



Middle East Paper Company
شركة الشرق الأوسط لصناعة وإنتاج الورق

Earnings Release 9M FY22

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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.



Outline

- 9M 22 Performance
- Macro Economic Dynamics
- Market Dynamics
- Exports and Local Sales
- International Prices
- Key Financial Indicators
- Outlook





9M 22 Performance

Sales Revenues

SAR 955 M

+ 31% YoY

Gross Profit

SAR 426 M

+ 72% YoY

EBITDA

SAR 350 M

+ 61% YoY

Net Income

SAR 245 M

+ 95% YoY

Cost of Sales

SAR 530 M

+ 10% YoY

Gross Profit
Margin

45%

+11 bps YoY

EBITDA Margin

37%

+7 bps YoY

Net Profit Margin

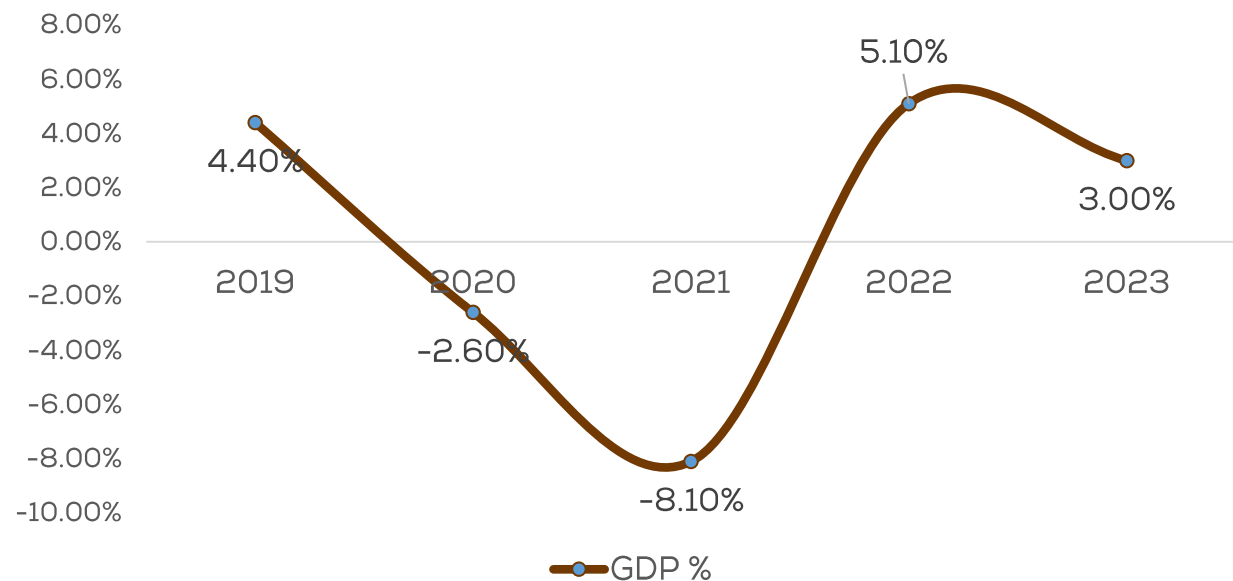
