



Middle East Paper Company  
شركة الشرق الأوسط لصناعة وإنتاج الورق

# EARNING RELEASE

12M FY 2023

# JUTHOR continues ramping up in sales revenue achieving SAR 90 M of the total sales revenue of MEPCO

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

Gross Profit margin 10%, EBITDA margin 6% and Net loss margin -9%

Jeddah, Saudi Arabia | March 31, 2024

The Middle East Paper Co. ('MEPCO'), the region's leading paper manufacturer, announced its results for 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 12M FY 23 Highlights

### Solid Market & Operational leadership

#### JUTHOR

- Local sales achieving SAR 90 M with utilization rate reaching to above 75%

#### MEPCO

- YoY total sales volume Increased 4%, total sales revenue decreased 35%,

YoY: Local sales volume increased 1% & Local sales revenues decreased 36%

YoY: Export sales volume increased 9% & Export sales revenues decreased 33%

## Key Financial High Lights

- **Sales revenue**

YoY decreased by 27%, from SAR 1,187 M to SAR 867 M.

- **Gross profit**

YoY decreased by 83%, from SAR 503 M to SAR 85 M

- **Gross profit margin**

YoY decreased by 3255 bps, from 42% to 10%.

- **EBITDA**

YoY decreased by 87%, from SAR 404 M to SAR 52 M.

- **EBITDA margin**

YoY decreased by 2810 bps, from 34 % to 6%.

- **Net income/Loss**

YoY decreased by 130% from SAR 270 M net loss to SAR -80 M net loss.

- **Net income / Loss margin**

YoY decreased by 3198 bps, from 23 % to -9.

### **Musab Sulaiman Al-Muhaidib, Chairman of the Board of Directors of the Middle East Paper Company, commented:**

The decline in international prices had a negative impact that led to a decrease in the profit margin to 9% for the year 2023 compared to 23% for the year 2022. The decrease in profitability is temporary due to the decrease in global demand for packaging paper after the global markets recovered from the Corona pandemic, which affects the financial performance of paper companies globally. However, the local demand is still healthy and with the continued increase in sales of the tissue paper sector, we expect to achieve profits by the first quarter of the fiscal year 2024 that will contribute in reducing the negative impact of the decline in global prices for packaging paper.

MEPCO has been a pioneer in the Saudi circular economy for more than two decades and we place the Kingdom of Saudi Arabia's green initiative outlined in Vision 2030 as one of our key priority. MEPCO is moving forward in its strategic steps towards sustainable business development in the paper and recycled waste sector. The investment by the Public Investment Fund (PIF) in MEPCO's shares in 2023 is testimonial to our consistent growth and potential. PIF is the one of the largest sovereign wealth fund in the world who will enable MEPCO to expand its production, raise operational efficiency and support environmental sustainability, through recyclable products including paper goods in line with sustainability goals of KSA.

### **Eng. Sami Safran, Group President of the Middle East Paper Company, commented:**

We see that the decline in international prices is slowing down, as we witnessed a decrease in the selling price by 33% for the year 2023. Despite the decrease in prices, MEPCO achieved for the year 2023 an increase in the volume of domestic sales by 9% and in the volume of export sales by 9%, which reflects the growth in the volume of sales of the paper, packaging and, tissue paper sector compared to last year in the Middle East region.

The production rate in the tissue paper factory reached 75% by the end of 2023, within less than six months of starting operation, and the Juthor tissue mill achieved an increase in sales volume of 52% for the fourth quarter compared to the third quarter of the year 2023. We still maintain a high production operating rate at MEPCO compared to the global average, which currently stands at 80%, while MEPCO maintains a level of more than 90% in the packaging paper sector.

