



MEPCO Achieves Record Sales Revenue of SAR 833.6 Million

Strong 2018 results also include 25.8% EBITDA margin and 11.9% net profit margin

Jeddah, Saudi Arabia, 10 March 2019: The Middle East Paper Co. ('MEPCO'), the region's leading vertically-integrated paper manufacturer, today announced its 2018 full-year results.

The company achieved its highest ever annual consolidated sales revenue of SAR 833.6 million, an 8.1% increase from 2017. Net profit reached SAR 99.4 million, close to MEPCO's 2014 record (111.3 million in year 2014) achieving a 46.0% year-on-year boost.

Strategic Highlights

2018 results reflect MEPCO's ability to capitalise on its dominant market position and rising end-product prices. All annual profitability metrics showed solid annual performance:

- **Sales revenue** – Increased by 8.1%, reaching SAR 833.6 million
- **Gross profit** – Increased by 26.6%, reaching SAR 235.7 million and with a margin of 28.3%
- **EBITDA** – Increased by 15.3%, reaching SAR 215.0 million and with a margin of 25.8%
- **Net profit** – Increased by 46.0%, reaching SAR 99.4 million and with a margin of 11.9%

Eng Sami Al Safran, MEPCO CEO, commented:

"2018 was a record year with solid operational and financial performance – including our highest ever consolidated sales revenue. We saw 2018 global demand for containerboard and paperboard increase across sectors– from packaging to consumer goods to construction materials. As a business-to-business manufacturer, we have worked to nurture relationships with our customers as we streamline our supply chain and operations. These annual results show we're well positioned to leverage market dynamics, driven by trends such as e-commerce, and to diversify our non-conventional product mix.

Our 2018 achievements are testament to the business' focus on quality, sustainability and flexibility – and our ongoing commitment to delivering shareholder value.

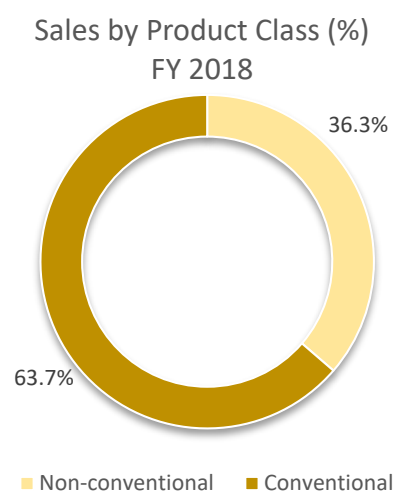
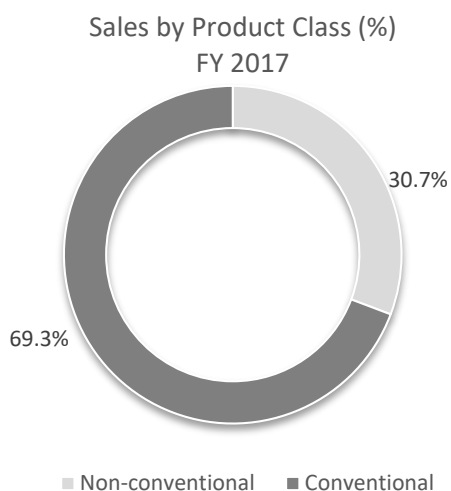
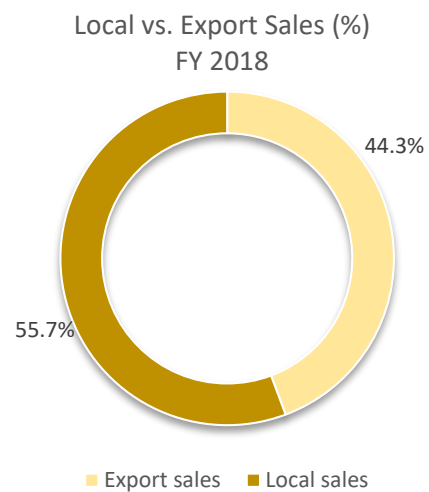
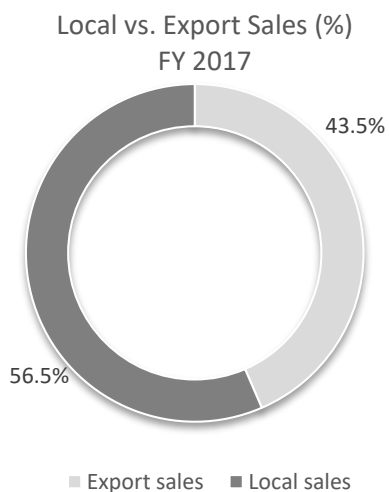
We'd like to thank the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz, Crown Prince Mohammed bin Salman and the Saudi Government for supporting the private sector, as well as our valued shareholders, customers, partners, suppliers and staff."