26%

+9 bps YoY

Macro Economic Dynamics

KSA Economical growth

KSA GDP %

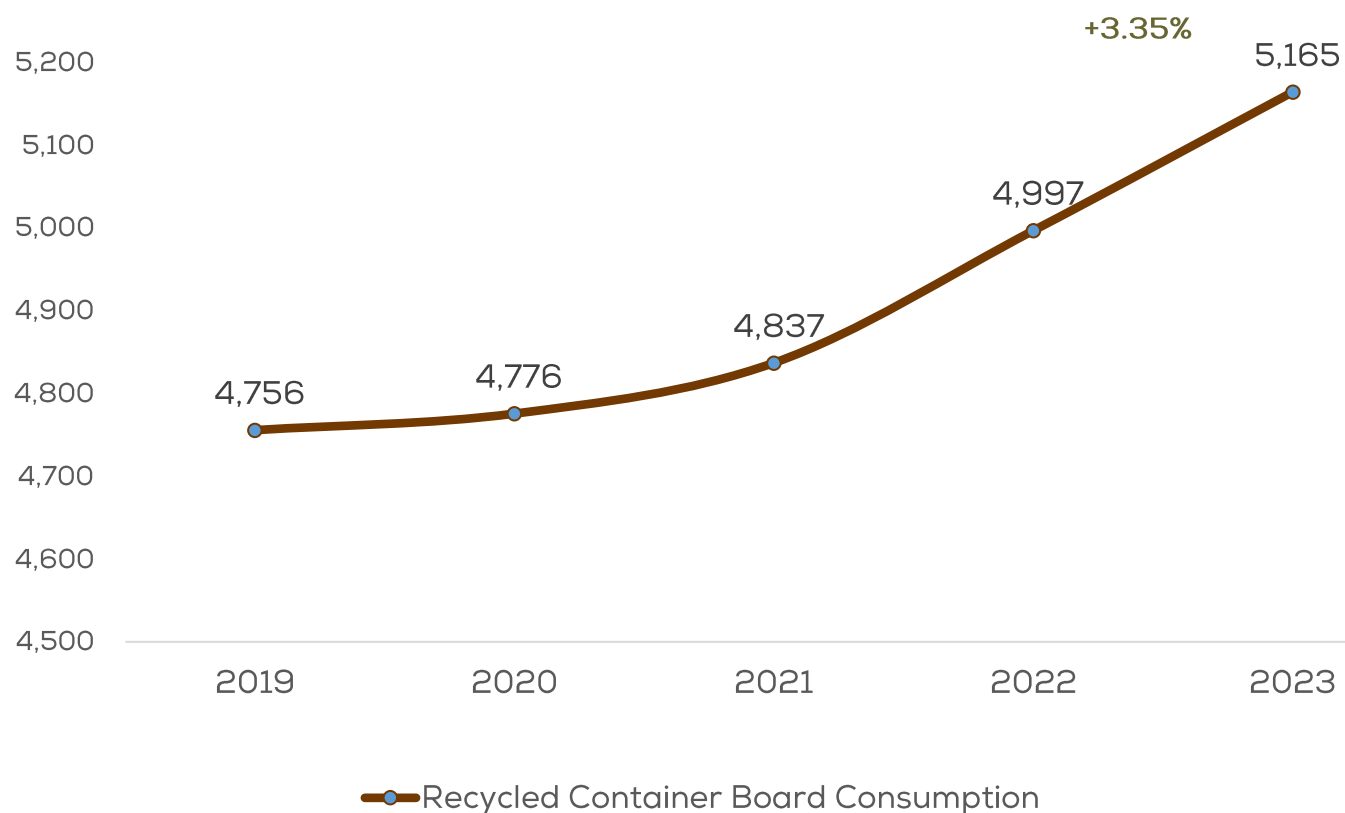


Economic Indicators "Quarter Q4 2022"

Location		
United States	GDP Growth Rate (%)	0.2
	Manufacturing PMI	51
Europe	GDP Growth Rate (%)	-0.4
	Manufacturing PMI	47.6
China	GDP Growth Rate (%)	0.8
	Manufacturing PMI	50.3
Saudi Arabia	GDP Growth Rate (%)	1 %
	Manufacturing PMI	54

Market Dynamics

Market Demand Growth for Container boards in MENA ,K tons



MEPCO' s Market Share in recycled container board is 30 % in KSA

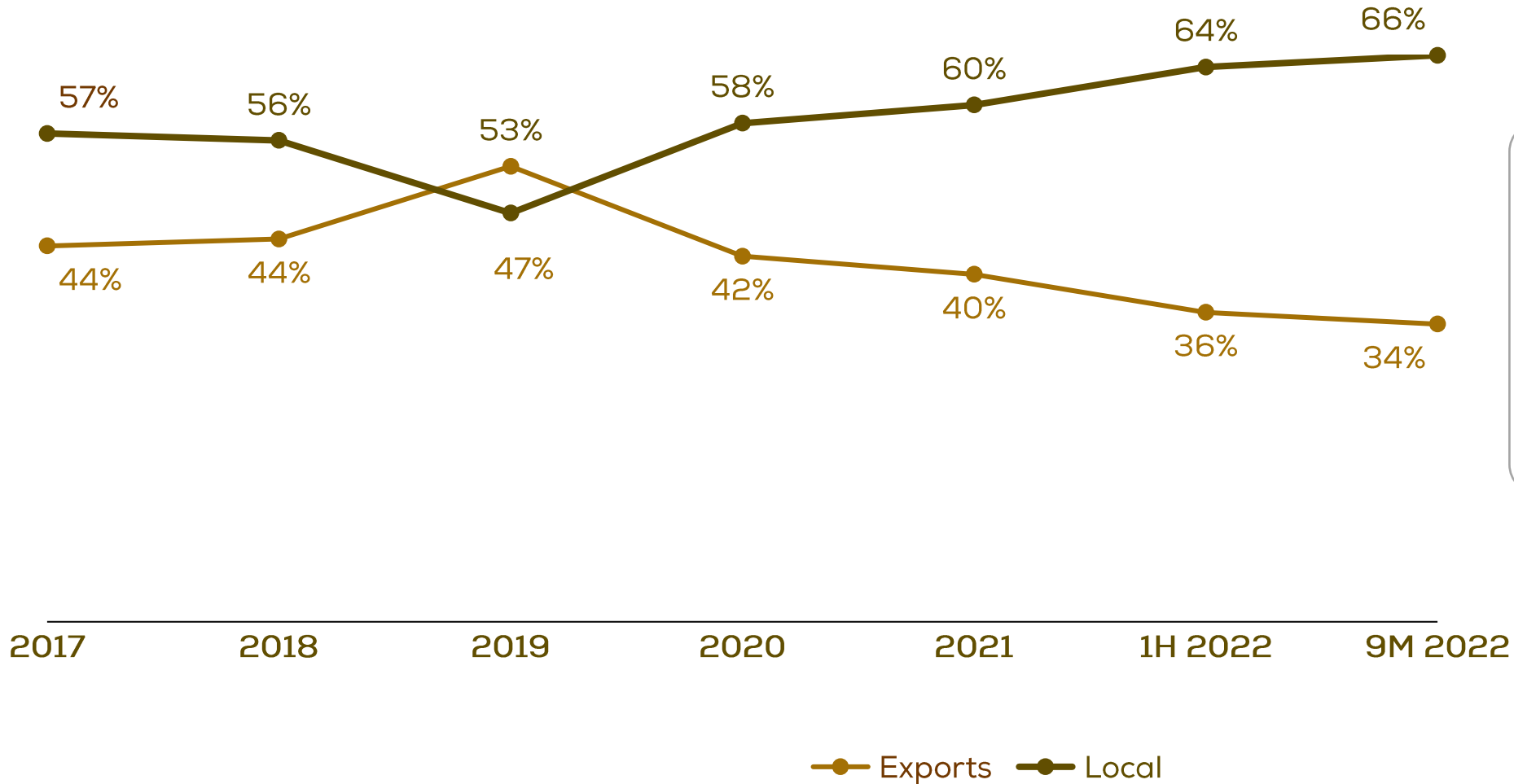
Container board consumption in MENA is around 4.5 million tons and it increases annually by 3%

