



Middle East Paper Company
شركة الشرق الأوسط لصناعة وإنتاج الورق

Press Release

EARNING RELEASE

QUARTER ONE FY 2023

MEPCO's achieves higher sold volume despite the downward pressure in the global demand

Increased sold volume records sales revenue of SAR 224 M
Despite Net loss for Q1 FY 23 stable operational performance is sustainable

as growth and expansion is on the road for Kick off

Gross Profit margin 15.8 %, EBITDA margin 11.9% and Net loss margin -2.9 %

Jeddah, Saudi Arabia | May 18, 2023

The Middle East Paper Co. ('MEPCO'), the region's leading vertically integrated paper manufacturer announced its results for Quarter One Fiscal Year 2023.

Results portrayed MEPCO's resilience and strong operational leadership in the paper manufacturing industry.

Key Q1 FY 23 Highlights

Solid Market leadership

- Local sales revenues increased QoQ 4.82 %, Local Sales volume increased 30.73 %.
- Export sales revenues decrease QoQ 14.59 %, Export Sales volume increased 11.54 %.
- JUTHOR locking preorders prior commercial launch.

Key Financial High Lights

Sales revenue

YoY decreased by 26.6%, from SAR 305 M to SAR 224 M. QoQ sales revenues decreased by 3.3%, from SAR 232 M to SAR 224 M, mainly due to the decline in local and international paper prices

Gross profit

YoY decreased by 75.3%, from SAR 143 M to SAR 35 M QoQ Gross profit declined by 54.3 %, from SAR 77 M to SAR 35 M.

Gross profit margin

YoY decreased by 3117 bps, from 46.9% to 15.8%, whilst QoQ gross profit margin decreased by 1757 bps, from 33.3 % to 15.8%.

EBITDA

YoY EBITDA decreased by 78.9%, from SAR 126 M to SAR 27 M, whilst QoQ EBITDA decreased by 51.3% from SAR 55 M to SAR 27 M.

EBITDA margin

YoY decreased by 2939 bps, from 41.3% to 11.9%, whilst QoQ EBITDA margin decreased by 1172 bps from 23.6% to 11.9 %.

Net income/Loss

YoY decreased by 107.1% from SAR 92 M net income to SAR 7 M net loss, whilst QoQ net income decreased by 127.5% from SAR 25 M net income to SAR 7 M net loss.

Net income / Loss margin

YoY decreased by 3325 bps, from 30.3% to -2.9%, and QoQ decreased by 1367 bps from 10.7% to -2.9%.

Eng. Sami Safran, Group President of MEPCO, commented:

"In this financial quarter of 2023, despite the decrease in the international selling prices and the current global slowness in the containerboard global demand. We witnessed higher demand for MEPCO's products and we continued to sustain MEPCO's market leadership in the region. There has been an increase in the sold volume on a quarter basis by 22% and on Year-on-Year basis an increase of 9%. In the year beginning of 2022, we communicated that the international selling prices were in the high end as global demand was in a better condition but ever since the global geopolitical crisis started to emerge impacting the global economy, the demand worldwide was witnessing downward pressures. Despite these challenges we continued to adopt a market strategy that enables us to have sustainable larger market share, building on MEPCO's premium product quality, sales services and brand reputation we were able to surpass the sold volume in Q1 FY 22 and Q4 FY 22.

While international weaker demand drove international paper mills to reduce operating rates, MEPCO kept its operating rates at the maximum levels.

We are still on track on achieving MEPCO's strategy, expanding in the circular economy, in achieving the Saudi vision for 2030 and leading the paper and packaging industry. We continue to strive despite challenges, reposition our marketing targeting for more favorable diversification and work on optimization and cost control.