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Sales Highlights

MEPCO is MENA’s largest paper exporter – its commercial strategy adapts to market dynamics and shifts exports to local and specific international markets quickly based on demand. Development of non-conventional products has helped increase market share in new segments and broaden MEPCO’s geographical footprint, which reached 41 countries on 5 continents in 2018.

Sales breakdown¹ by value (SAR)



¹ Refers to MEPCO standalone sales.



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Financial Review

Middle East Paper Co. (MEPCO) Interim/Annual Consolidated Financial Results

For the 12 months ended 31 December 2018; all figures are in SAR '000 unless stated otherwise.

	Previous Quarter Q3 18	Current Quarter Q4 18	QoQ Change	Previous Period FY 17	Current Period FY 18	YoY Change
Sales Revenue	215,590	174,445	-19.1%	771,008	833,614	8.1%
Gross Profit	65,081	45,371	-30.3%	186,110	235,674	26.6%
Gross Profit %	30.2%	26.0%	-4.2 bps	24.1%	28.3%	4.1 bps
EBIDTA	58,918	41,406	-29.7%	186,484	215,028	15.3%
EBIDTA %	27.3%	23.7%	-3.6 bps	24.2%	25.8%	1.6 bps
Net Profit	30,165	12,286	-59.3%	68,131	99,444	46.0%
Net Profit %	14.0%	7.0%	-6.9 bps	8.8%	11.9%	3.1 bps
Earnings Per Share (SAR)	-	-	-	1.36	2.00	0.64 SAR

- **Annual sales revenue** – The highest ever recorded, up 8.1% YoY as a direct result of increasing average prices.
- **Annual gross profit** – Increased 26.6% compared to 2017. This improvement was despite rising prices for virgin pulp and expat levies, the former being a component in the specialty-grade products that comprised 36.3% of 2018 sales. The gross profit margin remained strong for the year end, in the mid-to-high 20% range in Q4 18.
- **EBITDA line and margin** – Improved by 15.3% and 1.6 bps YoY, respectively. Q4 18 EBITDA came under pressure due to the impact of derivate financial instruments.
- **Annual consolidated net profit** – A sharp YoY increase of 46.0% to come close to SAR 100 million with Net Margin reaching 11.9%.

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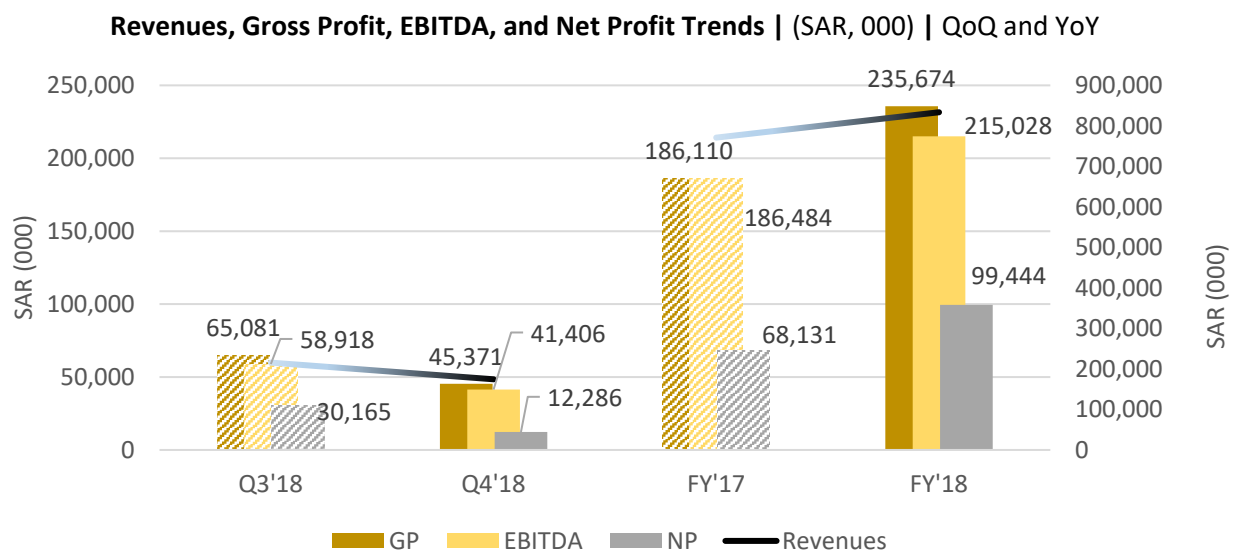
Dr Mohamed Saleh Darweesh, MEPCO Group Chief Financial Officer, commented:

“We are proud to report new performance records, with all annual financial indicators showing healthy growth over the past 12 months.

