

Q3/9M 2021 | Earnings Release

9M'21 SALES REVENUES CROSS SR 730M AND NET INCOME AT SR 126M Q3'21 AT NEW PROFITABILITY RECORDS WITH 41.5% GP, 25.1% EBIT, AND 23.3% NP

Jeddah, Saudi Arabia | 27 October 2021 | The Middle East Paper Co. ('MEPCO'), the region's leading vertically integrated paper manufacturer, announced its 9M 2021 results today showing record-breaking operational and financial performance. This outstanding performance comes as MEPCO recognizes sales at prevailing market prices, which increased sharply compared to last year. The remarkable profitability is attributed to better management of inputs and efficient sourcing of raw materials.

Highlights

- **Sales revenue** – increased by 11.6% and 36.5% to reach SR 280.0M and SR 730.4M for the quarter and the 9M, respectively. The sharp growth in sales value was mainly driven by the increase in international prices of containerboard sales backed by high manufacturing demand.
- **Gross profit** – climbed by 39.2% and 134.1% to record SR 115.9M and SR 247.2M while margins recorded impressive levels at 41.5% and 33.8% for the quarter and the 9M, respectively. Higher sales prices and more efficient fiber use, as well as sourcing at stabilized prices; boosted gross profit levels.
- **EBIT** – followed profitability trends soaring by 40.6% and 360.4% to mark SR 70.1M and 143.0M levels with 25.1% and 19.6% margin levels. It is noteworthy to mention that EBIT was impacted by paying off of the ESOP plan, which amounts for SR 10.3M.
- **Net profit (attributable to parent)**– for Q3'21 recorded SR 65.0M and an unprecedented SR 125.9M for 9M'21 for the above-mentioned reasons, aided by a 25% decrease in finance cost compared to last year.

Eng. Sami Al Safran, CEO, commented: "The 9 months results come as a confirmation that 2021 will be a record-breaking year across all metrics. Despite the remarkable international end-product price increase, our ability to eliminate bottlenecks, and streamline operations, enabled us to maintain our local market share of 30%+ and capture a bigger market share in some select export markets that offer lucrative export opportunities. We have announced 4 price increases since Q4 2020 to match the international price trends. Local trade regulations like export of waste paper and packaging paper specifications, are enabling us, and many other manufacturers, drive business growth in a more efficient manner.

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The newly established joint venture with Jeddah Municipality, has been officially incorporated under the name of ESTIDAMA, has started test operations, and mobilized initial operations in the last weeks of September. We are eagerly looking forward to growing this pivotal partnership with Jeddah Municipality and other government entities.

I am delighted to announce the hiring of Mr Jean-marc Vandekerckhove as the President of WASCO. Mr Vandekerckhove brings a wealth of knowledge in the waste management field. He assumed many senior roles within Suez Group spanning over two decades. I am confident that Mr Vandekerckhove will be a valuable asset to both MEPCO and WASCO to fuel and capture future growth prospects.

