



Middle East Paper Company
شركة الشرق الأوسط لصناعة وإنتاج الورق

EARNING RELEASE

9M FY 2023

JUTHOR continues ramping up in sales revenue achieving SAR 38 M of the total sales revenue of MEPCO

MEPCO's net loss is still impacted by declining international prices

Gross Profit margin 13%, EBITDA margin 8% and Net loss margin -8%

Jeddah, Saudi Arabia | November 7, 2023

The Middle East Paper Co. ('MEPCO'), the region's leading paper manufacturer, announced its results for Q3 Fiscal Year 2023.

Despite the marginal increase in the sales volume compared to the previous year and the continuity of a diversification strategy, and increasing the tissue segment revenues, results portrayed the impact on MEPCO's containerboard segment revenues affected by the downward pressure on the international prices.

Key 9M FY 23 Highlights

Solid Market & Operational leadership

JUTHOR

- Local Sales achieving SAR 38 M with Utilization rate reaching to above 50 %

MEPCO

- **YoY total sales volume Increased 1 %, total sales revenue decreased 37%,**

YoY: Local Sales volume decreased 9% & Local sales revenues decreased 41%

YoY: Export Sales volume increased 21 % & Export sales revenues decreased 29%

- **QoQ total Sales volume increased 11%, total sales revenue increased 1%,**

QoQ: Local Sales volume increased 18 % & Local sales revenues increased 7 %

QoQ: Export sales revenues decreased 7 % & Export Sales volume increased 1 %

Key Financial High Lights

- **Sales revenue**

YoY decreased by 33%, from SAR 955 M to SAR 642 M.

QoQ increased by 21%, from SAR 189 M to SAR 229 M.

- **Gross profit**

YoY decreased by 81%, from SAR 425 M to SAR 82 M

QoQ increased by 4%, from SAR 23 M to SAR 24 M.

- **Gross profit margin**

YoY decreased by 3177 bps, from 45% to 13%.

QoQ decreased by 165 bps, from 12% to 10%.

- **EBITDA**

YoY decreased by 84%, from SAR 350 M to SAR 54 M.

QoQ Increased by 45% from SAR 11 M to SAR 16 M.

- **EBITDA margin**

YoY decreased by 2819 bps, from 37 % to 8%.

QoQ Increased by 117 bps from 6 % to 7 %.

- **Net income/Loss**

YoY decreased by 118% from SAR 245 M net loss to SAR 45 M net loss.

QoQ decreased by 12 % from SAR 20 M net loss to SAR 18 M net loss (attributable to Equity holder of the parent).

- **Net income / Loss margin**

YoY decreased by 3257 bps, from 26 % to -8%.

QoQ decreased by 286 bps from -11 % to -8 %.

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

"The decline in international prices started to take less steeper decline QoQ, we witnessed 21 % increase in the total sales revenues versus previous quarter. Mainly due to the increase of local demand after the national holidays. MEPCO's sales volume in containerboard market segment are still stable compared to last year. Revenues from tissues segment are ramping up. The JUTHOR Factory utilization rate reached 50 % in tissue segment, we still maintained a higher than global average utilization rate for containerboard segment at the level of 90 % versus a global benchmark of 80 % driven by strong local demand.

However, the impact of the international drop in prices is still impacting MEPCO's bottom line. We are maintaining our current cost levels, despite the pressure of the increased inflation rate and we have taken steps to reduce our raw material inventory levels.