Consumer Behavior

- Government and consumers are preferring Recycled products
- Most paper mills expansion announced world wide is for the recycled paper production
- Consumers behavior is now inclining towards the designed packaging

Exports and Local Sales

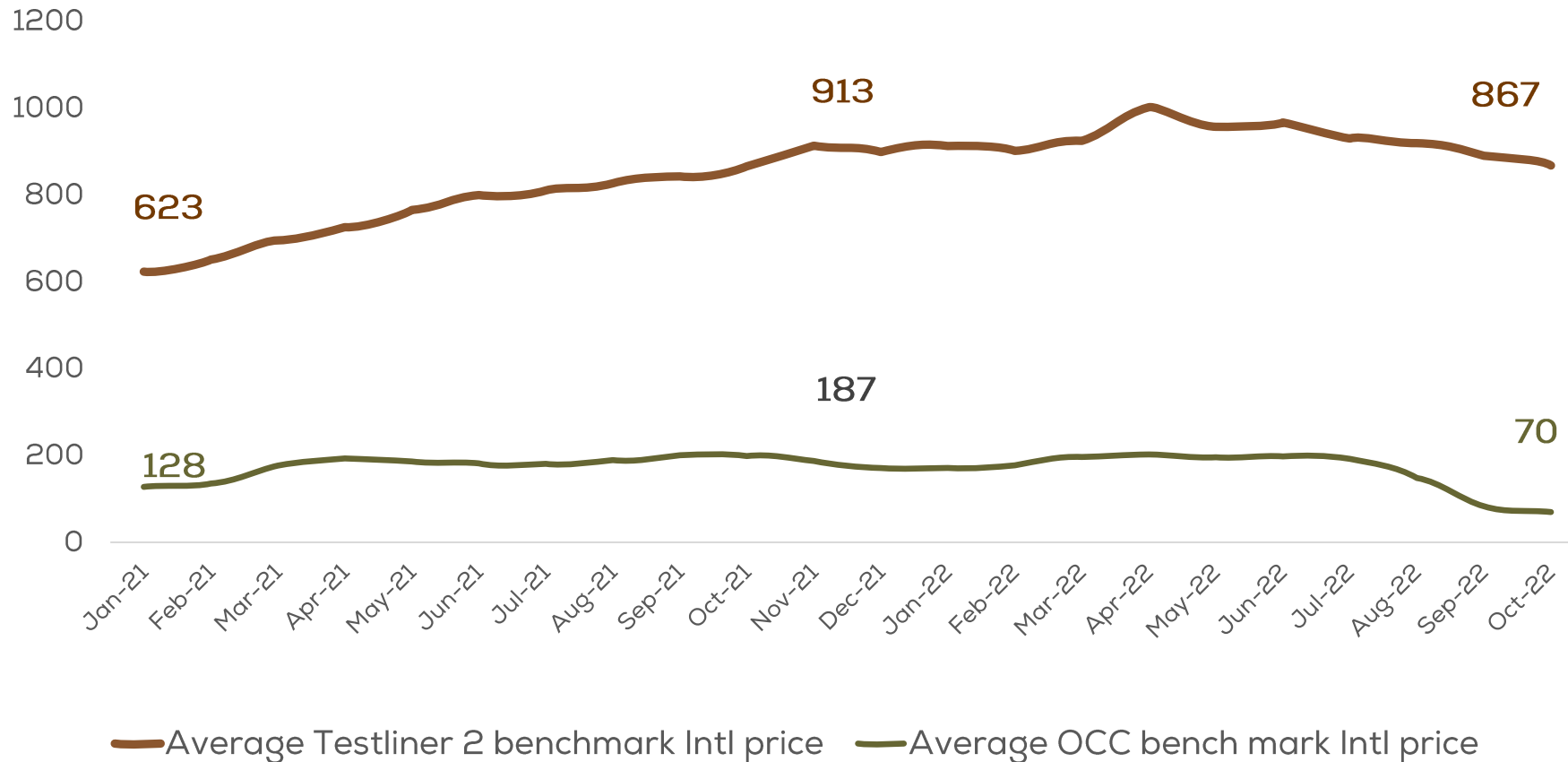
MEPCO's Exports and Local Sales %



- Average local sales from 2017 to 9M 2022 is 57%
- Average export sales from 2017 to 9M 2022 is 42%

