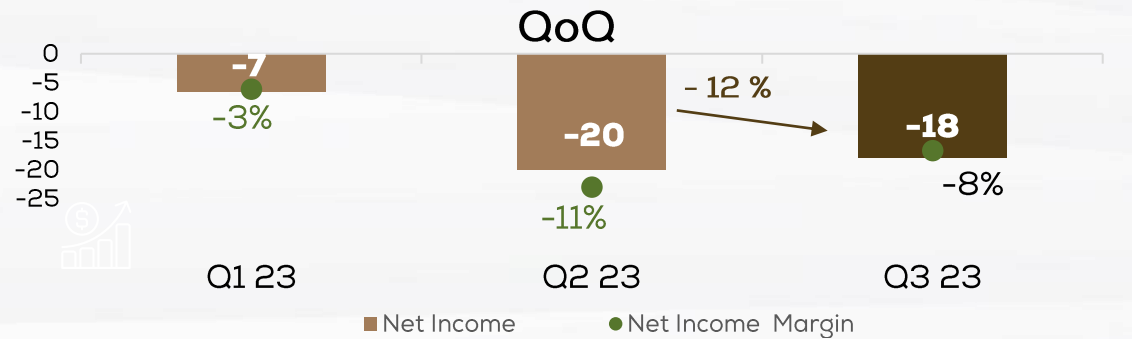
Key Financial Indicators



EBITDA and EBITDA margin, SAR M



Net Income and Net Income Margin SAR M, %



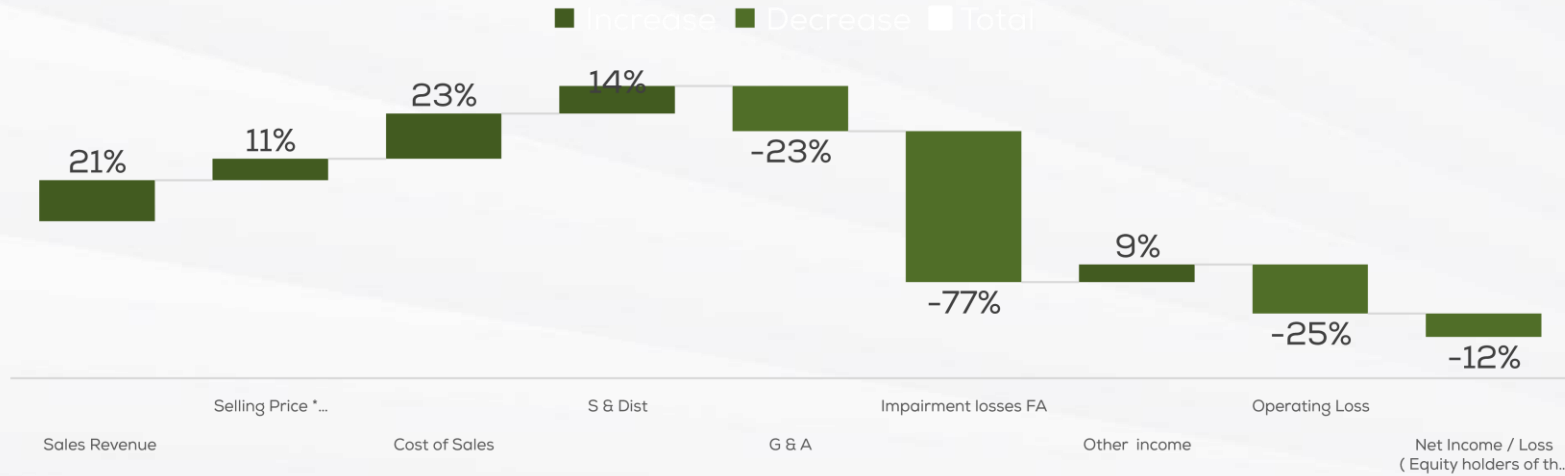
QoQ Increase in the EBITDA by 45 % due to higher sales revenue , lower OCC prices and decline in the G&A expenses

YoY Decline in profitability margins decrease due to lower international selling prices

Key Financial Indicators Q3 23 vs Q2 23 Consolidated



Net profit break down % SARM



Favorable

- Sales Revenue due JUTHOR contribution to topline SAR 38 M and increase in sales volume
- Selling price include containerboard and tissues sales segment
- G&A decreased by 23 %



