



1H 2021 | Earnings Release

MEPCO Records Net Income of SR 43.1 M for Q2'21 and 60.8 M for 1H'21

Sales revenues soar by more than 20%, GPM reaches 33.3% for the quarter, and 29.1% for 1H'21

Jeddah, Saudi Arabia | 2 August 2020 | The Middle East Paper Co. ('MEPCO'), the region's leading vertically integrated paper manufacturer, announced its 1H 2021 results today showing impressive operational and financial performance. The superior performance comes on the back of sharp product price increases and strategic efficiency initiatives bearing fruit.

Highlights

- **Sales revenue** – reached SR 250.5 M for the quarter, and SR 451.0 M for 1H'21, marking a 24.9% and 22.7% increase, respectively. This is mainly driven by the rapid increase of final product prices globally, which MEPCO responded to price increases in both Q4'20 and Q1'21.
- **Gross profit** – recorded SR 83.3 M for the quarter and SR 131.3 M for the half year with healthy margins of 33.3% and 29.1%, respectively. Margins were slightly offset by the increase of fiber raw material prices, which constitutes c. 65–70% of direct manufacturing costs. The increase in raw material prices was curbed through operational efficiencies starting to bear fruit, as part of MEPCO's 5-year strategic plan developed in 2020.
- **EBIT** – Operating Profit soared to SR 49.9 M for the quarter and SR 72.9 M for the half year, constituting 19.9% and 16.2% respectively. Cash cost increases for the period were mainly driven by higher selling & distribution costs, attributed to an increase in freight and logistics costs globally. On a positive note, irrespective of G&A cost increases resulting from our expanding business in both MEPCO and WASCO, we were still able to curb cash cost increases to single digit increases.
- **Net profit** – Climbed sharply to record SR 43.1 M, and SR 60.8 M marking increases of 143.1% and 290.7% on a quarter to quarter, and year to year basis respectively. Our profits were not materially impacted by nonrecurring or unusual items.

Eng. Sami Al Safran, CEO, commented: "This set of results is, without a doubt, one of the best we've achieved. As we celebrate 20 years of success, we present to our shareholders a record-breaking performance, both on the operational and financial levels. Global demand on containerboard continued to follow the upward trend during the second quarter of 2021, which gave stability to selling prices. The results we post today exhibit the financial effect of price increases we passed in the previous quarter, as well as sales contracted and delivered in the second quarter at lucrative price levels. Fiber prices stabilized locally after a sharp spike in the

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first quarter as the wastepaper export/import regulations come in effect. The outlook for the third quarter of this year is promising.

The new horizontal expansion into tissue jumbo roll manufacturing is progressing rapidly. we are busy preparing the infrastructure on site to be ready for installing the production line by the first quarter of 2022. All production inputs have been secured. Natural gas, electricity, fresh water, and sewage water connections are all in place.

On WASCO's front, we have established a joint venture company with Jeddah Development and Urban Regeneration Company (JDURC) to build and operate six collection centres in the city of Jeddah. We expect operations to occur in the fourth quarter of this year. This project is a turning point, not only for WASCO, but also for the whole waste management activity in Saudi Arabia.

I am looking forward for an impressive year, and the years to come, where MEPCO evolves to become the Saudi champion of paper industry, and a proud partner in realizing the Saudi 2030 vision".

Mr Johan van Vuuren, MEPCO Group Chief Financial Officer, commented: "It is a privilege to announce record-breaking results on all fronts for the 1H 2021. Not only did we record one of the best quarters and 6 months in in the company's history, MEPCO celebrated its 20th anniversary in June, alongside announcing hitting 5 million metric tonnes of recycled paper.

However, whilst we are facing tailwinds and we are optimistically looking forward to the 2nd half of the year, we remain focused on building our strategic capabilities and expanding our business model through both organic and inorganic expansion. Moving towards a healthier capital structure is of paramount importance to achieve our 3-5 year strategic goals. We always strive to operate in a more efficient manner by extending our operational efficiencies.

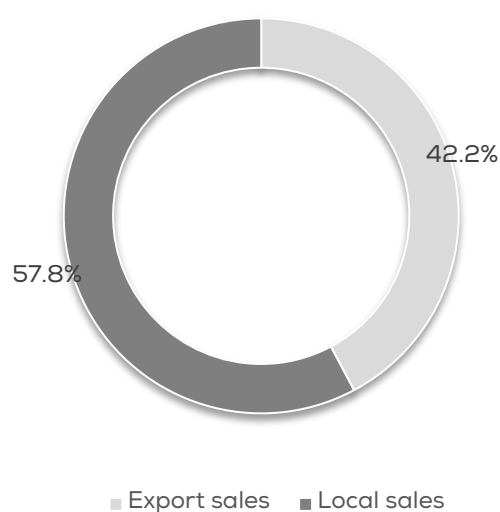
This vital, moving target, includes managing cash costs and working capital, whilst balancing between short-term shareholder returns and our strategic growth initiatives to ensure superior total shareholder returns in the long term".

