



Middle East Paper Company
شركة الشرق الأوسط لصناعة وإنتاج الورق

EARNING RELEASE

FIRST HALF FY 2023

MEPCO as a group is achieving strategic advancement with JUTHOR successful commercial launch kick off

Positive EBITDA and cash flow from operations but net loss for H1 FY 23
as result of the current global market conditions impacting the
international prices

Gross Profit margin 14%, EBITDA margin 9% and Net loss margin
-6%

Jeddah, Saudi Arabia | August 3, 2023

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

Results portrayed the impact on MEPCO affected by the downward pressure on the international prices, despite this MEPCO's resilience and strong operational leadership in the paper manufacturing industry proves its agility and strength in abiding to its strategic growth.

Key H1 FY 23 Highlights

Solid Market leadership

JUTHOR

- Commercial launch on 22 June 2023, achieving sales from the first week of SAR 800 k

MEPCO

- YoY total sales revenue decreased 37%, total Sales volume decreased 2 %
 - YoY: Local sales revenues decreased 41 % & Local Sales volume decreased 12 %
 - YoY: Export sales revenues decreased 30 % but Local Sales volume increased 17%
- QoQ total sales revenue decreased 16%, total Sales volume decreased 10 %
 - QoQ: Local sales revenues decreased 16 % & Local Sales volume decreased 8 %
 - QoQ: Export sales revenues decreased 15 % & Export Sales volume decreased 12%

Key Financial High Lights

- Sales revenue**
 YoY decreased by 37%, from SAR 652 M to SAR 413 M. QoQ sales revenues decreased by 15%, from SAR 224 M to SAR 189 M, mainly due to the decline in local and international paper prices.
- Gross profit**
 YoY decreased by 81%, from SAR 304 M to SAR 58 M QoQ Gross profit declined by 35 %, from SAR 35 M to SAR 23 M.
- Gross profit margin**
 YoY decreased by 3251 bps, from 47% to 14%, whilst QoQ gross profit margin decreased by 368 bps, from 16 % to 12%.
- EBITDA**
 YoY EBITDA decreased by 85%, from SAR 257 M to SAR 38 M, whilst QoQ EBITDA decreased by 57% from SAR 27 M to SAR 11 M.
- EBITDA margin**
 YoY decreased by 3027 bps, from 39% to 9%, whilst QoQ EBITDA margin decreased by 589 bps from 12% to 6 %.
- Net income/Loss**
 YoY decreased by 114% from SAR 191 M net income to SAR 27 M net loss, whilst QoQ net income decreased by 208 % from SAR 7 M net loss to SAR 20 M net loss (attributable to Equity holder of the parent).
- Net income / Loss margin**
 YoY decreased by 3574 bps, from 29% to -6%, and QoQ decreased by 772 bps from -3% to -11%.

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

“The first half of the fiscal year 2023 net loss is an impact of the slowing growth in the demand globally for container boards. In 2023 all international paper mills are for seeing slowness in the demand, this is something we have foreseen and communicated. When it comes to the marketing and operational strategy we implement, we see a key importance in retaining our market share, this is why we keep our operations running 24 hours a day and we continue to satisfy our customers locally and internationally, while other international paper mills are decreasing their utilization rates.

For the local demand, it was affected this quarter by two major national holidays which also impacted our export sales to other Arab and Gulf countries. We see some recovery in the coming quarter regarding these three regions.

We announced on the commercial launch of JUTHOR on 22 June 2023, in which there were already pre locked customer orders and launch went on smoothly and we were able from the first week to fulfill our customers demand.

