



Middle East Paper Company
شركة الشرق الأوسط لصناعة وإنتاج الورق

EARNING RELEASE

Q1 2024

MEPCO Glossary

STL: Short-Term Loans

Loans that are expected to be repaid within one year or less.

MTL: Medium-Term Loans

Loans with a repayment period typically ranging from one to five years.

DFC: Deferred Finance Charges

Fees or costs associated with obtaining financing that are deferred and amortized over the life of the loan.

EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization

A measure of a company's operating performance, calculated as revenue minus operating expenses, excluding interest, taxes, depreciation, and amortization.

SAR: Saudi Arabian Riyal

The currency of Saudi Arabia.

bps: Basis Points

A unit of measure used in finance to describe the percentage change in a financial instrument.

EBIT: Earnings Before Interest and Taxes

A measure of a company's profitability, calculated as revenue minus operating expenses, excluding interest and taxes.

EPS: Earnings Per Share

A financial metric that indicates the portion of a company's profit allocated to each outstanding share of common stock.

QoQ: Quarter-over-Quarter

A comparison of a company's financial performance or metrics between consecutive quarters.

YoY: Year-over-Year

A comparison of a company's financial performance or metrics between the same quarter in different years.

JUTHOR's rapid sales growth contributed SR 58 million to MEPCO's total revenue this quarter.

The packaging paper sector is witnessing an improvement in selling prices, as MEPCO's net losses decreased by 49% compared to the previous quarter of 2023. This is due to a 7% increase in sales volume, in addition to improved selling prices.

Jeddah, Saudi Arabia | 16th May 2024

Middle East Paper Co. ("MEPCO"), the region's leading paper manufacturer, announced robust Q1 2024 financial results, demonstrating its continued leadership in the paper industry.

The company achieved a 13% gross profit margin compared to 1% in the previous quarter. This significant improvement is attributed to the successful launch of Juthor, expanded sales efforts, and improved pricing in the paper and packaging sector.

MEPCO is confident in its positive trajectory, expecting continued improvement throughout 2024 due to increased demand in global markets and a positive trend in sales prices.

Key Q1 FY 24 Highlights

Solid Market Leadership

JUTHOR

- Local sales drove the majority of revenue, reaching SAR 57 million, while export sales contributed SAR 1.3 million

MEPCO

- **YoY total sales volume decreased by 7%, total sales revenue decreased by 20%,**

YoY: Local Sales volume increased by 21% & Local sales revenues decreased by 1%.

YoY: Export Sales volume decreased by 46% & Export sales revenues decreased by 49%

- **QoQ total Sales volume decreased by 1%, total sales revenue increased by 5%,**

QoQ: Local Sales volume increased by 10 % & Local sales revenues increased by 17%

QoQ: Export Sales volume decreased by 25 % & sales revenues decreased by 20%

Key Financial Highlights

- **Sales revenue**

YoY increased by 9%, from SAR 224 M to SAR 243 M.

QoQ increased by 9%, from SAR 224 M to SAR 243 M.

- **Gross profit**

YoY decreased by 8%, from SAR 35.3 M to SAR 32.5 M

QoQ increased by 1005%, from SAR 2.9 M to SAR 32.5 M.

- **Gross profit margin**

YoY decreased by 241 bps, from 16% to 13%.

QoQ increased by 1204 bps, from 1% to 13%.

- **EBITDA**

YoY decreased by 42%, from SAR 26.5 M to SAR 15.4 M.

QoQ increased by 743% from SAR -2.3 M to SAR 15.4 M.

- **EBITDA margin**

YoY decreased by 556 bps, from 12 % to 6%.

QoQ Increased by 737 bps from -1 % to 6 %.

- **Net income/Loss**

YoY increased by 164% from SAR 7.1M net loss to SAR 18.7 M net loss.

QoQ increased by 50% from SAR 37.5M net loss to SAR 18.7 M net loss.

- **Net income / Loss margin**

YoY decreased by 452 bps, from -3 % to -8%.

QoQ increased by 903 bps from -17 % to -8 %.

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

"MEPCO's first quarter 2024 results show a significant turnaround, with a 49% decrease in net loss compared to the previous quarter. This achievement reflects our resilience in the face of challenges and our proactive response to market dynamics, driven by our team's dedication and strategic initiatives.

Safran added, "The main catalyst for this positive transformation has been the noticeable improvement in global demand and market prices, along with the successful launch of the Juthor factory and the expansion of recycled material sales. Although the holy month of

Ramadan slightly affected sales volume, the market rebounded and prices improved, especially for tissue products.