International Prices

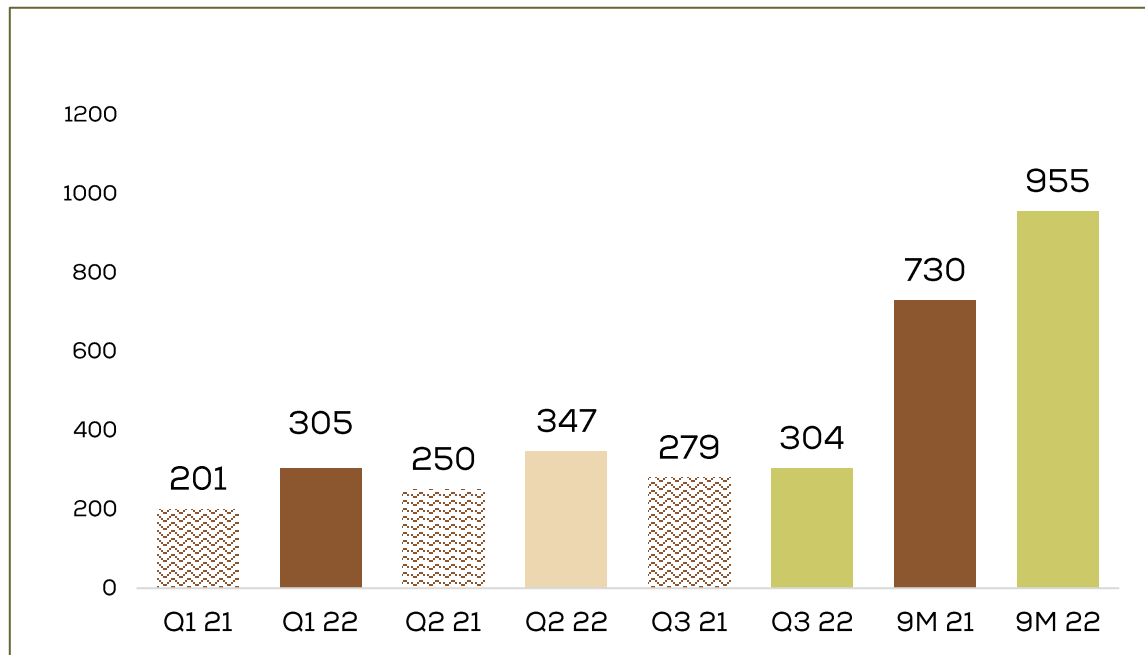
Benchmarking with international prices for testliner 2 and OCC international price *, USD/ton



- This is a benchmark for international prices to provide a sense of how the market is being impacted globally
- Local markets dynamics in KSA have resulted in a narrower margins than internationally which will converge overtime