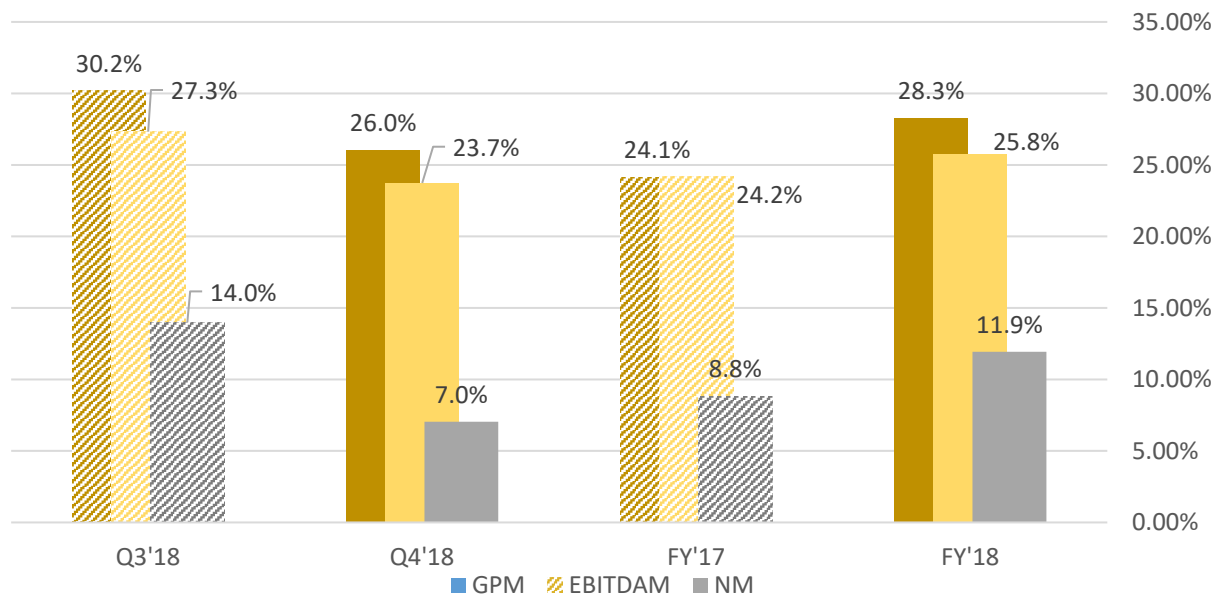
With end product prices correcting during H2 2018, we could foresee a corresponding decrease in demand. However, MEPCO remained resilient, and global market dynamics had no significant impact on overall annual results. Performance should be considered on an annual rather than quarterly basis.

Ongoing cost optimisation and IT infrastructure investment have supported the business’ strong performance. 2018 developments included introducing SAP and Office 365, as well as moving our servers to the cloud. We also implemented a materials requirement planning (MRP) system to streamline reordering and a new preventative maintenance system to minimise unplanned shutdowns. Integrating our weight bridge scale link with SAP and completing our barcoding project have introduced new levels of automation and accuracy. The ease with which we can now share information and access data has increased the profitability and efficiency of production processes.

We further deleveraged our capital structure and now have a net debt-to-equity ratio of 0.78, our lowest since 2012. This puts MEPCO in a strong position for future expansion to meet growing demand at home and abroad.”



Gross Profit Margin, EBITDA Margin, and Net Margin Trends | (SAR, 000) | QoQ and YoY



Debt Structure

As of 31 December 2018 (SAR ,000)

	Dec-18	Dec-17	Change (SAR)	Change %
STL	128,301	223,253	-94,952	-42.53%
MTL	488,714	482,688	6,026	1.25%
Total debt	617,015	705,941	-88,926	-12.60%
Cash Balance	28,843	31,016	-2,173	-7.01%
Net debt	588,172	674,925	-86,753	-12.85%
Equity	751,313	722,380	28,933	4.01%
Debt/Equity	0.82	0.98	-0.16	-
Net debt/Equity	0.78	0.93	-0.15	-

-Ends-



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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, 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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