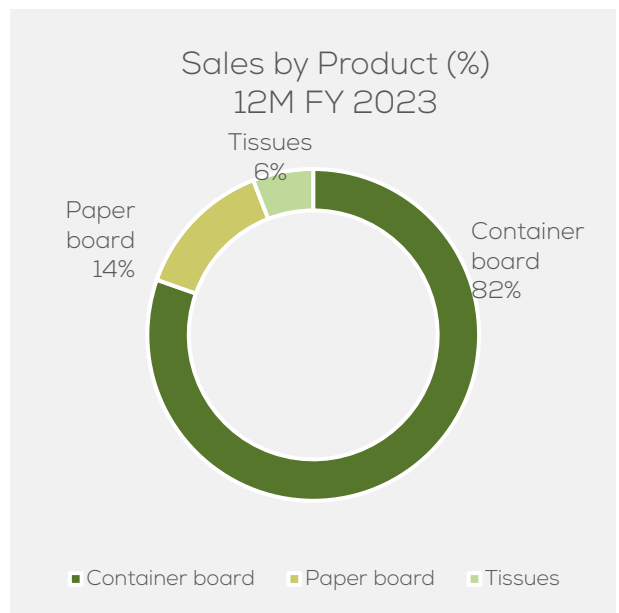
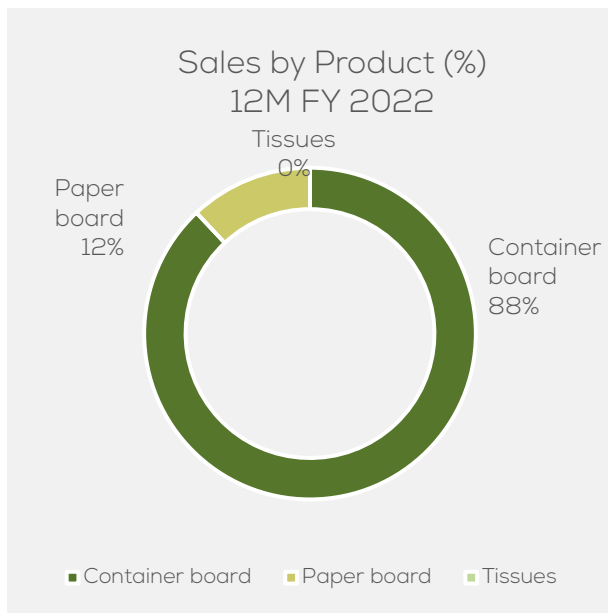
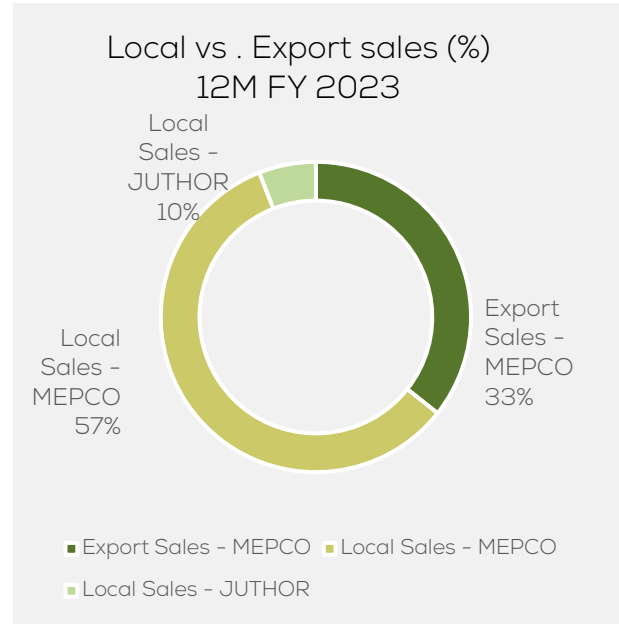
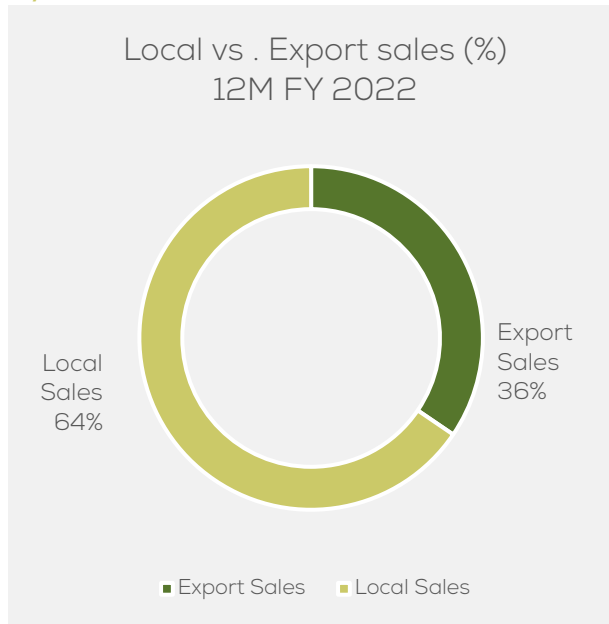
However, the impact of lower international prices continues to affect net profit, together with the effect of high inflation rates on cost of sales. Despite the challenges of 2023, we observed that the markets are recovering from the decline in international prices post COVID boom as MEPCO announced at the beginning of 2024 an increase in its sales prices for all goods in the wrapping paper, packaging and tissue paper sector. The investment by PIF is a key development that will contribute to MEPCO sustainability approach and expansion strategy, especially for packaging and specialized building materials like gypsum boards strengthening the local supply chain for current and future projects.