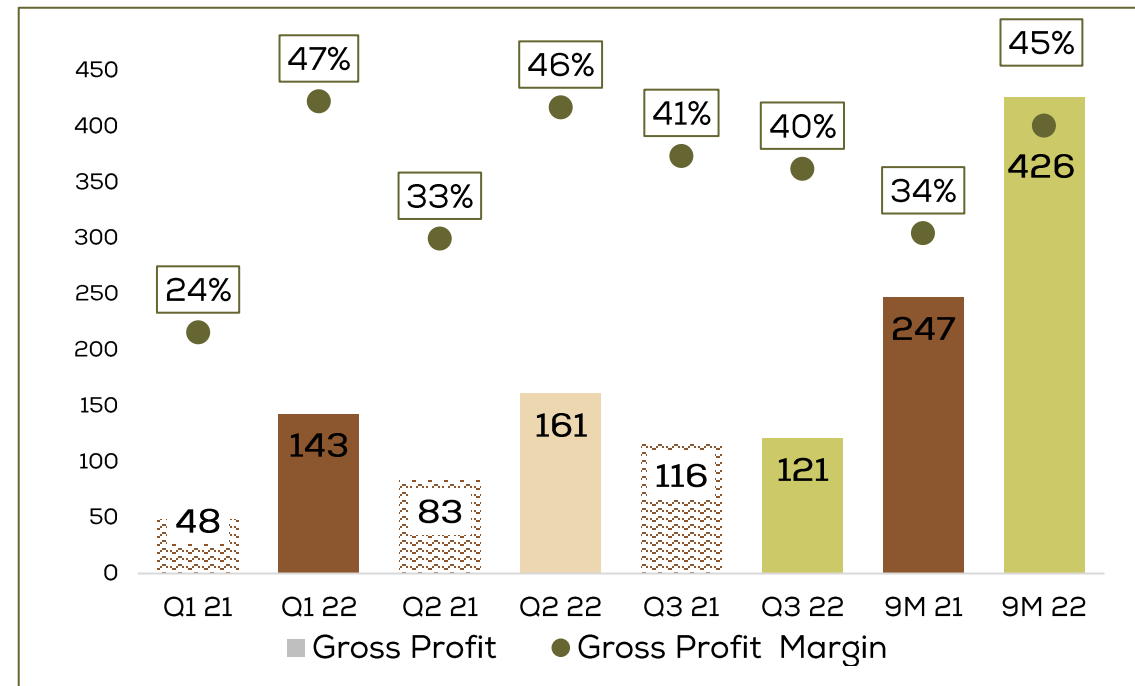
Key Financial Indicators

Revenues , SAR M



Revenues have increase 31% YoY due to the increase to international prices YoY , same production volume , utilization rate at 92%
 In Q3 international prices witness a decline which impacted revenues to decrease Q3oQ2 13%.
 Q2oQ1' 22 : revenues increased 14%

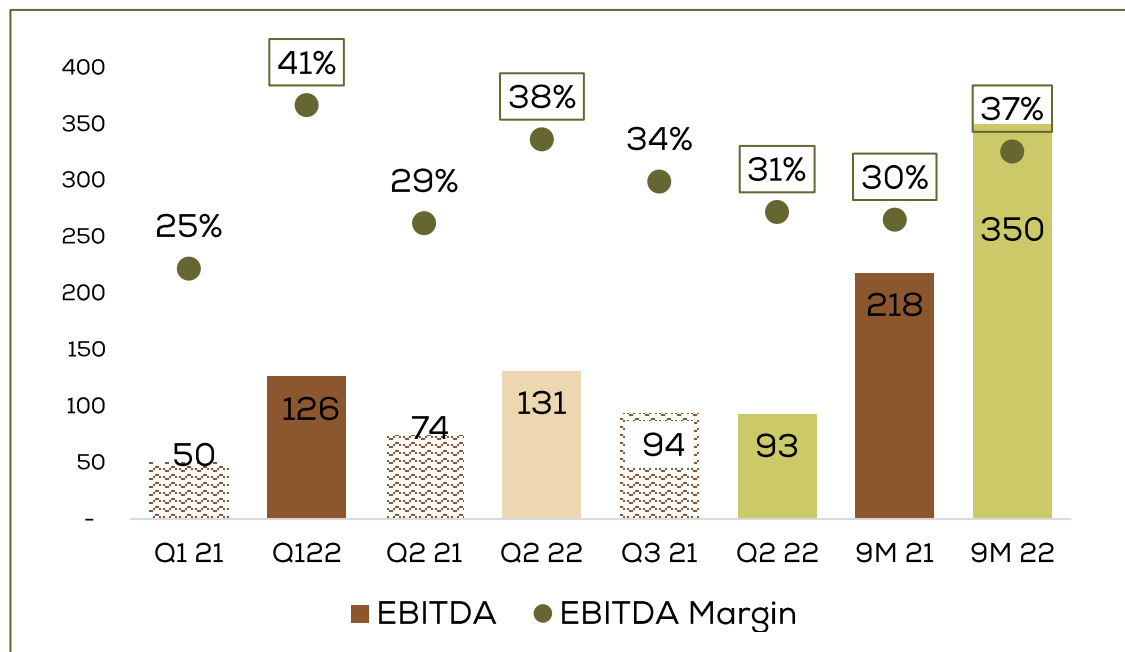
Gross Profit & Gross Profit Margin, SAR M



The Gross profit margin increase 11 bps YoY
 In Q3 , despite the decrease in the international prices , the gross profit margin remained in the higher level of MEPCO's average gross profit margins.
 The gross profit was growing consistently starting from Q2 21 . This reflects the growing efficiency in the waste management regulation in the Saudi Arabia Kingdom to have a fair competition and efficient utilization to the local content as well as an efficient cost management strategy in MEPCO