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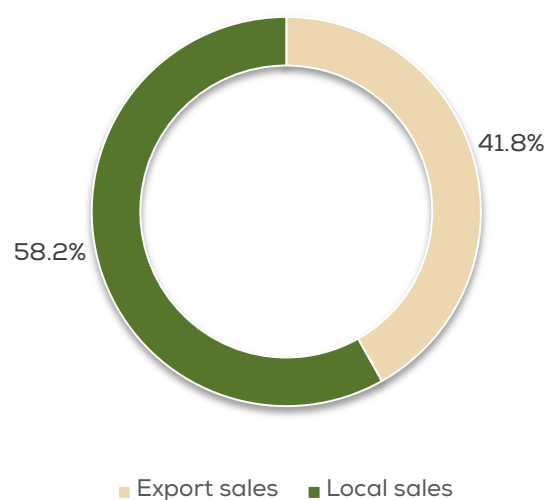
Sales Highlights

Sales breakdown¹ by value (SAR)

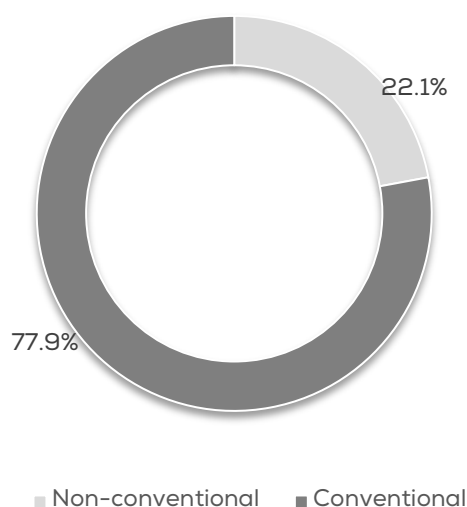
Local vs. Export Sales (%)
1H 2020



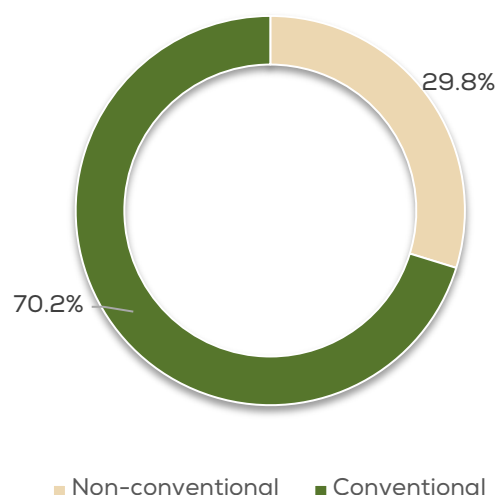
Local vs. Export Sales (%)
1H 2021



Sales by Product Class (%)
1H 2020



Sales by Product Class (%)
1H 2021



¹ Refers to MEPCO standalone sales.