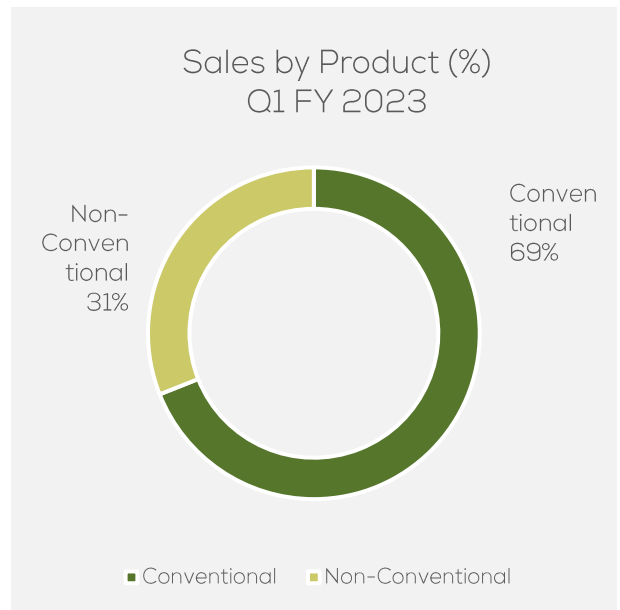
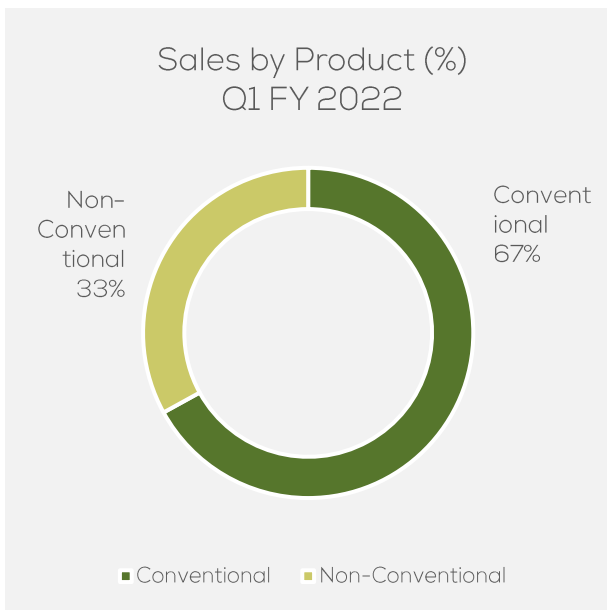
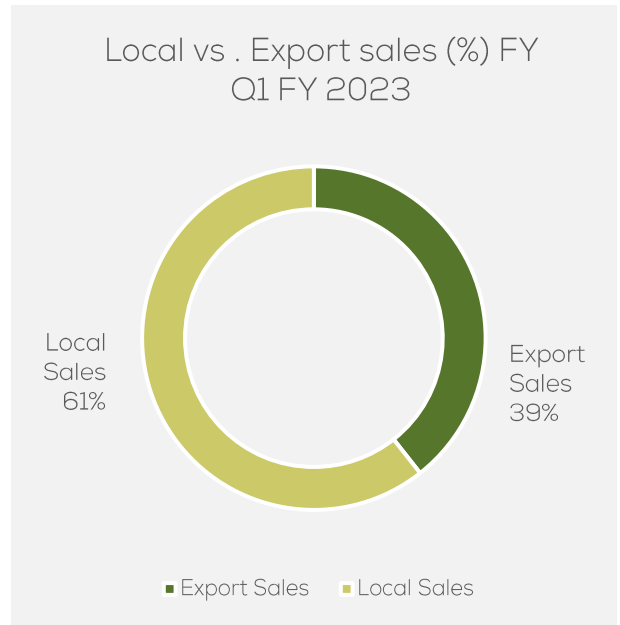
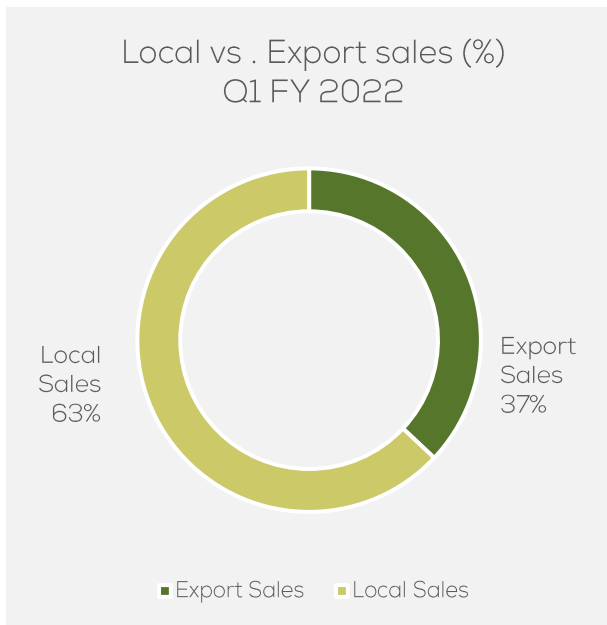
I would like to acknowledge that we are weeks away from JUTHOR plant for producing jumbo tissue rolls commercial launch as we have announced its launch will be within Q2 FY 23, this is one of the strategic pillars we worked for as a diversity and expansion in the paper industry. "

Med Term Management Outlook:

- Continuous improvement in production efficiency to sustain lower production cost
- Market repositioning where higher market demand exists locally & Internationally
- JUTHOR commercial launch to start in few weeks