After the slowdown in early 2023, we are seeing price improvements in the first quarter of 2024, and we expect this improvement to continue throughout the year due to the recovery of demand in the global market. This reflects the increasing demand in the tissue, paper, and packaging sectors."

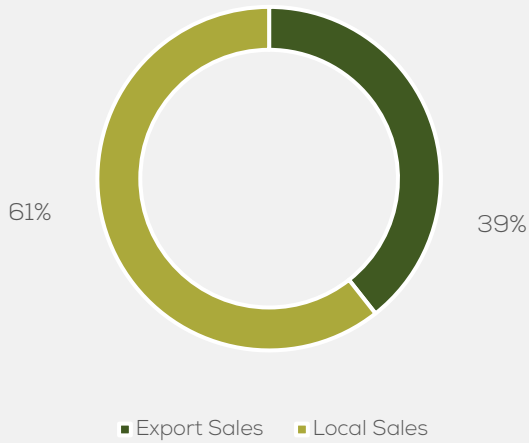
Safran concluded, "With the market stabilizing and our ongoing efforts to improve operations, we are confident in MEPCO's ability to achieve sustainable growth. We remain focused on our commitment to providing high-quality products, meeting the needs of our valued customers, and creating value for our shareholders."

Midterm Management Strategy:

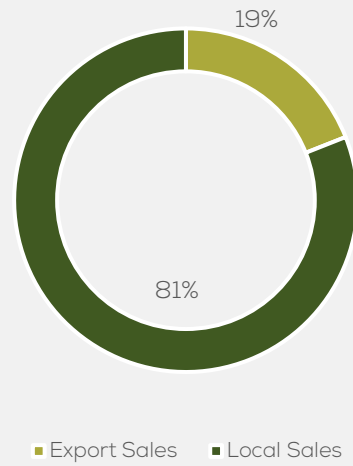
- **Containerboard Market Dynamics:** The global containerboard market is experiencing a gradual recovery in both demand and pricing.
- **Juthor Facility Performance:** The Juthor facility has ramped up production, exceeding 80% of its total capacity, demonstrating successful market integration.
- **Diversification of Revenue Streams:** MEPCO continues to expand its product portfolio and is actively working to develop sales channels for recycled materials in addition to tissue paper products and recycled paper products.
- **Strategic Growth Initiatives:** MEPCO remains committed to its expansion strategy, which includes the establishment of a fifth production line to increase cardboard production capacity. MEPCO has partnered with J.M. Voith SE & Co. KG to manufacture, install, and equip the factory with the latest technologies, with this line expected to launch in 2027.