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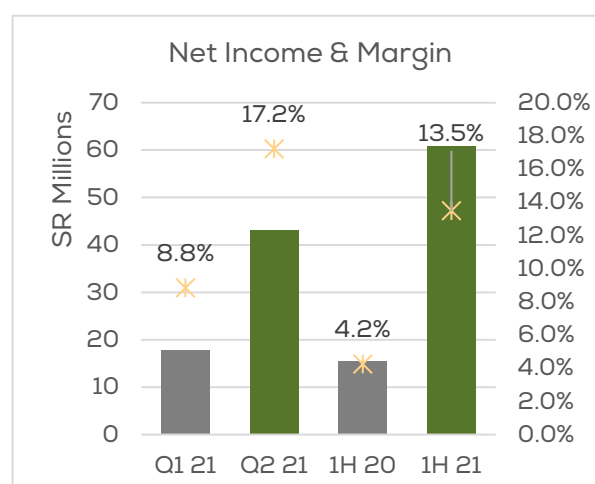
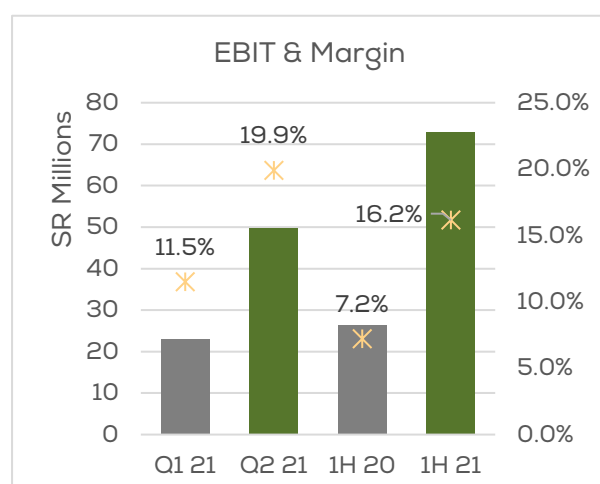
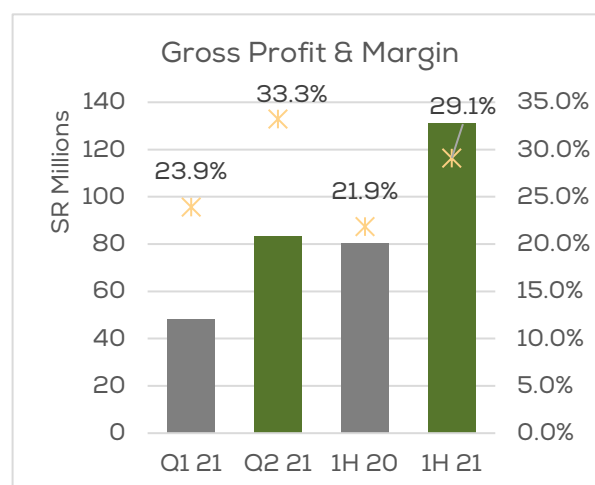
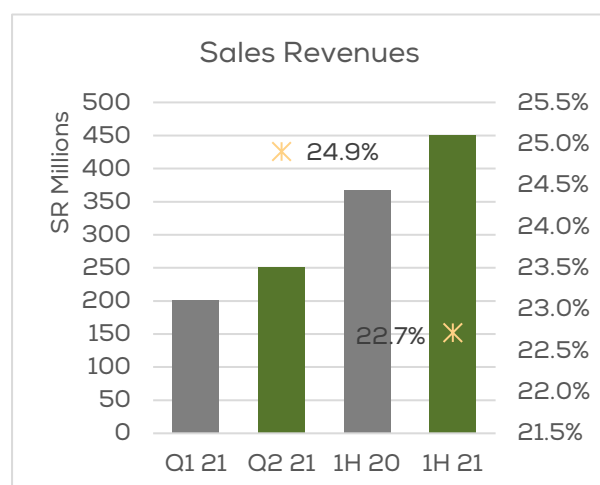
Financial Review

For the 3/6 months ended 30 June, 2021; all figures are in SAR '000, unless stated otherwise.

	Previous Quarter	Current Quarter	QoQ Change	Previous Period	Current Period	YoY Change
	Q1 21	Q2 21		1H 20	1H 21	
Sales Revenue	200,514	250,452	24.9%	367,487	450,967	22.7%
Gross Profit	48,011	83,290	73.5%	80,386	131,301	63.3%
Gross Profit %	23.9%	33.3%	9.3 bps	21.9%	29.1%	7.2 bps
EBITDA	50,074	73,840	47.5%	79,271	123,914	56.3%
EBITDA %	25.0%	29.5%	4.5 bps	21.6%	27.5%	5.9 bps
EBIT	23,017	49,855	116.6%	26,504	72,872	175.0%
EBIT %	11.5%	19.9%	8.4 bps	7.2%	16.2%	9.0 bps
Net Income	17,722	43,086	143.1%	15,564	60,807	290.7%
Net Income %	8.8%	17.2%	8.4 bps	4.2%	13.5%	9.2 bps
Earnings Per Share (SAR)	0.36	0.87	0.51	0.31	1.22	0.91

bps=basis points

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



Debt Structure

As of 30 June 2021 (SAR ,000)

	Jun-21	Jun-20	Change (SAR)	Change %
STL*	130,089	118,498	11,591	9.8%
MTL**	443,988	493,709	(49,721)	-10.1%
Total debt	574,077	612,208	(38,130)	-6.2%
Cash Balance	68,209	17,179	51,029	297.0%
Net debt	505,869	595,028	(89,159)	-15.0%
Equity	812,564	746,942	65,622	8.8%
Debt/Equity (x)	0.71	0.82	(0.11)	-
Net debt/Equity (x)	0.62	0.80	(0.17)	-

* 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, as well as the GCC, Middle East and Africa. Its growing global footprint spans 41 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 to its home market. 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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