Sales Highlights

by value in (SAR) Sales breakdown



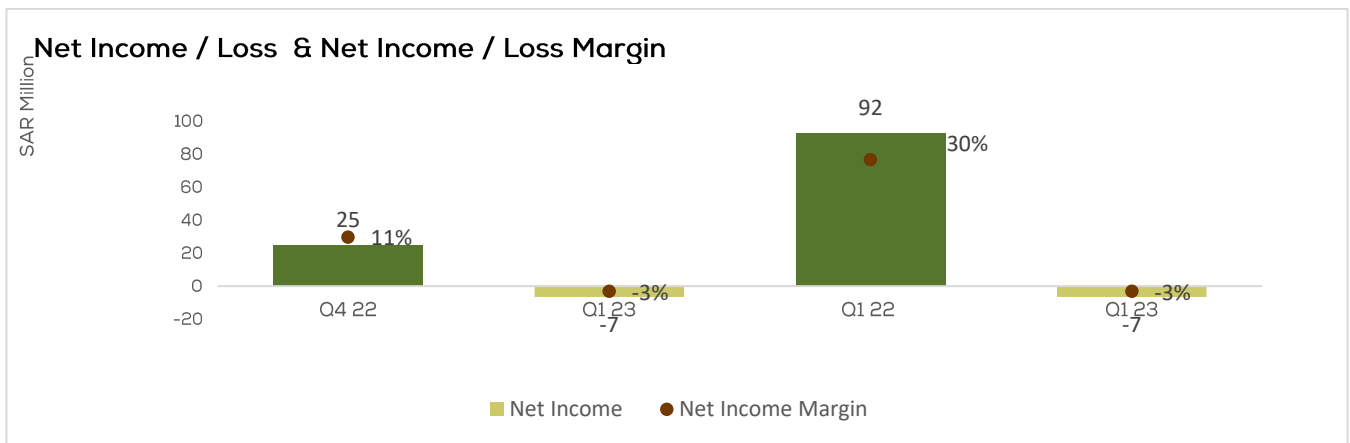
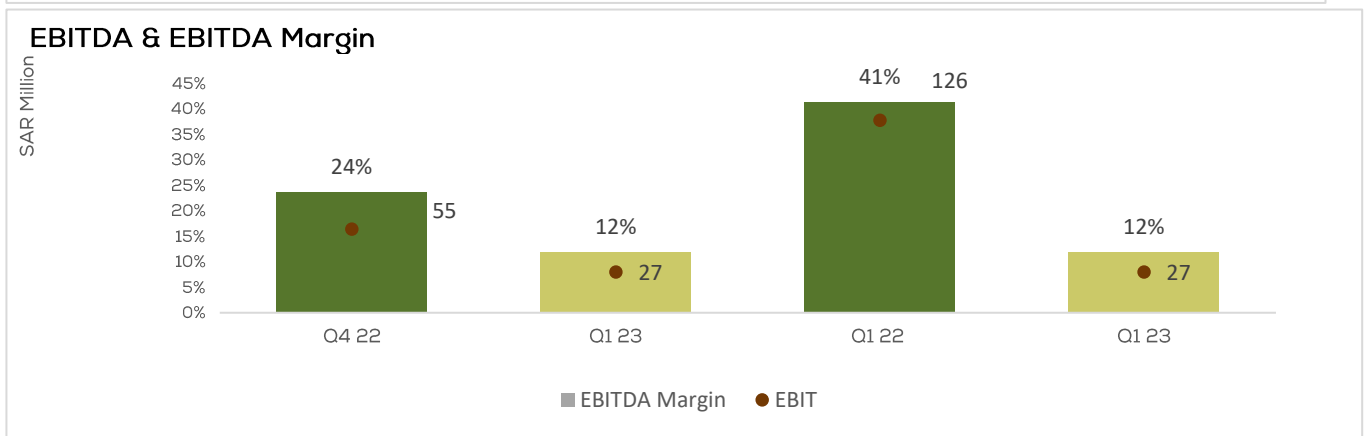
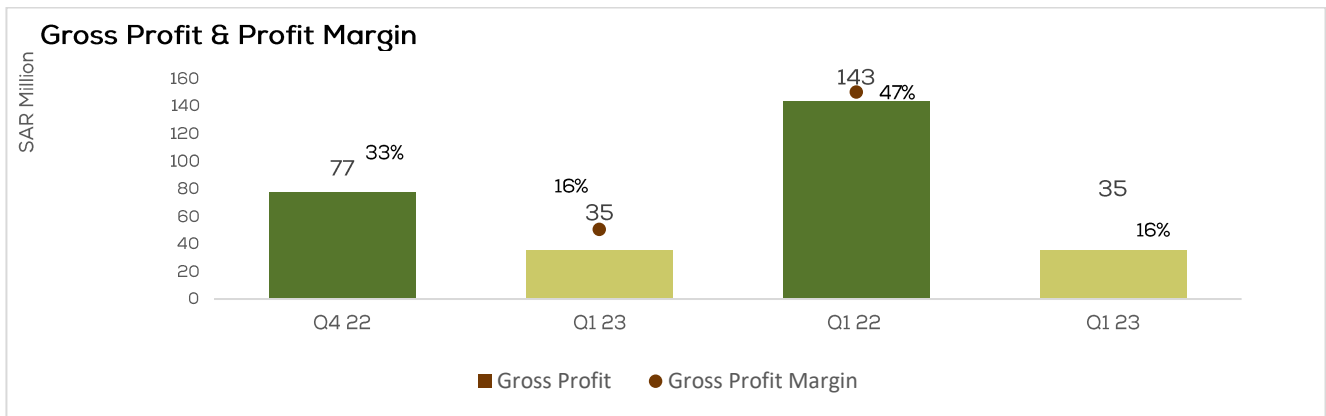
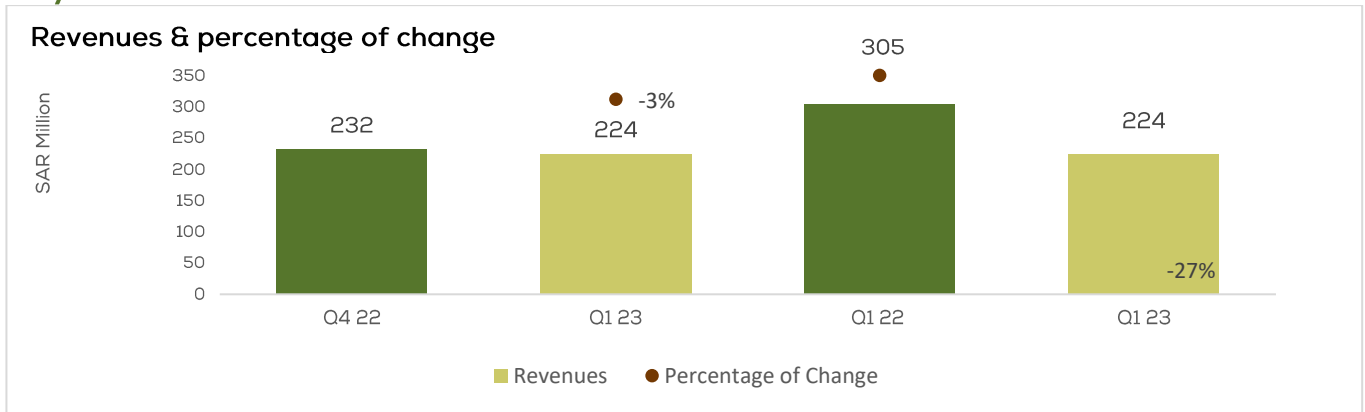
Financial Review