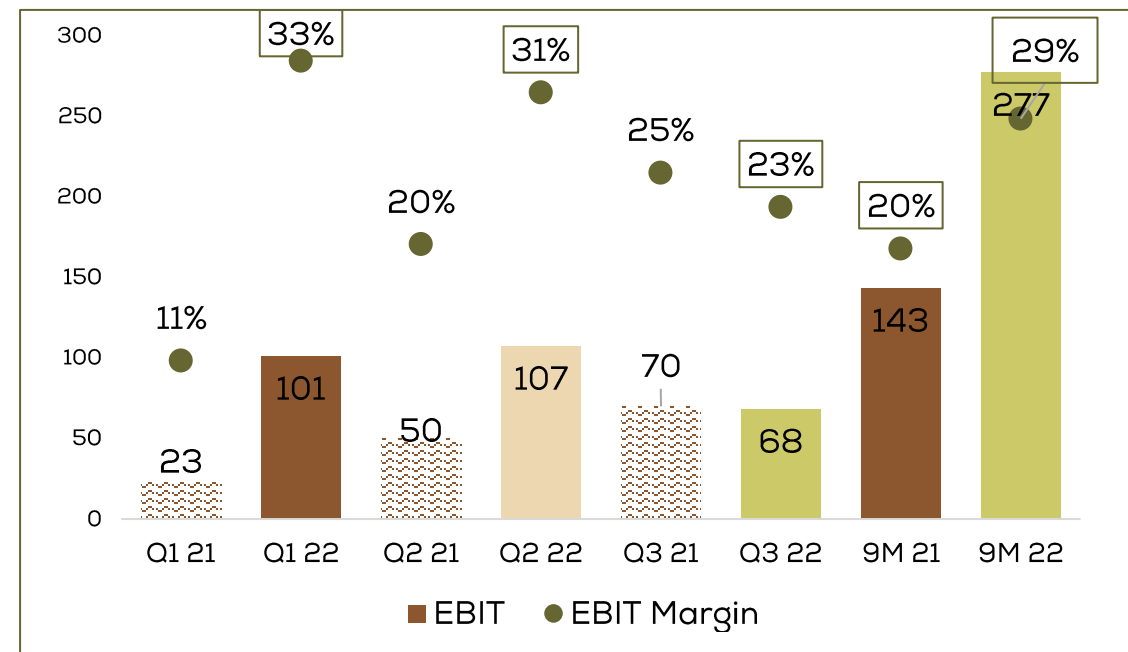
Key Financial Indicators

EBITDA and EBITDA margin, SAR M



EBITDA has increased YoY by 61% & decreased QoQ by 29%
 In 9M 22 versus 9M 21 an increase in the cost of sales related to the freight cost due to the current global circumstances, freight cost YOY increased by 32%.
 But Q3oQ2'22 the freight cost started to witness a decline by 10%

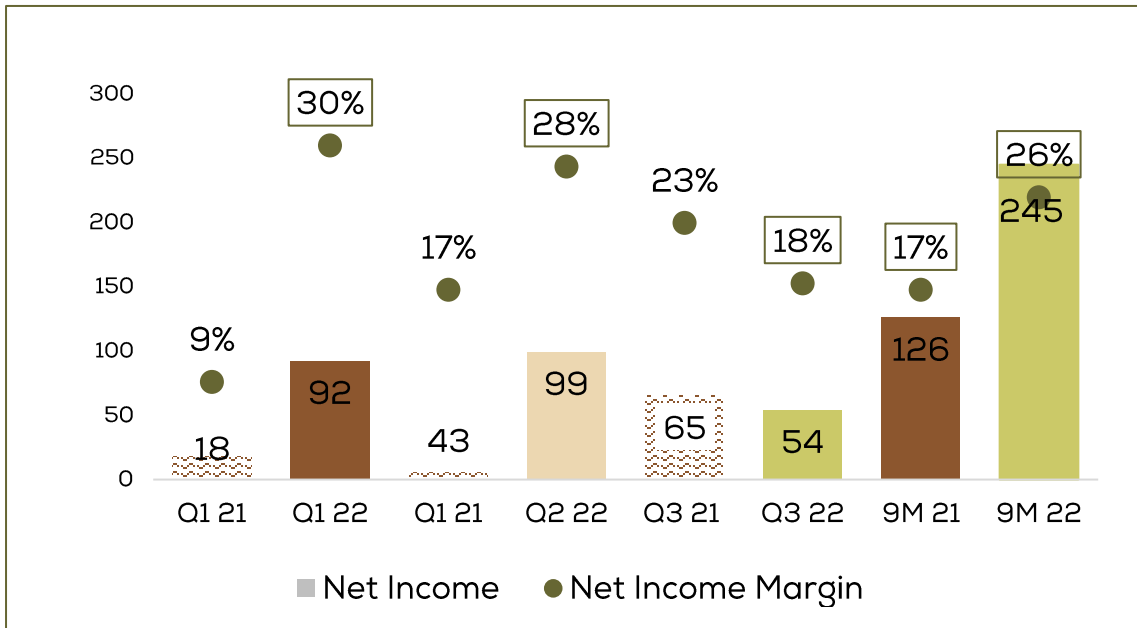
EBIT and EBIT margin, SAR M



EBIT has increased YOY 94% but decreased QoQ by 36% due the same reasons mentioned for the EBITDA, in addition depreciation has decreased by 1 % YOY
 Further increase in ESG and circular economy investing.
 MECPO invested SAR 2 M in a diesel generator to enhance electricity generation

