



## Q3/9M 2019 | Earnings Release

### MEPCO Records Positive Net Income for Q3 2019

Gross Profit Margin at 20.7% and EBITDA at 17.6% for 9M 2019

**Jeddah, Saudi Arabia | 29 October, 2019** | The Middle East Paper Co. ('MEPCO'), the region's leading vertically-integrated paper manufacturer, today announced its Q3/9M 2019 results.

MEPCO maintained its high operational performance levels. Compared to Q2 2019, MEPCO recorded sales revenues of SAR 180.7 MM marking an increase of 2.6%. Gross Profit Margin improved by 18.6% to record SAR 39.3 MM and EBITDA (SAR) climbed to SAR 31.3 MM improving by 14.5%. Quarterly margins recorded 21.7% and 17.3%, respectively. Net profit for the quarter recorded SAR 858 thousand reversing from the previous quarter losses of SAR 4.0 MM. Year-on-year indicators remain negative due to lower international product prices, despite high sales volume.

### Strategic Highlights

Q3 2019 results show improvement from the previous quarter, while 9M 2019 figures remain under price pressure, as shown by the indicators below:

- **Sales revenue** – Quarterly improvement by 2.6% to reach SAR 180.7 MM for Q3 2019. YoY comparison shows a drop by 18.3% as prices remain at lower levels compared to 2018.
- **Gross profit** – Value in Saudi Riyals, improved quarterly by 18.6% to reach SAR 39.3 MM. Gross Profit Margin for the quarter recorded 21.7%, improving by 2.9bps QoQ, and 20.7% 9M 2019, remaining above the 20% threshold.
- **EBITDA** – Reached SAR 31.3 MM with an improvement of 14.5% from previous quarter. Q3 2019 margin recorded 17.3%, improving 1.8bps QoQ, and 17.6% for 9M 2019..
- **Net profit**– Recorded SAR 858 thousand for the quarter, returning to profit. 9M 2019 Net Profit stood at SAR 2.6 MM.

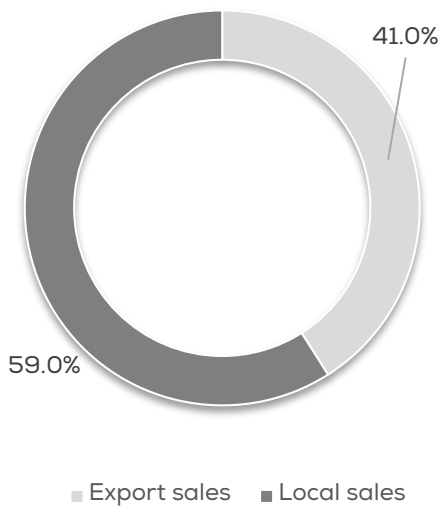
Eng. Sami Al Safran, MEPCO CEO, commented: "Third quarter results confirm our ability to navigate the business back to profitability during tough times. It also confirms what we mentioned in the previous earnings release about operational excellence. We still maintain the highest sales levels by volume in MEPCO's history. This helped partially offset declining international product prices, which are still at low levels. Our quarterly profitability metrics show good improvement from the previous quarter, giving positive signals. We do not foresee material changes in price levels in Q4 2019.

We are pleased to see the recent initiatives taken by the Saudi government to support local industries. Discussing fixing fuel price for 10 years, and the labour tax exemption, confirm government intention to support the Saudi industry. This gives us more confidence in the local business environment, and acts as a catalyst to further grow our business in multiple directions".

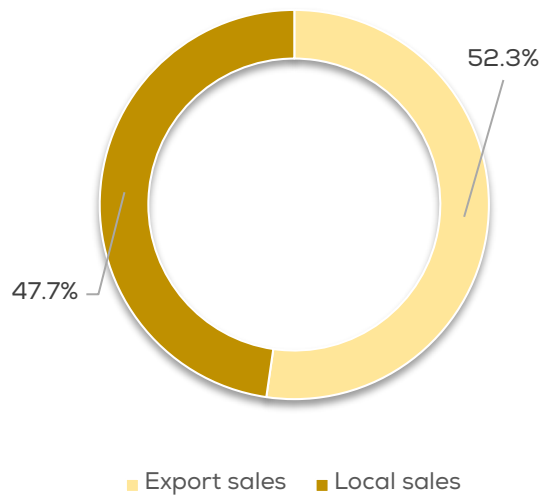
Sales Highlights

Sales breakdown<sup>1</sup> by value (SAR)