### **Mid Term Management Outlook:**

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

## Sales Highlights Consolidated Financial Statement

by value in (SAR) Sales breakdown



## Financial Review

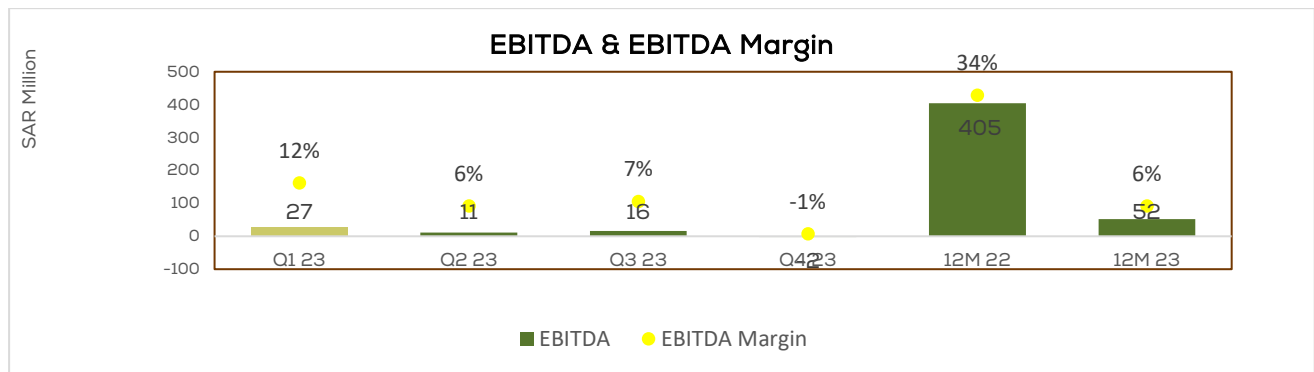
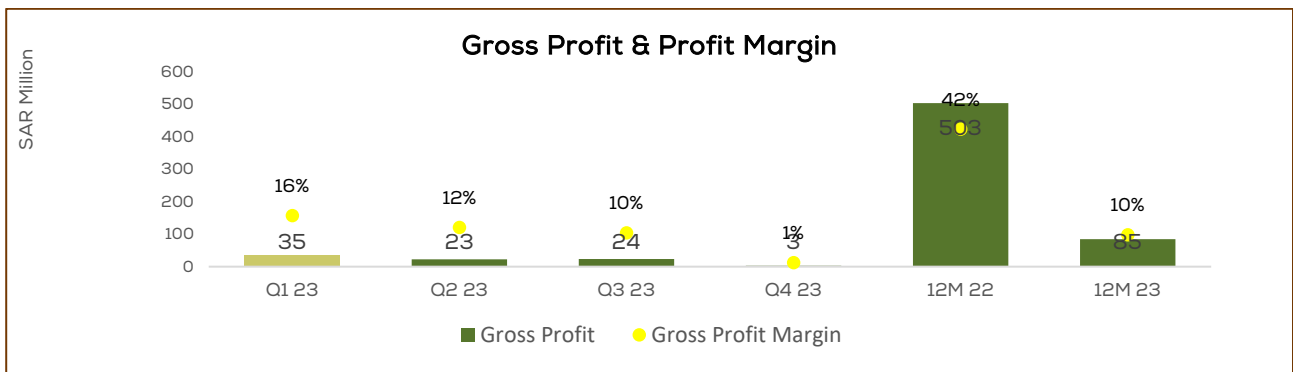
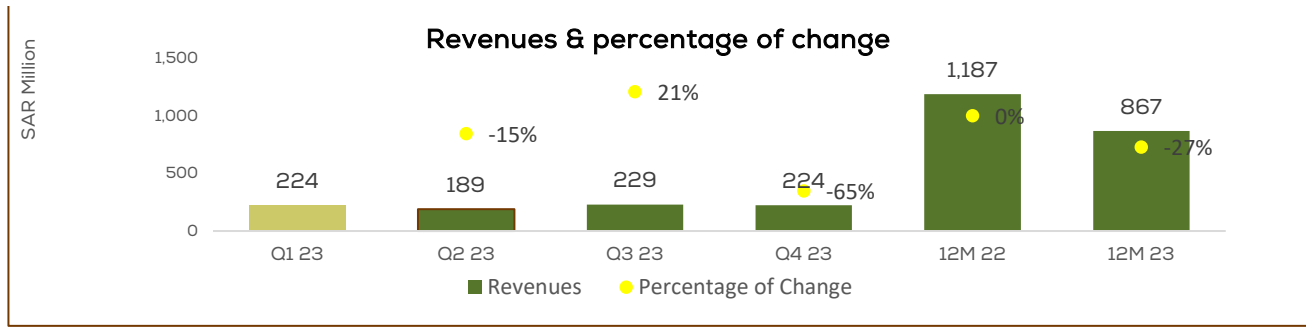
For the financial period ended 31December 2023; all figures are in SAR '000, unless stated otherwise.