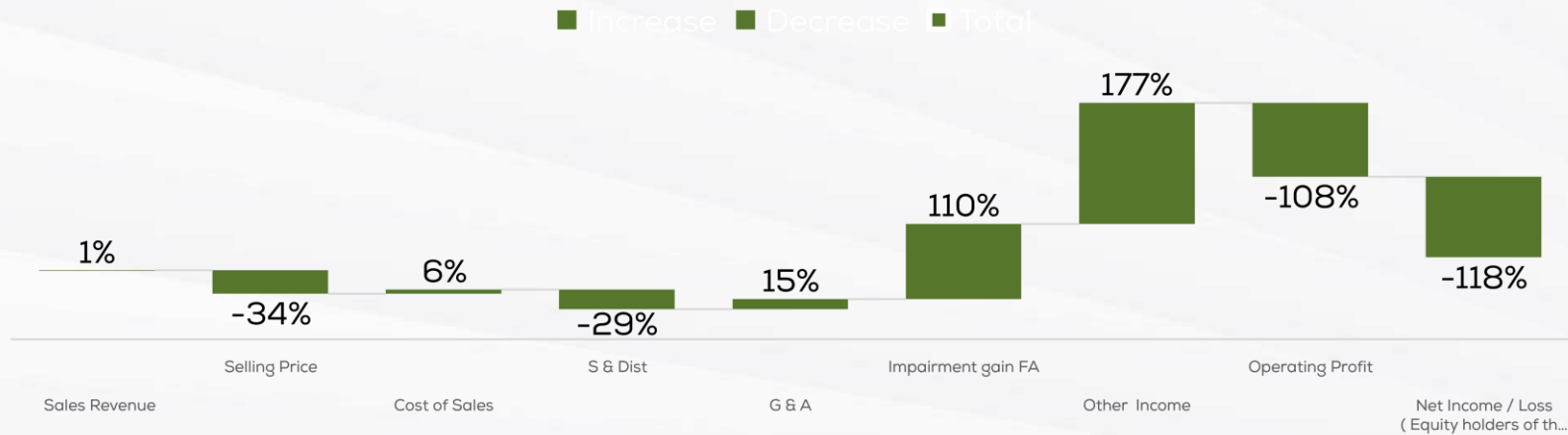
Un Favorable

- Increase of cost of sales by 23 % due increase in maintenance cost by SAR 9.7 M
- Selling & distribution increase by 14 % shipping & Transportation increased by 17% , non cash expense (dep) increase by 1360% , SAR 1.6 M
- Finance charges increase by 72 % , SAR 3.8 M

Key Financial Indicators 9M 23 vs 9M 22 Consolidated



Net profit break down % SAR M



Favorable

- Selling & distribution decrease by 29 % due to reduction in transportation and shipping
- Impairment gain financial assets backed by increased collection from customers
- Other income backed up by Foreign exchange gain SAR vs Euro +125 % , SAR 3.2 M
- Insurance claim recovery by SAR 1.7 M , other sales SAR 3.5 M

Un Favorable

- A decrease in Sales price YoY by 34 %
- Increase in Cost of sales by 6 %
- General & Admin increase , because of WASCO provision for penalty by SAR 5 M, repairs & Maintenance increase by SAR 2.6 M ,
- Finance charges increase by 59 % equal to SAR 7.6 M



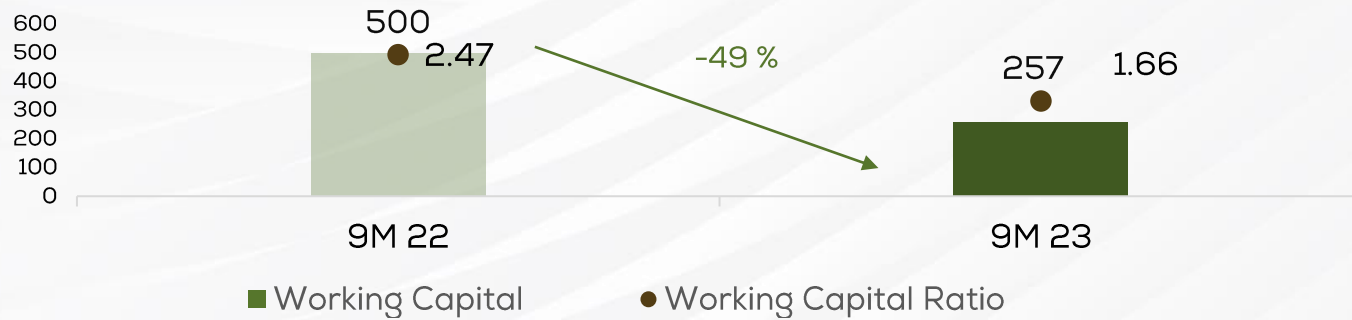
Nonrecurring expenses impacting the Net loss

- WASCO penalty SAR 10 M ,22 % of Net Income
- Bonus & Incentive SAR 7 M ,16 % of Net Income
- Equity shares of employees SAR 1.4 M , 3 % of Net Income