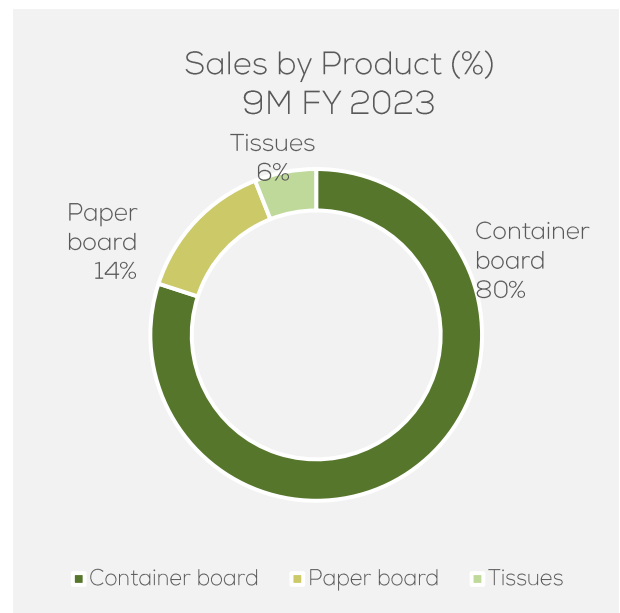
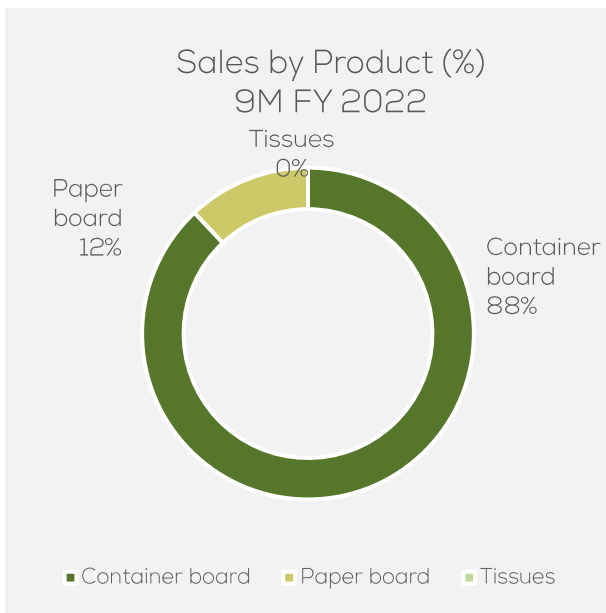
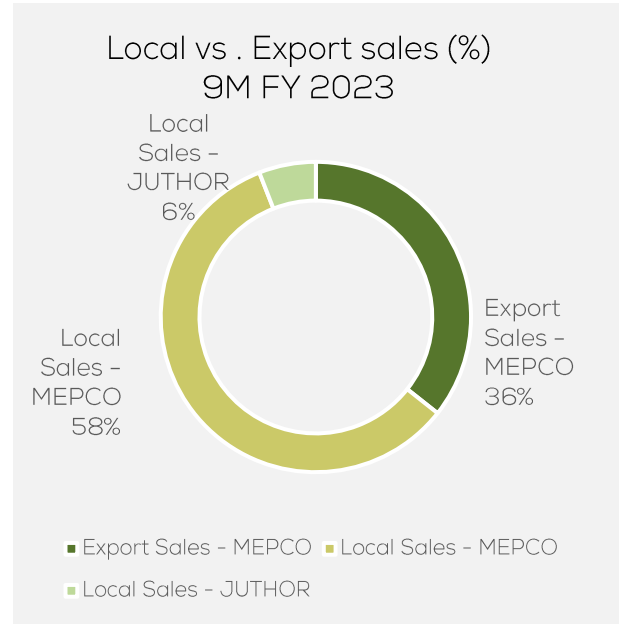
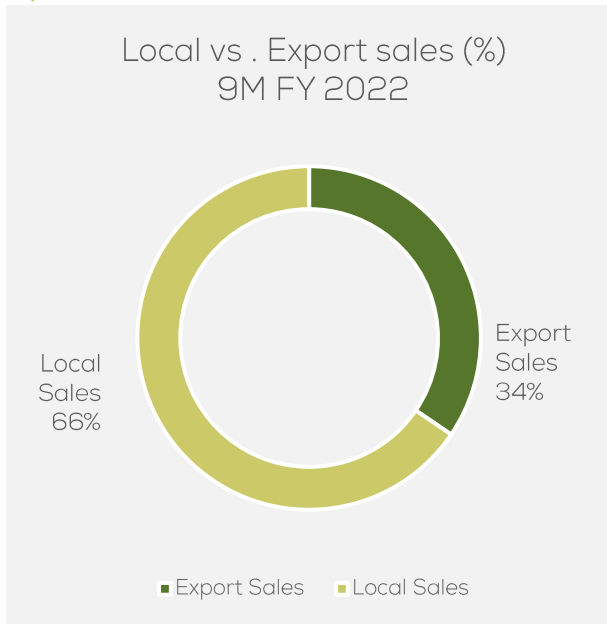
We see the current decline in the profitability margins as temporarily due to the worldwide decline in the global containerboard demand that has affected the international paper mills worldwide however local demand is still healthy and with the continuous increase in tissues sales that is expected to reach profitability by Q1 FY 24, such impact will be marginally reduced."