Sales Highlights Consolidated Financial Statement

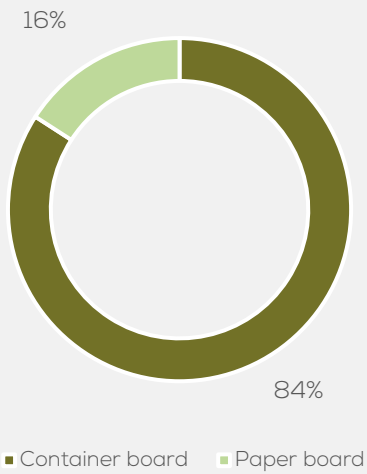
Local vs .Export sales (%) - Q1 2023



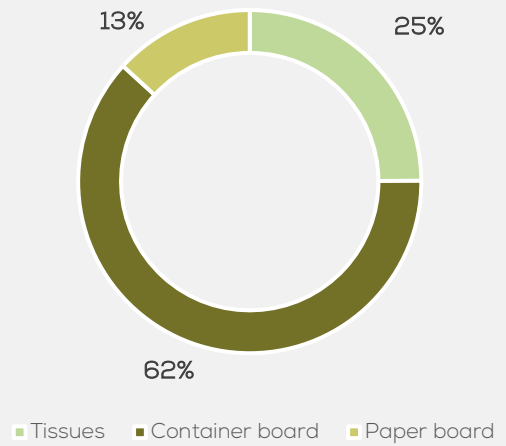
Local vs . Export sales (%) - Q1 2024



Sales by Product (%) - Q1 2023



Sales by Product (%) - Q1 2024



Financial Review

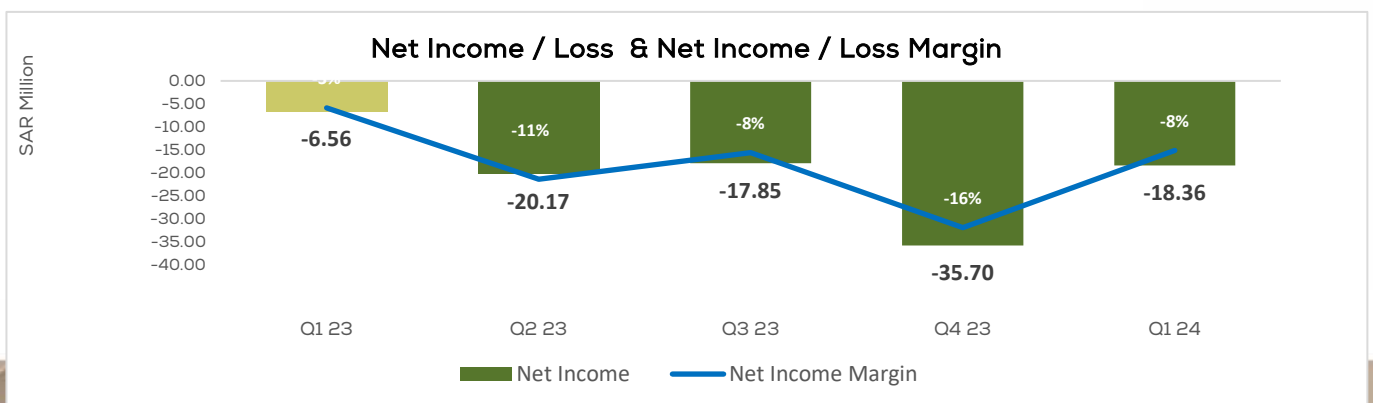
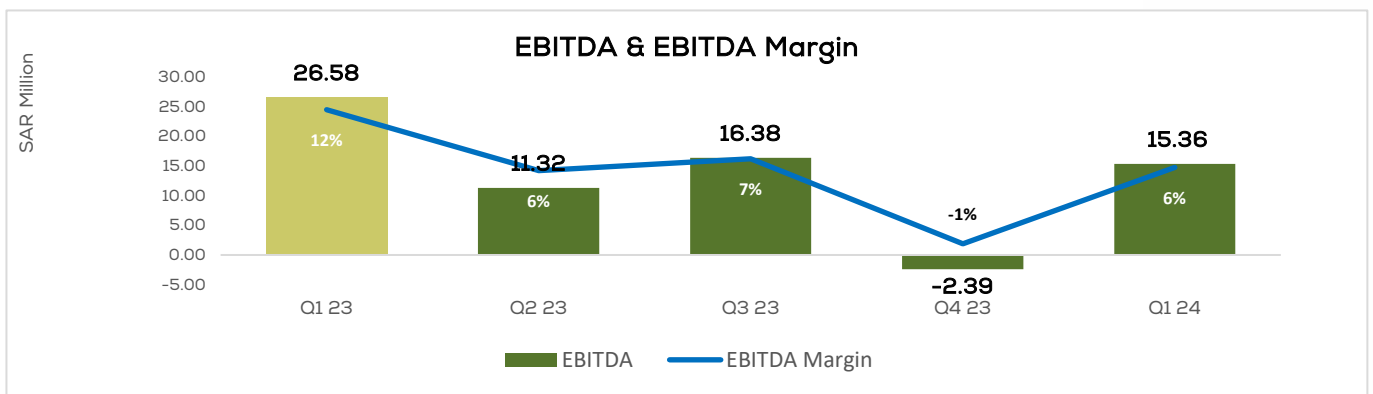
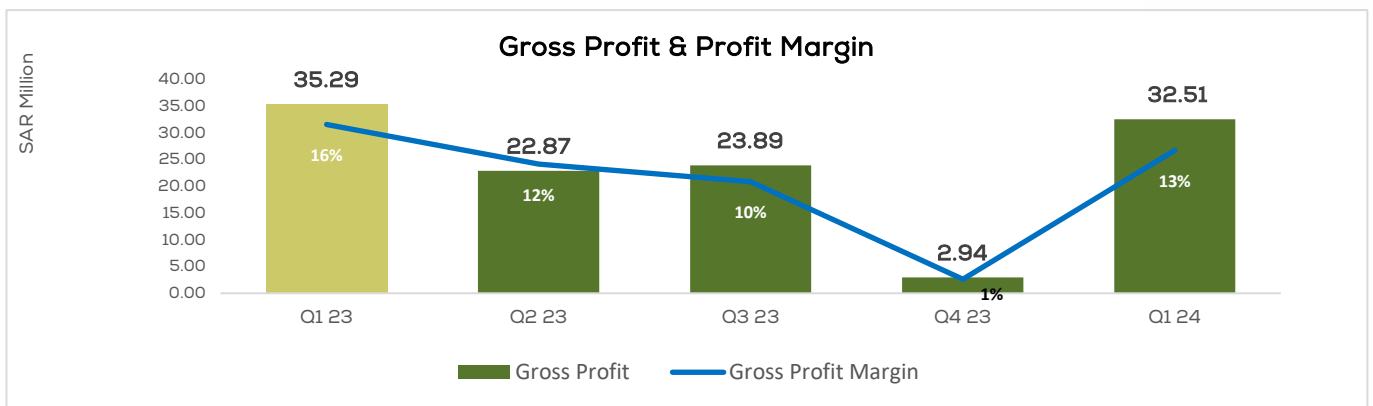
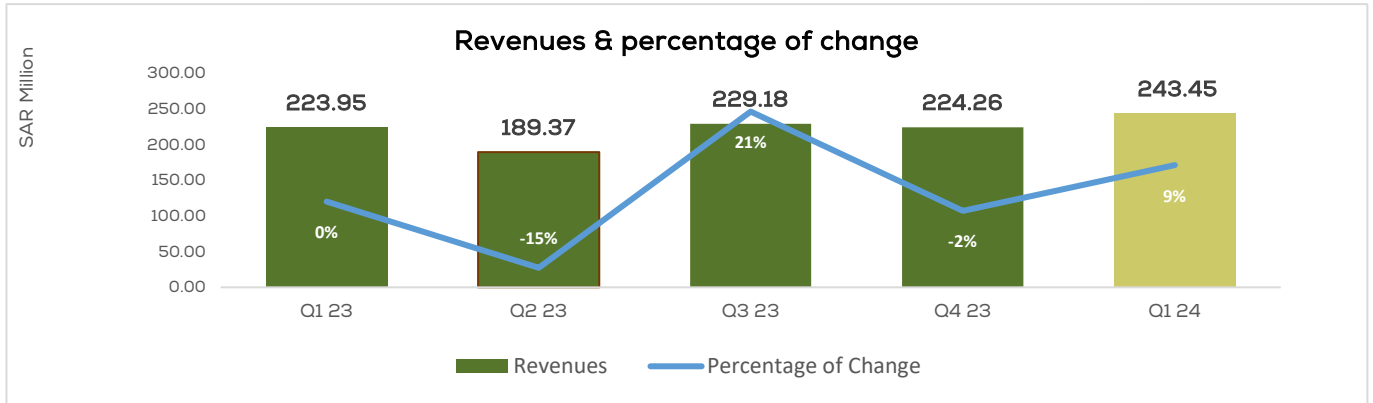
For the financial period ended 31st March 2024; all figures are in SAR '000, unless stated otherwise.