Key Financial Indicators

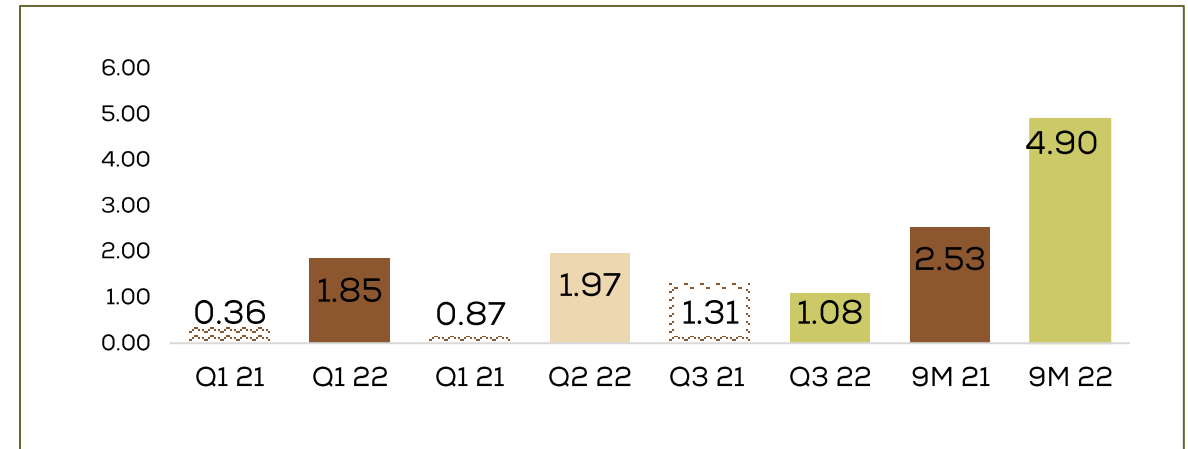
Net Profit and Net Profit margin, SAR M



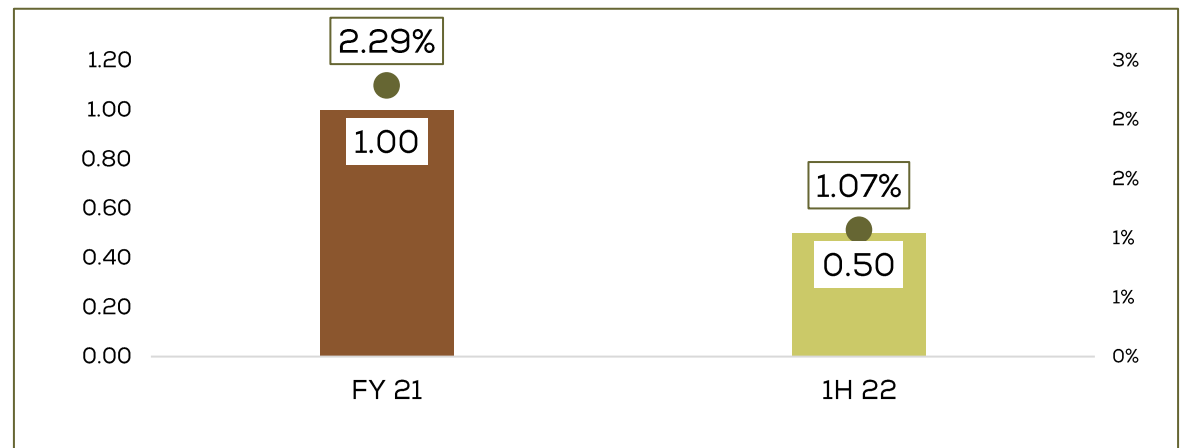
Net income increased YoY by 95% and Net Profit margin increased by 9 bps . Despite the decrease in the bottom line QoQ of the net profit margin by 10 bps , we find that MEPCO has achieved stability in the cost of production in the 9M 22 and overall high end profitability margin in comparison to FY 21.

MEPCO provided a higher EPS by 94% YoY and an interim dividends of cash dividend in addition to the expected stock dividend to be issued upon approval of the unordinary general assembly meeting in Q4 22.