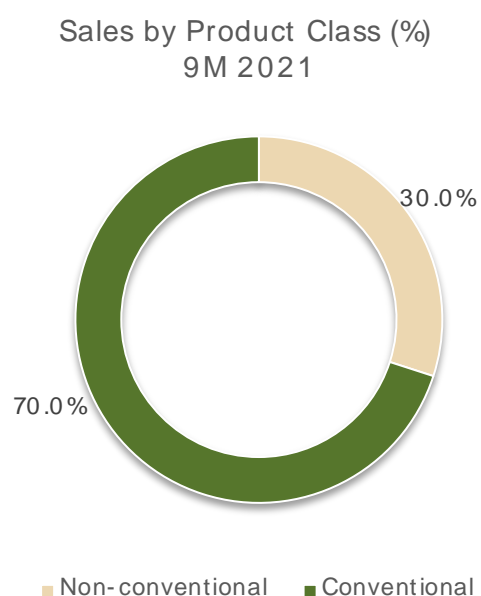
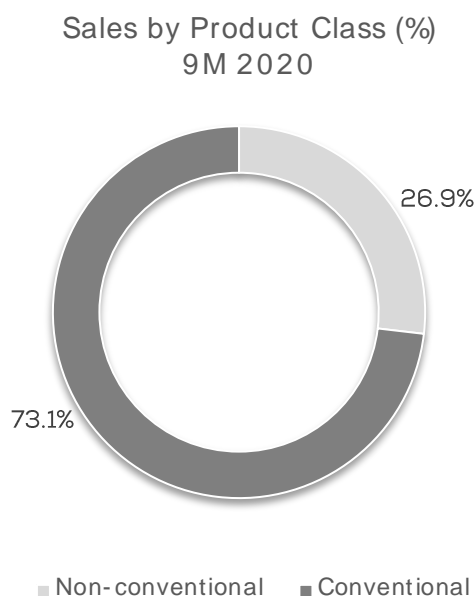
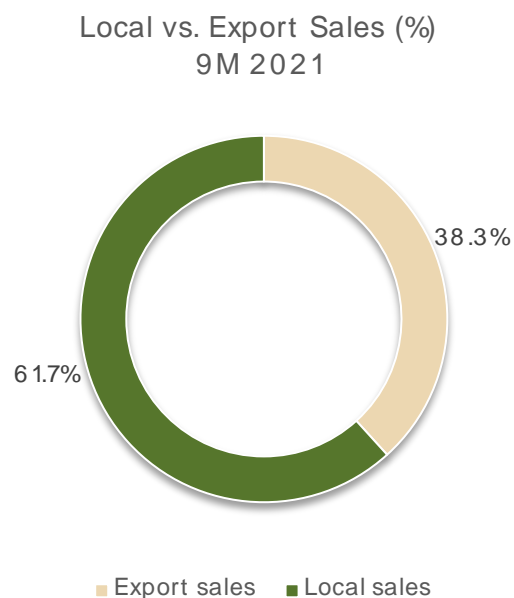
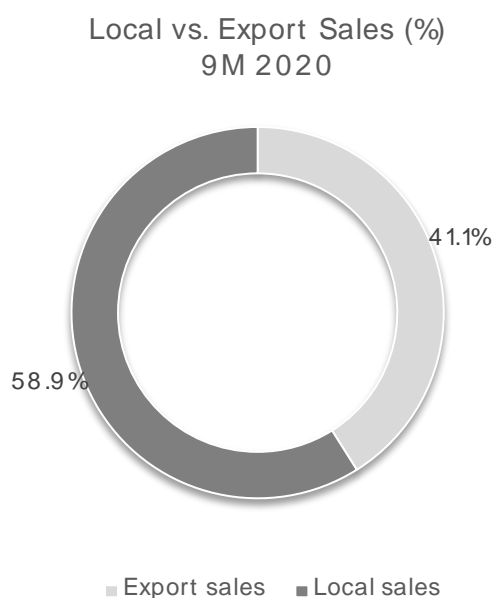
With opportunities in the paper and waste management industries abound, we have embarked on a clear direction of where and how to focus growth for MEPCO and WASCO. Our strategic plan, which we reformulated last year, gave us concrete grounds on which we build pillars of future growth. While containerboard jumbo roll manufacturing sits at the heart of our business, we dedicate much of our time and effort into other initiatives that will fuel future growth and help us maximize shareholders' returns.

Mr Johan van Vuuren, MEPCO Group Chief Financial Officer, commented: "This solid set of results exhibits MEPCO's ability to generate extraordinary profit from operations. Whilst sales prices across all products rose, we were busy rationalizing costs to generate the superior results we present to you today. We reduced finance cost by 25% compared to last year on the back of lower borrowing rates and reduction in our total financial obligations. Management is now focused on calculating and planning our financing strategy for future growth, which we aspire to transform MEPCO into the largest regional integrated player in the paper and packaging industry in the coming years. Fuelling such growth will require a web of financing solutions, which we are more than well-positioned to do".

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Sales Highlights

Sales breakdown¹ by value (SAR)



¹ Refers to MEPCO standalone sales.