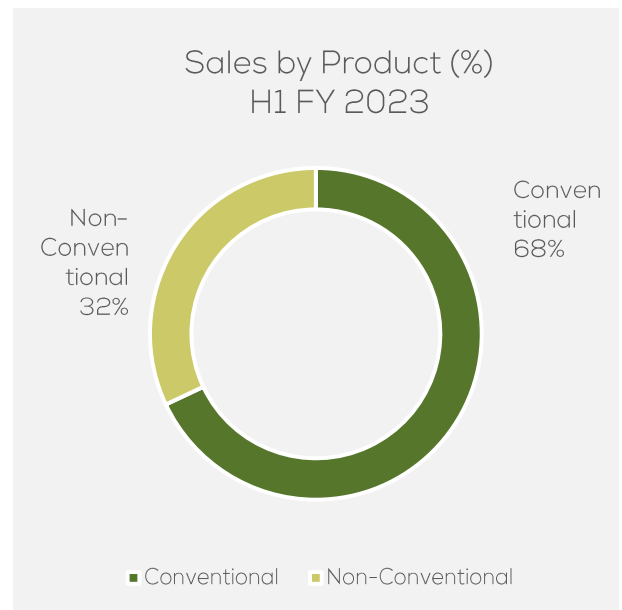
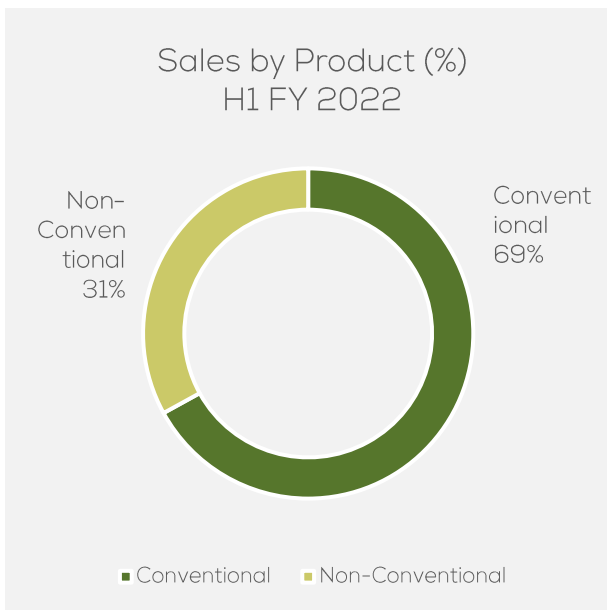
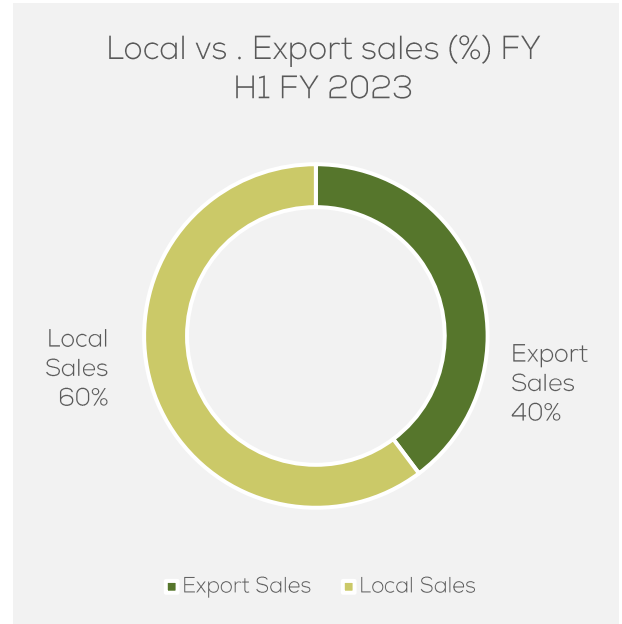
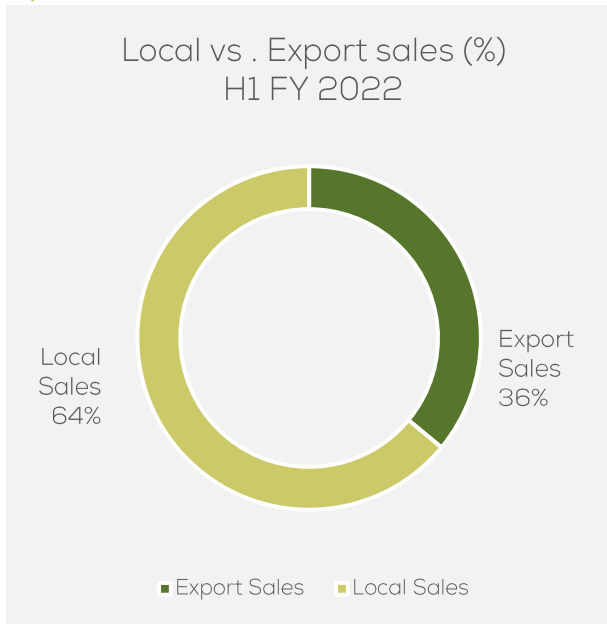
We continue to abide to our strategy as a group developing in both sector the paper and the waste, with future announcement on strategic development soon, we do not see that the current loss will hinder MEPCO from the real growth and value accreditation we want to offer and promise to achieve to our shareholders “

Mid Term Management Outlook:

- Abiding to the growth strategy for MEPCO as group of companies in waste and paper sector.
- Implement cost control initiatives.
- Market demand to catch up after national holidays in Q2 FY23 for paper.
- JUTHOR continuous market development for tissues.