For the financial period ended 31 March, 2023 ; all figures are in SAR '000, unless stated otherwise.

in SAR,000	Previous Quarter	Current Quarter	QoQ Change	Previous Period	Current Period	YoY Change
	Q4 22	Q1 23		Q1 22	Q1 23	
Sales Revenue	231,519	223,949	- 3.3%	305,017	223,949	-26.6%
Gross Profit	77,165	35,294	- 54.3%	143,157	35,294	-75.3%
Gross Profit %	33.3%	15.8%	-1757 bps	46.9%	15.8%	-3117 bps
EBITDA	54,606	26,579	-51.3%	125,838	26,579	-78.9%
EBITDA %	23.6%	11.9%	-1172 bps	41.3%	11.9%	-2939 bps
EBIT	27,484	2,294	-91.7%	101,294	2,294	-97.7%
EBIT %	11.9%	1.0%	-1085 bps	33.2%	1.0%	-3218 bps
Net Profit/Loss	24,791	-6,558	-126.5%	92,386	-6,558	-107.1%
Net Profit/Loss %	10.7%	-2.9%	-1364 bps	30.3%	-2.9%	-3322 bps
Earnings Per Share (SAR)	0.37	-0.10	-0.47 SAR	1.39	-0.10	-1.49 SAR

bps=basis points

Key Financial Indicators | QoQ and YoY



Earnings Release

As of 31 March 2023 (SAR '000)

	Mar -22	Mar - 23	Change (SAR)	Change %
STL*	15,629	30,011	14,383	92.0%
MTL**	435,314	535,496	100,182	23.0%
Total debt	450,943	565,508	114,565	25.4%
Cash Balance	149,715	185,962	36,247	24.2%
Net debt	301,228	379,546	78,318	26.0%
Equity	1,075,918	1,175,333	99,415	9.2%
Debt/Equity (x)	0.42	0.48	0.06	14.8%
Net debt/Equity (x)	0.28	0.32	0.04	15.3%

* STL includes: Notes Payable liability against import bills

** MTL includes: Current Portion of Term Loans and net-off Deferred Finance Charges (DFC)

*** Total Equity including Non-Controlling Interest with value of SR 695 thousand.

-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 neighboring 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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