Mid Term Management Outlook:

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

Sales Highlights Consolidated Financial Statement

by value in (SAR) Sales breakdown



Financial Review

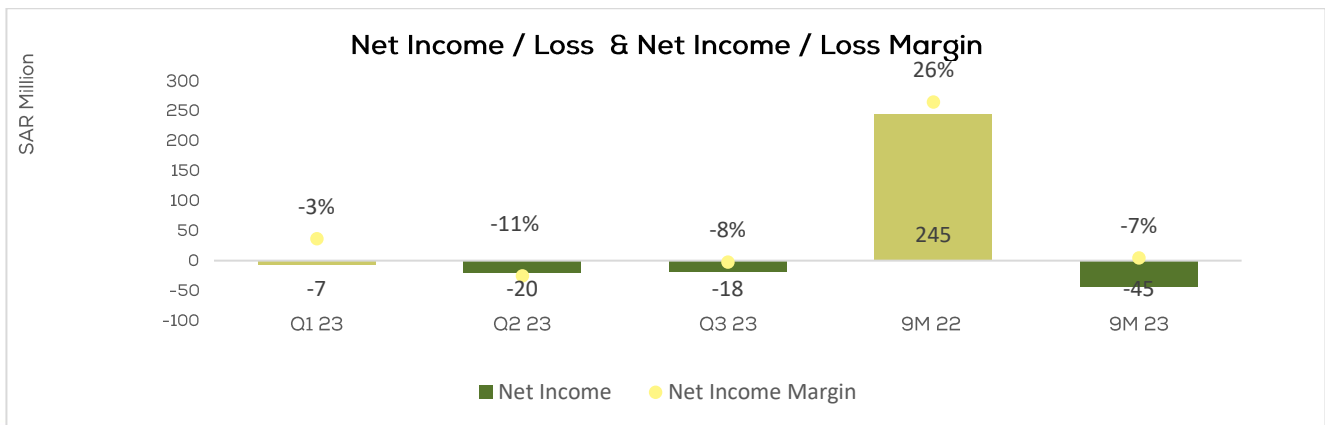
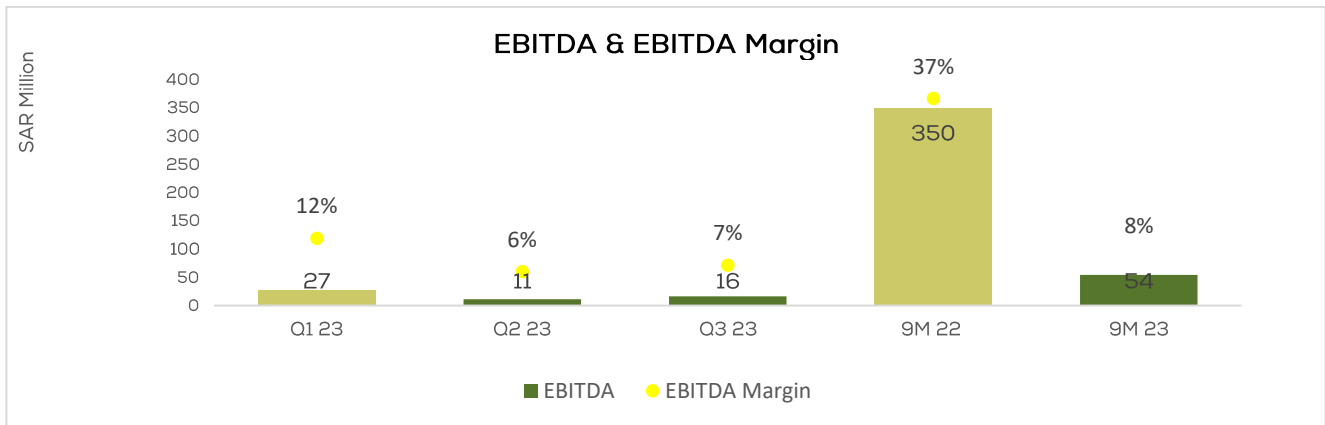
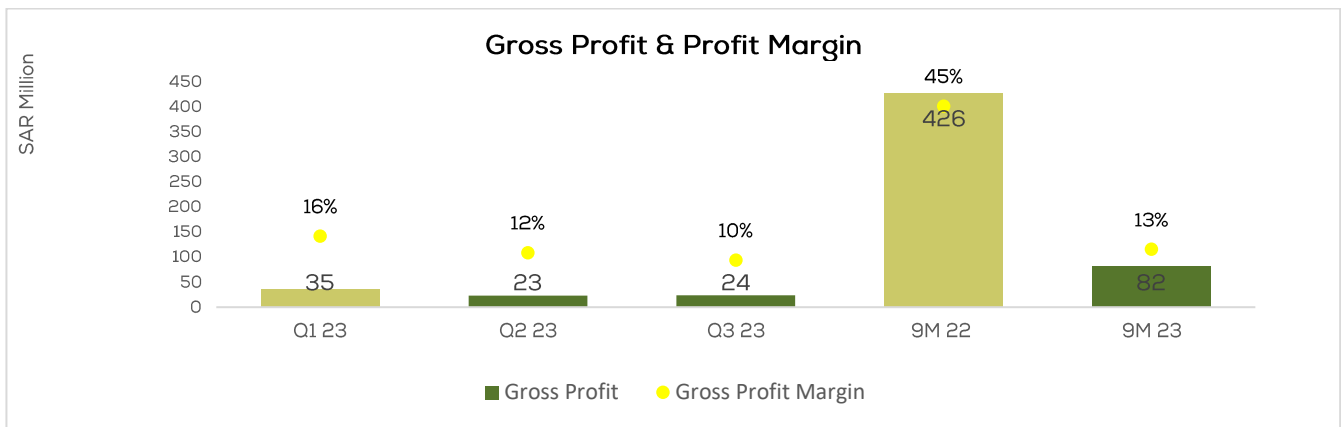
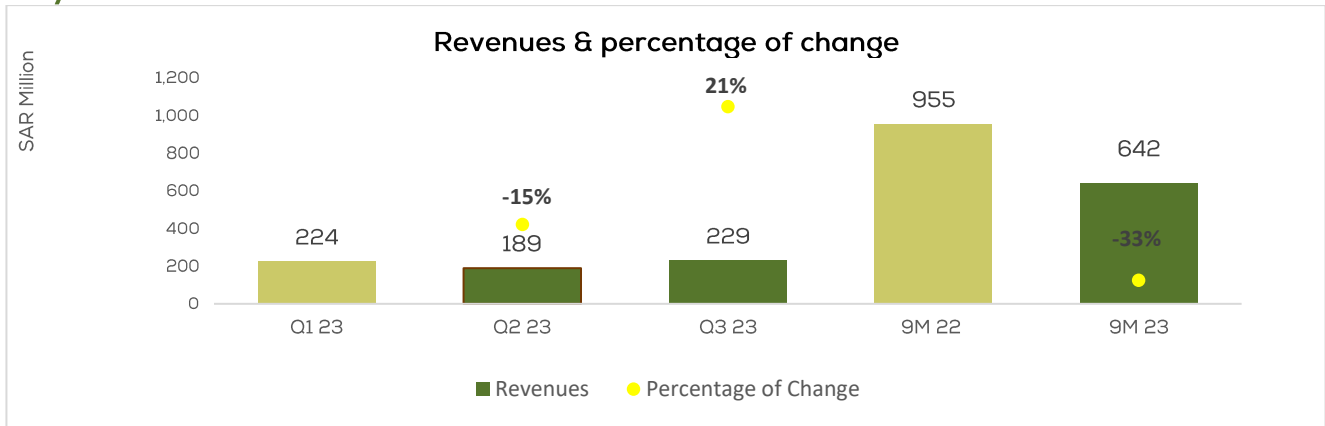
For the financial period ended 30 September 2023; all figures are in SAR '000, unless stated otherwise.