Sales Highlights

by value in (SAR) Sales breakdown



Financial Review

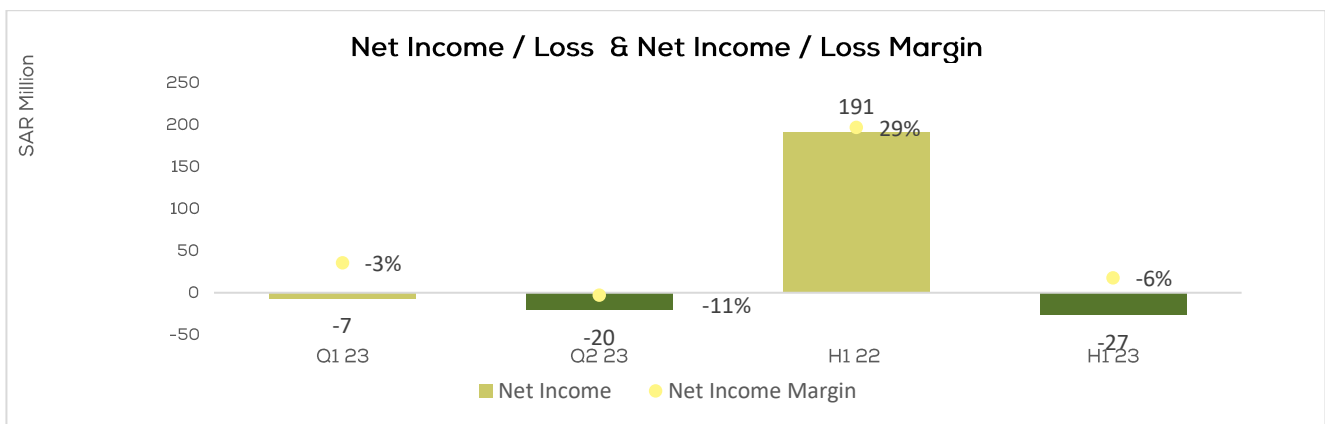
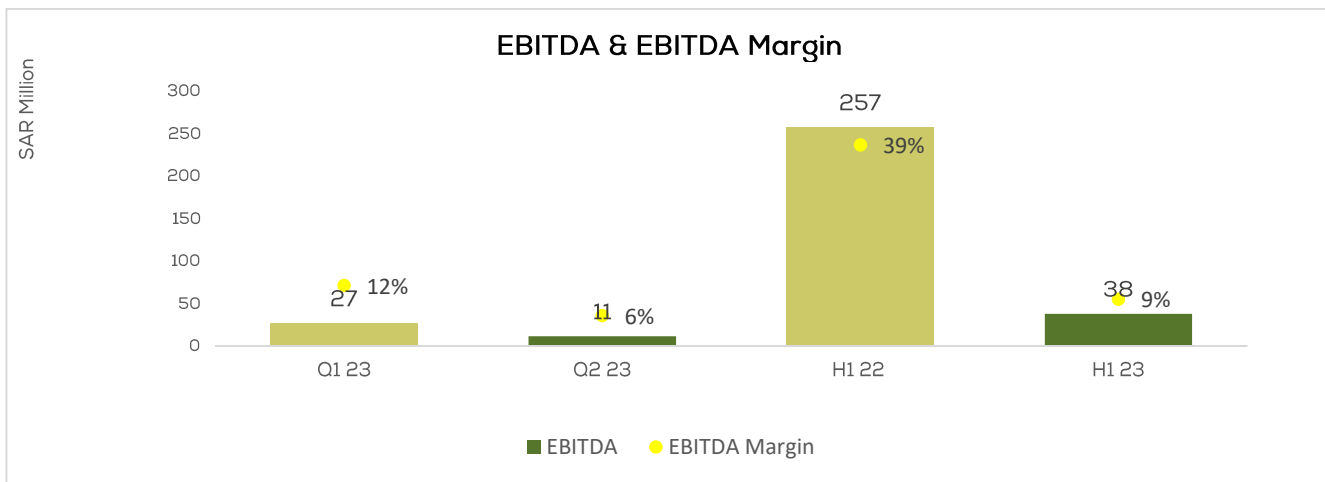
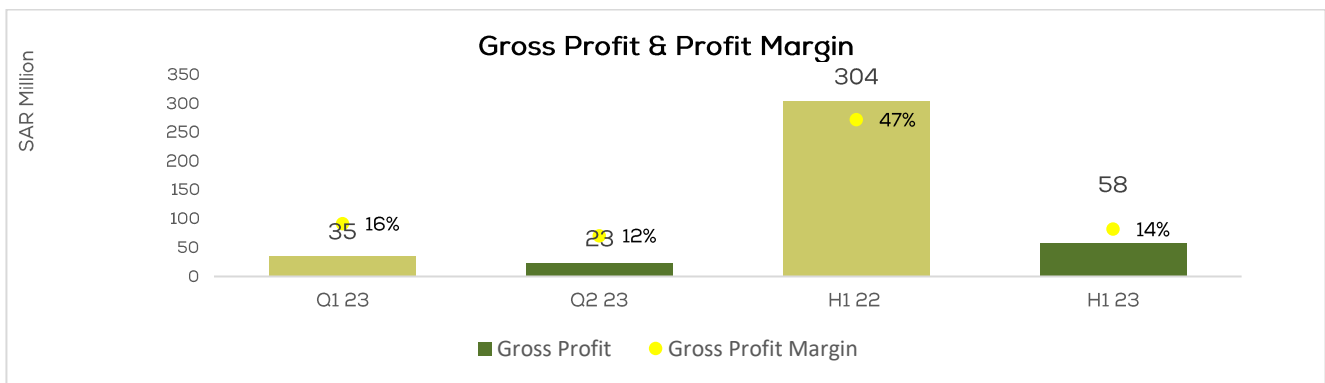
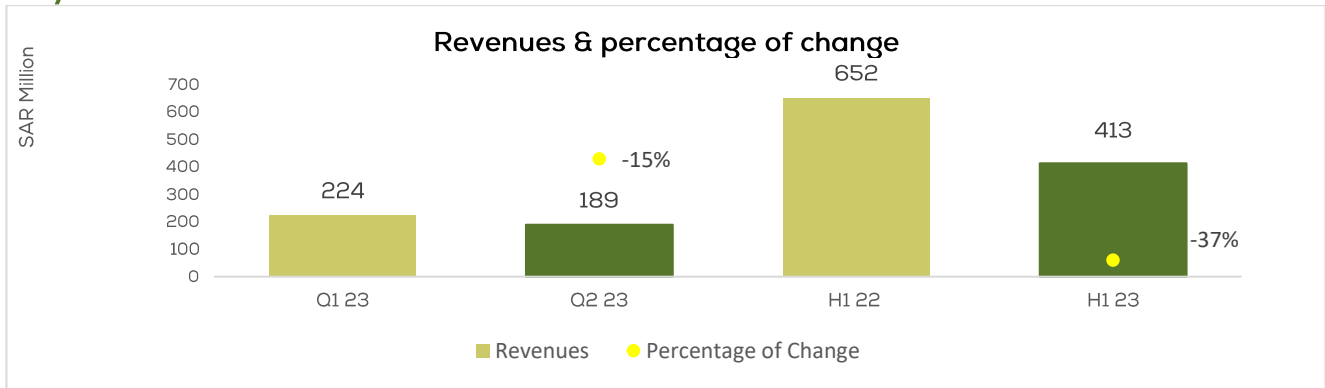
For the financial period ended 30 June, 2023 ; all figures are in SAR '000, unless stated otherwise.