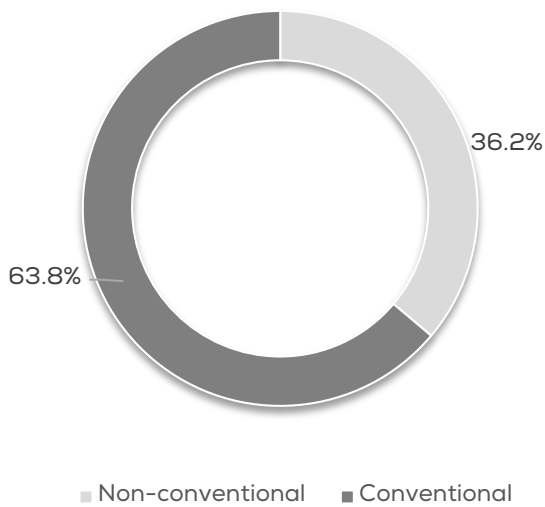
Local vs. Export Sales (%)  
9M 2018



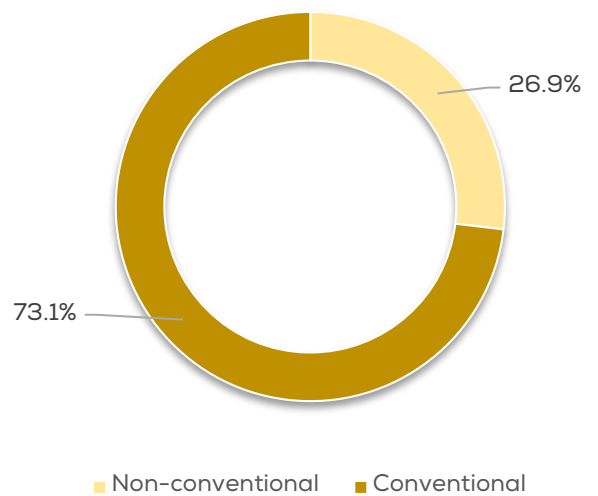
Local vs. Export Sales (%)  
9M 2019



Sales by Product Class (%)  
9M 2018



Sales by Product Class (%)  
9M 2019



<sup>1</sup> Refers to MEPCO standalone sales.



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### Financial Review

For the 3 and 9 months ended 30 September, 2019; all figures are in SAR '000 unless stated otherwise.

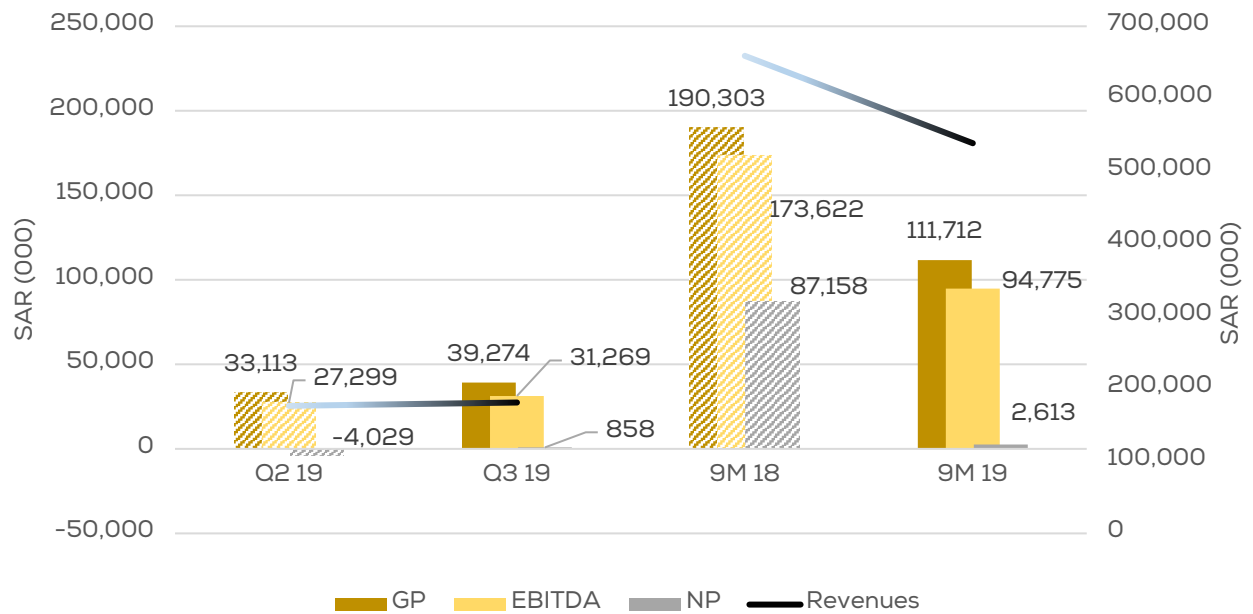
	Previous Quarter	Current Quarter		Previous Period	Current Period	
	Q2 19	Q3 19	QoQ Change	9M 18	9M 19	YoY Change
<b>Sales Revenue</b>	176,086	180,667	2.6%	659,169	538,597	-18.3%
<b>Gross Profit</b>	33,113	39,274	18.6%	190,303	111,712	-41.3%
<b>Gross Profit %</b>	18.8%	21.7%	2.9 bps	28.9%	20.7%	-8.1 bps
<b>EBIDTA</b>	27,299	31,269	14.5%	173,622	94,775	-45.4%
<b>EBIDTA %</b>	15.5%	17.3%	1.8 bps	26.3%	17.6%	-8.7 bps
<b>Net Profit (Loss)</b>	-4,029	858	121.3%	87,158	2,613	-97.0%
<b>Net Profit (Loss) %</b>	-2.3%	0.5%	2.8 bps	13.2%	0.5%	-12.7 bps
<b>Earnings Per Share (SAR)</b>	(0.08)	0.02	0.10 SAR	1.75	0.05	-1.70