in SAR,000	Previous Period	Current Period	YoY Change
	12M 22	12M 23	
<b>Sales Revenue</b>	1,187,006	866,753	-27%
<b>Gross Profit</b>	502,786	84,996	-83%
<b>Gross Profit %</b>	42%	10%	-3255 bps
<b>EBITDA</b>	404,663	51,894	-87%
<b>EBITDA %</b>	34%	6.0%	-2810 bps
<b>EBIT</b>	304,294	-51,234	-117%
<b>EBIT %</b>	26%	-6%	-3155 bps
<b>Net Profit/Loss</b>	269,699	-80,269	-130%
<b>Net Profit/ Loss %</b>	23%	-9%	-3198 bps
<b>Earnings Per Share (SAR)</b>	4.05	(1.20)	-5.25 SAR

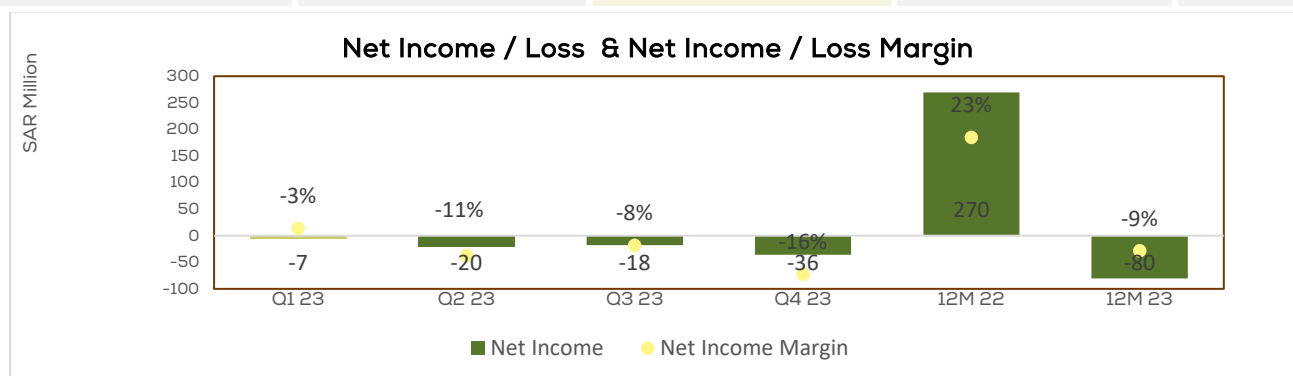
bps=basis points

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

## Key Financial Indicators | QoQ and YoY



	December 2022	December 2023	Change (SAR)	Change %
STL*	33,565	109,909	76,344	227%
MTL**	511,155	464,761	(46,394)	-9%
Total debt	544,720	574,670	29,950	5%
Cash Balance	145,246	56,549	(88,696)	-61%
Net debt	399,474	518,120	118,646	30%
Equity ***	1,182,286	1,068,203	(114,082)	-10%
Debt/Equity (x)	0.46	0.54	0.08	17%
Net debt/Equity (x)	0.34	0.49	0.15	44%



### As of 31 December 2023 (SAR '000)

\* 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 (6,087) thousand.



## 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](http://www.mepco.biz).

### Investor Relations contacts

Email: [investors@mepco.biz](mailto:investors@mepco.biz)

Phone: +966 12 6380111

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