in SAR,000	Previous Quarter	Current Quarter	QoQ Change	Previous Period	Current Period	YoY Change
	Q1 23	Q2 23		H1 22	H1 23	
Sales Revenue	223,949	189,367	-15%	651,965	413,316	-37%
Gross Profit	35,294	22,870	-35%	303,715	58,164	-81%
Gross Profit %	16%	12%	-368 bps	47%	14%	-3251 bps
EBITDA	26,579	11,323	-57%	257,145	37,902	-85%
EBITDA %	12%	6%	-589 bps	39%	9%	-3027 bps
EBIT	2,294	-13,967	-709%	208,358	-11,673	-106%
EBIT %	1%	-7%	-840 bps	32%	-3%	-3478 bps
Net Profit/Loss	-6,558	-20,166	208%	190,981	-26,723	-114%
Net Profit/Loss %	-3%	-11%	-772 bps	29%	-6%	-3574 bps
Earnings Per Share (SAR)	(0.10)	(0.30)	-0.20 SAR	3.36	(0.40)	-3.76 SAR

bps=basis points

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

Key Financial Indicators | QoQ and YoY



Earnings Release

As of 30 June 2023 (SAR '000)

	Jun -22	Jun - 23	Change (SAR)	Change %
STL*	55,233	37,201	(18,032)	-33%
MTL**	458,432	541,521	83,089	18%
Total debt	513,665	578,722	65,058	13%
Cash Balance	189,558	167,226	(22,332)	-12%
Net debt	324,107	411,496	87,390	27%
Equity	1,124,281	1,124,353	73	0%
Debt/Equity (x)	0.46	0.51	0.06	13%
Net debt/Equity (x)	0.29	0.37	0.08	27%

* 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-1,874 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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