bps=basis points

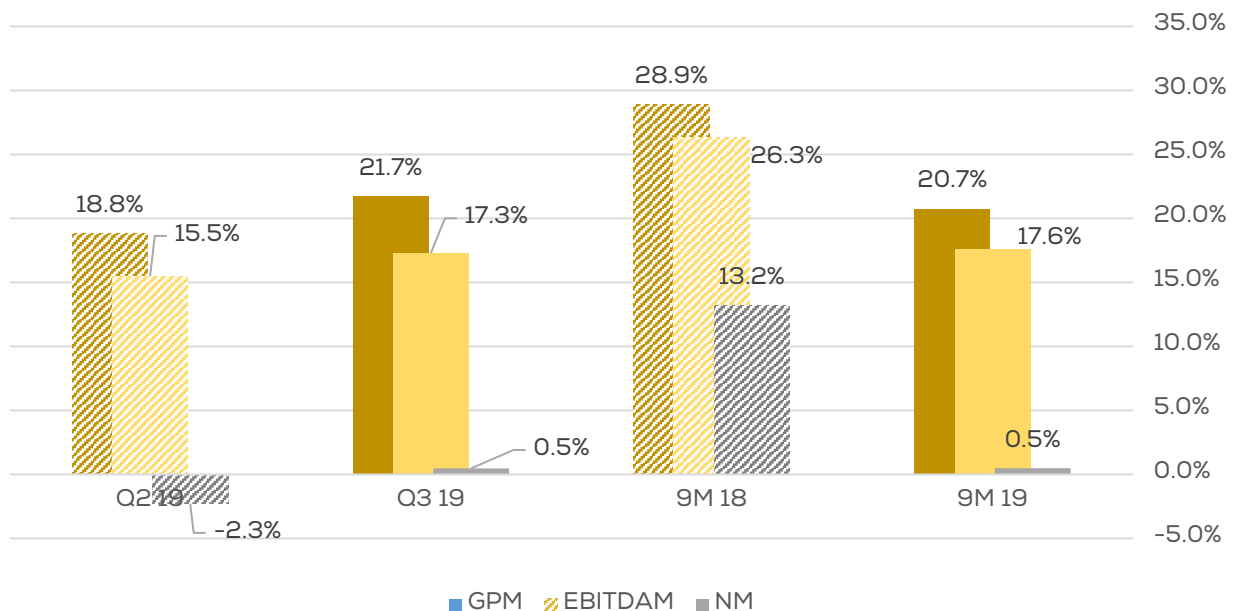
Dr Mohamed Saleh Darweesh, MEPCO Group Chief Financial Officer, commented: "I am pleased to see our figures turning back positive for this quarter. We managed to offset the severity of the sharp product price decline. Our efforts to rationalize cost resulted in savings of SAR 42 MM on the Cost of Sales level for the 9M 2019 representing a 9.0% drop compared to 9M 2018, which affected our margins positively. Margins remain in a good range showing our tight grip over cost elements. We are benefiting from the drop in raw material prices internationally which resulted from lower demand on packaging paper in general. On the capital structure side, we managed to refinance SAR 106 MM of our medium term loans by lower cost debt levels. Regarding the financial effect of labor tax exemption announced lately, this will translate into savings of c. SAR 500 thousand for Q4 2019 and c. SAR 2.0 million annually for the duration of the new regulation".

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



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





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### Debt Structure

As of 30 September 2019 (SAR ,000)

	Sep-19	Sep-18	Change (SAR)	Change (%)
<b>STL*</b>	121,983	170,686	-48,703	-28.5%
<b>MTL**</b>	520,454	465,983	54,471	11.7%
<b>Total debt</b>	642,437	636,668	5,769	0.9%
<b>Cash Balance</b>	17,276	27,632	-10,356	-37.5%
<b>Net debt</b>	625,161	609,036	16,125	2.6%
<b>Equity</b>	728,926	765,222	-36,296	-4.7%
<b>Debt/Equity (x)</b>	0.88	0.83	0.05	-
<b>Net debt/Equity (x)</b>	0.86	0.80	0.06	-

\* 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, 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

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