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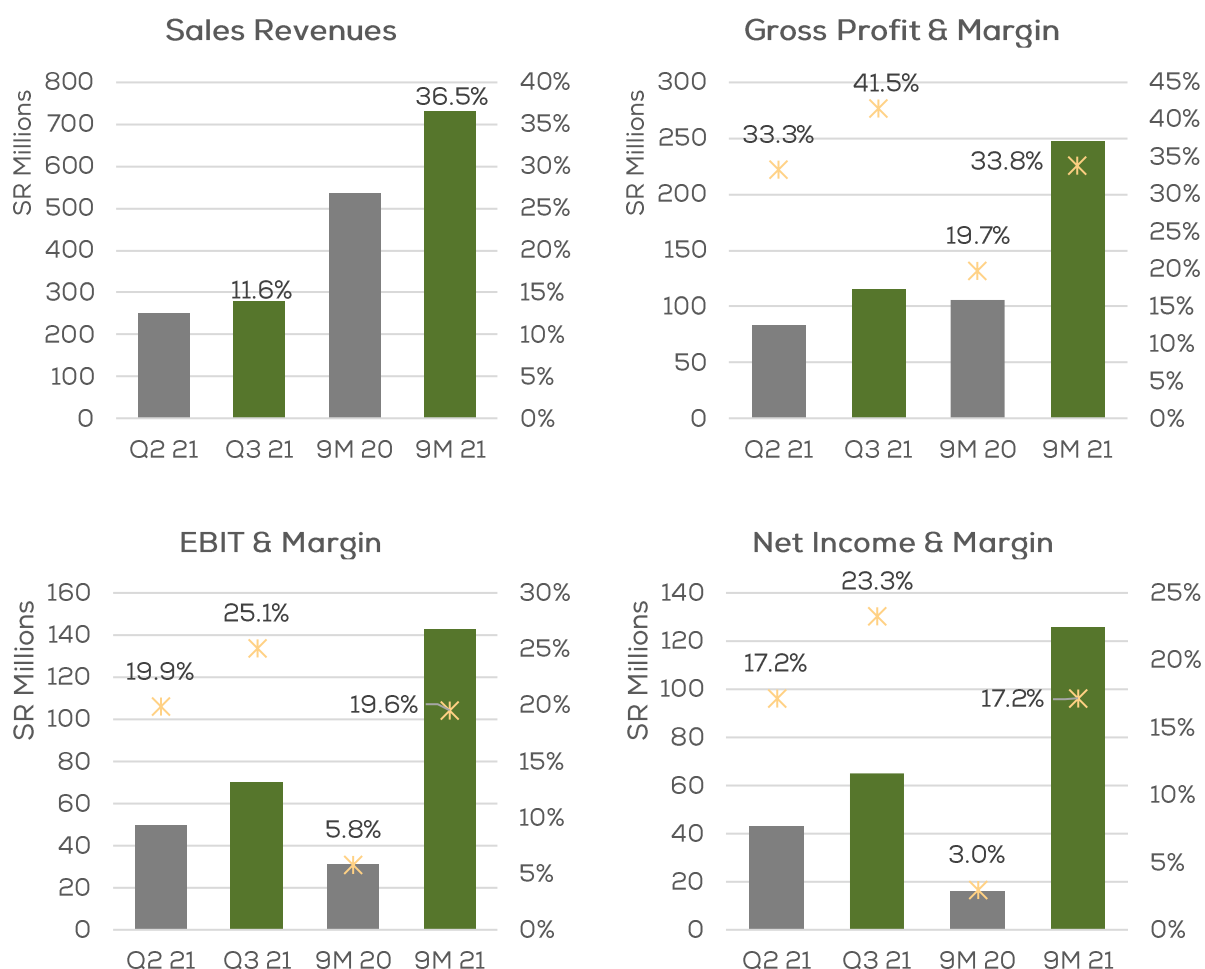
Financial Review

For the 3/9 months ended 30 September 2021; all figures are in SAR '000, unless stated otherwise.

	Previous Quarter	Current Quarter	QoQ Change	Previous Period	Current Period	YoY Change
	Q2 21	Q3 21		9M 20	9M 21	
Sales Revenue	250,452	279,484	11.6%	534,967	730,451	36.5%
Gross Profit	83,290	115,942	39.2%	105,603	247,242	134.1%
Gross Profit %	33.3%	41.5%	8.2 bps	19.7%	33.8%	14.1 bps
EBITDA	73,840	94,052	27.4%	110,476	217,966	97.3%
EBITDA %	29.5%	33.7%	4.2 bps	20.7%	29.8%	9.1 bps
EBIT	49,855	70,090	40.6%	31,050	142,962	360.4%
EBIT %	19.9%	25.1%	5.2 bps	5.8%	19.6%	13.8 bps
Net Income	43,086	65,044	51.0%	15,947	125,851	689.2%
Net Income %	17.2%	23.3%	6.1 bps	3.0%	17.2%	14.2 bps
Earnings Per Share (SAR)	0.87	1.31	0.44	0.32	2.53	2.21

bps=basis points

Sales Revenues, Gross Profit, EBIT, and Net Profit Trends | QoQ and YoY



Debt Structure

As of 30 September 2021 (SAR ,000)

	Sep-21	Sep-20	Change (SAR)	Change %
STL*	99,459	90,740	8,719	9.6
MTL**	417,782	499,628	(81,846)	-16.4
Total debt	517,242	590,368	(73,126)	-12.4
Cash Balance	49,493	29,735	19,758	66.4
Net debt	467,749	560,633	(92,884)	-16.6
Equity	887,898	747,325	140,990	18.8
Debt/Equity (x)	0.58	0.79	(0.21)	-
Net debt/Equity (x)	0.53	0.75	(0.22)	-

* STL includes: Notes Payable liability against import bills

** MTL includes: Current Portion of Term Loans

-Ends-

About MEPCO

MEPCO is the leading, vertically integrated paper manufacturer in the Middle East, offering a diverse range of containerboard and specialty paper products for the packaging, construction, furniture, and paper core industries worldwide. MEPCO supplies its products to the local Saudi market, GCC countries. Its growing global footprint spans over 40 countries, including across South Asia, the Americas and Europe.

The company's innovative approach, including energy and water-efficient production; enables it to deliver significant environmental and economic benefits. Through its wholly owned subsidiary, WASCO, MEPCO sources raw material from across the Kingdom and neighbouring countries, ensuring a secure supply while providing measurable value to the Saudi economy.

MEPCO is listed on the Saudi Stock Exchange under Tadawul symbol 'MEPCO'. For more information, visit www.mepco.biz.

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