Earning per share, SAR

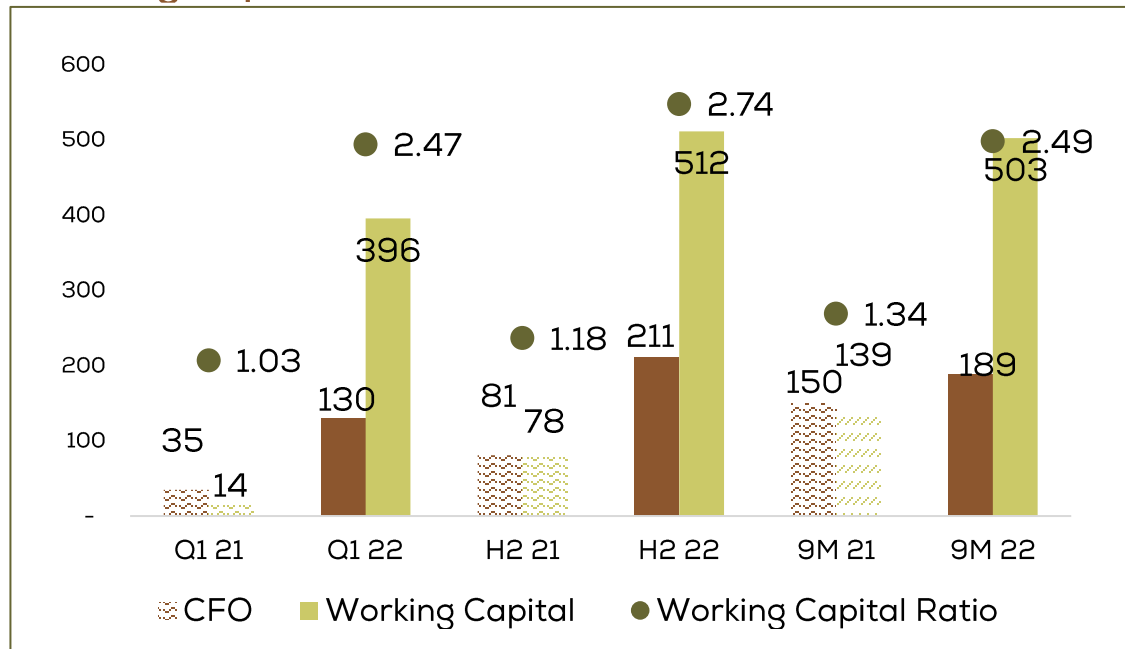


Cash Dividend and dividend yield , SAR %



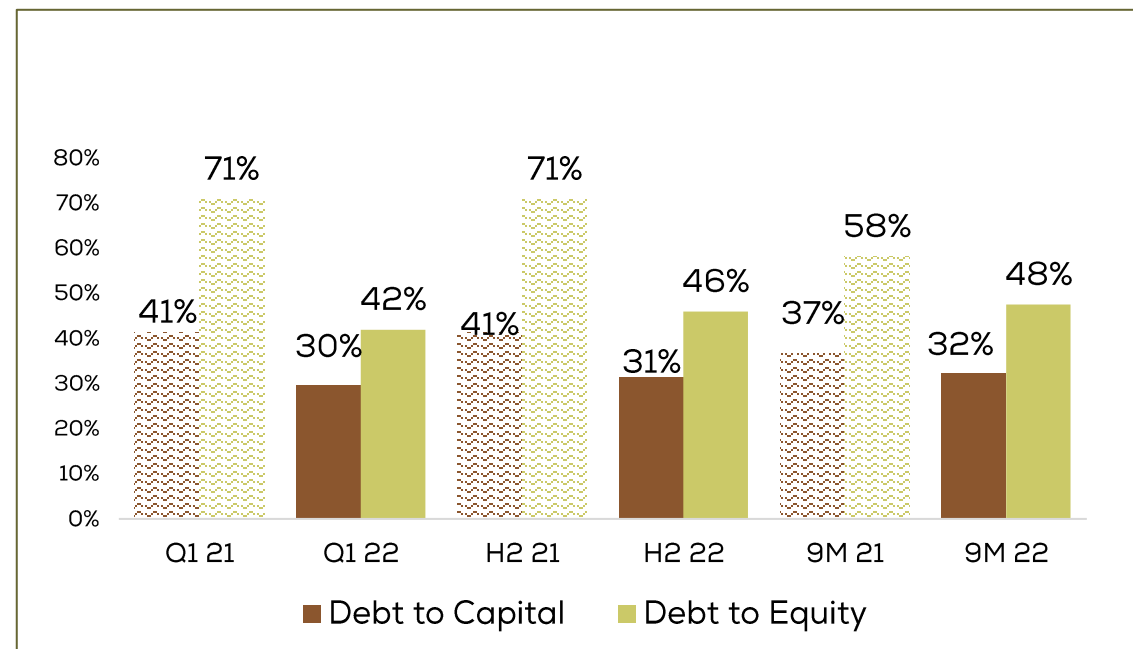
Key Financial Indicators

Cash Flow From Operations, Working Capital and Working Capital Ratio SAR M



MEPCO continued to sustain a strong cash flow from operation increasing 26% YoY with sustainable working capital matching ranges . The management was successful in managing its receivables and payables as the working capital ratio was doubled YoY from 1.34 to 2.49

Debt to Capital & Debt to Equity , %



Total debt/equity decreased YoY by 10 bps , there has been an increase in the short-term debt QoQ by SAR 47 M but the Debt to Capital maintained to be in range of 31 %



- Factory : Horizontal expansion in production of jumbo tissue rolls.
- Production Volume: 60,000 ton.
- Technology applied: State of the art tissue machinery supplied by TOSCO TEC.
- Location : Industrial Valley in King Abdullah Economic city.
- Test run : 1Q 2023 , followed by commercial production.
- Estimated gross margin as per the feasibility study is 25%.



- Recently announced major advancement towards the delivery of the Group's growth strategy .
- Production Capacity : 400Kton, serving growing local and regional demand .
- Investment cost : SAR 1.5 Bn
- IRR : 15%
- Further announcement to be made on technology selection, financing structure and location by the end of Q1/2023 .

MEPCO's Executives



Group President
Eng. Sami Al-Safran

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.



Vice President
Eng. Husam Hamam

Joined as Vice President from 2021. over 20 years of experience, held various leadership position in Mining sector, housing and industrial sectors.

Bachelor of Science in Mechanical Engineering
1999 – Executive MB



Group Chief Financial Officer
Abdullah Al Yabis

Over 20 years of finance of which more that 10 years as CFO with extensive experience in cost optimization and companies restructuring .

MBA from Western Michigan university USA.



Group Chief Transformation Officer
Johan van Vuuren

Over 20 years of experience in multiple sectors including Energy, Petrochemical, Manufacturing, Infrastructure, Sustainability, Paper & Packaging and Waste Management.

Has worked in the Americas, Africa, Europe and the Middle East.

MBA from London business school.



Group Chief Commercial Officer
Ahmed EL Fazary

Over 17 years of international marketing and trading . With extensive paper industry experience and achievements Bachelor of commerce and post graduate diploma in international trading



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