Key Financial Indicators



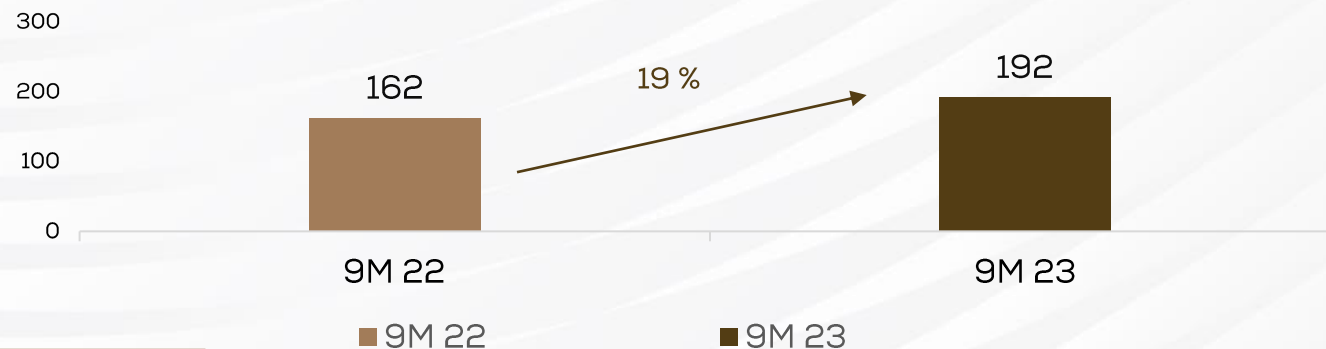
Working Capital And Working Capital Ratio SAR M



Despite the recurring loss in Q3 FY 23 , the liquidity ratios are still maintained in the high level , with better inventory management and higher customer collection and well placed credit insurance policies



Cash Flow From Operations SAR M



Despite the incurred losses MEPCO was successful in managing its working capital and maintaining healthy ranges of cash flow from operations ,

Key Financial Indicators



Net Debt to Equity SAR M



Short term debt decreased YoY by 9 % from SAR 102 M to SAR 93 M while the Mid term debt increased by 7 % from SAR 460 M to SAR 491 M



Net Debt to EBITDA %



Net Debt to EBITDA decreased by 0.57 due to the decrease in the EBITDA , as this is a temporary situation due to the current incurred losses which is expected to be recovered once the international paper market peaks up in the Upward cycle of the industry

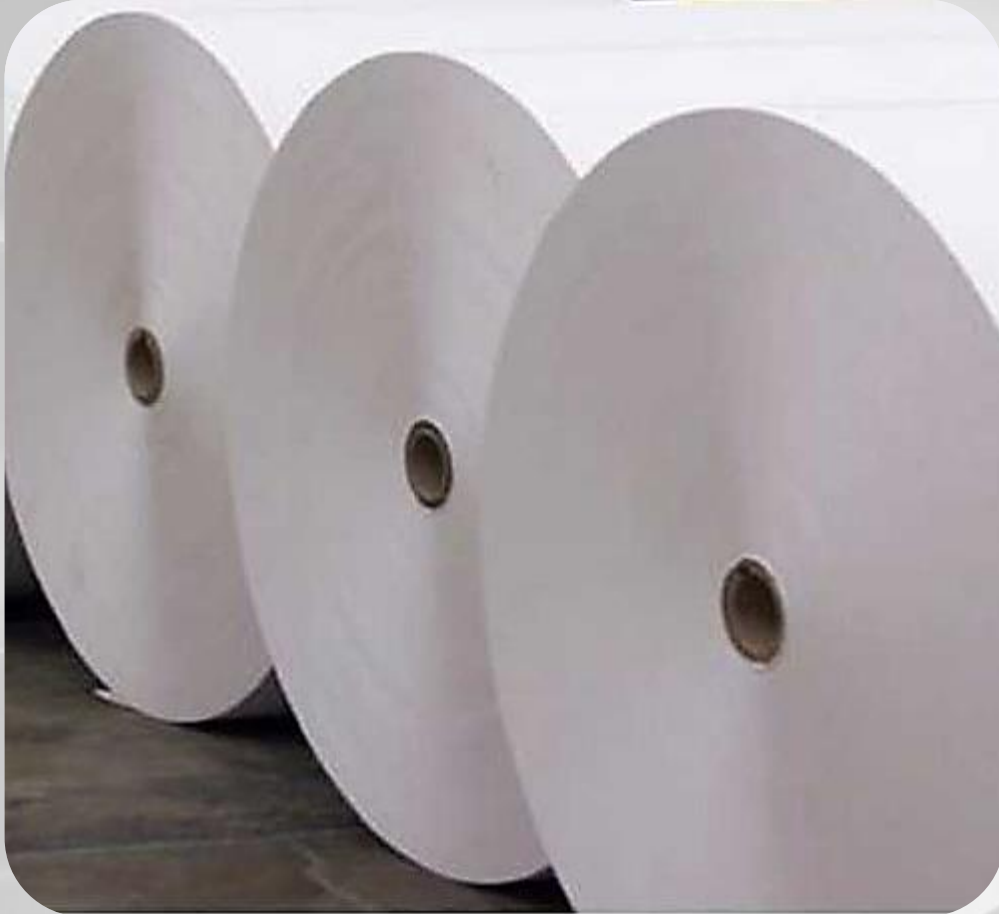
07

Management Outlook

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Mid Term Outlook



- Abiding to the growth strategy for MEPCO as a group of companies in waste and paper sector.
- JUTHOR continuous market development for tissues.
- Cost Management in an inflationary economy



Middle East Paper Company
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