<i>All figures are in '000 SAR</i>	March- 24	December- 23	QoQ Change	March- 23	YoY Change
Sales Revenue	243,453	224,256	9%	223,949	9%
Gross Profit	32,508	2,942	1005%	35,294	-8%
Gross Profit %	13%	1%	1204 bps	16%	-241 bps
EBITDA	15,361	-2,388	-743%	26,579	-42%
EBITDA %	6%	-1%	737 bps	12%	-556 bps
EBIT	-11,235	-29,141	-61%	2,294	-590%
EBIT %	-5%	-13%	838 bps	1%	-564 bps
Net Loss	-18,360	-35,699	-49%	-6,558	180%
Net Loss %	-8%	-16%	838 bps	-3%	-461 bps
Loss Per Share (SAR)	(0.22)	(0.54)	0.32	-0.10	-0.11

bps=basis points

Loss is attributed to Equity holder of the parent company.

Key Financial Indicators | QoQ



	Mar-23	Mar-24	Change (SAR)	Change %
STL*	30,011	141,979	111,968	373%
MTL**	535,496	466,827	-68,669	-13%
Total debt	565,508	608,807	43,299	8%
Cash Balance	185,962	698,496	512,534	276%
Net debt	379,546	-89,689	-469,235	-124%
Equity***	1,174,638	1,659,599	484,962	41%
Debt/Equity (x)	0.48	0.37	-0.11	-24%
Net debt/Equity (x)	0.32	-0.05	-0.38	-117%

* 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 (6,440 SR) 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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