in SAR,000	Previous Quarter	Current Quarter	QoQ Change	Previous Period	Current Period	YoY Change
	Q2 23	Q3 23		9M 22	9M 23	
Sales Revenue	189,367	229,181	21%	955,487	642,497	-33%
Gross Profit	22,870	23,890	4%	425,621	82,054	-81%
Gross Profit%	12%	10%	-165 bps	45%	13%	-3177 bps
EBITDA	11,323	16,380	45%	350,057	54,282	-84%
EBITDA %	6%	7%	117 bps	37%	8%	-2819 bps
EBIT	-13,967	-10,421	-25%	276,811	-22,094	-108%
EBIT %	-7%	-5%	283 bps	29%	-3%	-3241 bps
Net Profit/Loss	-20,166	-17,847	-12%	244,908	-44,570	-118%
Net Profit/Loss %	-11%	-8%	286 bps	26%	-8%	-3257 bps
Earnings Per Share (SAR)	(0.30)	(0.27)	0.03 SAR	3.67	(0.67)	-5.11 SAR

bps=basis points

Net Profit/loss is attributed to Equity holder of the parent company.

Key Financial Indicators | QoQ and YoY



Debt Analysis

As of 30 September 2023 (SAR '000)

	Sep -22	Sep - 23	Change (SAR)	Change %
STL*	102,016	92,835	(9,181)	-9%
MTL**	460,438	491,093	30,656	7%
Total debt	562,453	583,928	21,475	4%
Cash Balance	138,226	109,740	(28,487)	-21%
Net debt	424,228	474,189	49,961	12%
Equity	1,178,881	1,103,983	(74,899)	-6%
Debt/Equity (x)	0.48	0.53	0.05	11%
Net debt/Equity (x)	0.36	0.43	0.07	19%

* 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 4,319thousand.

-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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