



## MEPCO Reports Solid Q1 2020 Results

QoQ: 14% increase in revenues, GPM of 20.5%, EBITDAM 20.6%

**Jeddah, Saudi Arabia | 4 May, 2020** | The Middle East Paper Co. ('MEPCO'), the region's leading vertically-integrated paper manufacturer, today announced its Q1 2020 results.

Operating in challenging conditions, MEPCO took the necessary precautions to ensure safety of its staff, and continuity of operations. Q1'20 results reflect a modest recovery in prices, but shows great potential going forward.

### Strategic Highlights

- **Sales revenue** – recorded SAR 173.9 million for the quarter, 14.0% up from Q4'19, and 4.4% down YoY. The improvement in sales is backed by prices trending towards recovery in Q4'19.
- **Gross profit** – increased by 18.7% QoQ to reach SAR 35.6 million for Q1'20. It is 9.4% lower than Q1'19 as it reflects higher end product price base. **Margin** for Q1'20 achieved 20.5%, improving from Q4'19, but still 1.1bps below Q1'19 level.
- **EBITDA** – achieved SAR 35.8 million, representing a quarterly improvement of 8.7%, and a slight drop of 1.2% YoY. Margin recorded 20.6% for the quarter, 1bps below the previous quarter. However, it showed improvement from Q1'19 by 0.7bps.
- **Net profit**– Improved significantly QoQ to record 17.3% increase. SAR figure stood at 4.1 million.

Eng. Sami Al Safran, CEO, commented: "Tough times are nothing new to us. I am pleased to convey to you that MEPCO is working efficiently, in full capacity, and in complete conformity with local health and safety regulations. We are prioritizing the safety of our staff, customers, and partners.



## Q1 2020 | Earnings Release

We acted swiftly early March and tightened our grip on HSE measures especially in worker housing and factory level. Since the pandemic outbreak, MEPCO made no layoffs, and all our employees present in Saudi Arabia are paid in full whether they work at company premises, or from home.

As the world undergoes one of its major challenges in modern history, the role of the packing industry has never been more essential. MEPCO is playing a vital role in securing a steady supply of packaging material to the local market. We shifted gears to prioritize local sales to ensure an undisturbed supply of essential goods, while fully meeting international customers' orders in-time.

Under this unprecedented lockdown, we are witnessing solid demand driven by increased retail consumption. It is worth noting that this set of results reflects orders contracted during the previous quarter, when prices started to tick upwards. Having passed a price increase in Q1'20, we anticipate better performance for Q2'20.

However, we have challenges at hand. We are facing headwind in raw material collection through WASCO. This is not specific to our local market, but is seen across most countries and is affecting the paper industry worldwide. Consequently, fiber prices increased moderately due to limited supply. So far, MEPCO is well-stocked and prepared to deliver its backlog in-time.

On the sales front, what lies beyond June 2020 can be anyone's guess as everything is quite dynamic. Please allow me to stress that we are not expecting a decline in performance, but in times of heightened uncertainty, it is only prudent to adopt a rather conservative approach as we strive to provide appropriate guidance.

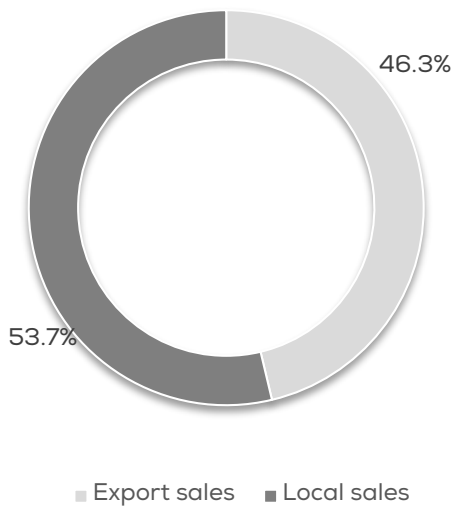
Finally, I fall short of words to thank my management team of MEPCO and WASCO for their efforts in managing and containing this situation, and most importantly, the factory workers who have put a tremendous effort to compensate for shift changes in such tough times. Thank you everyone. Stay safe".

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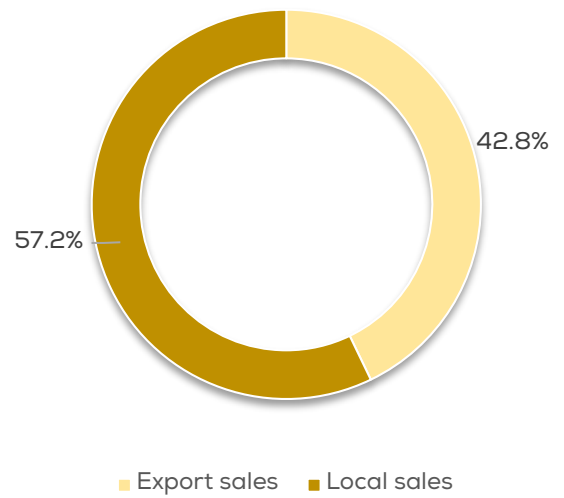
### Sales Highlights

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

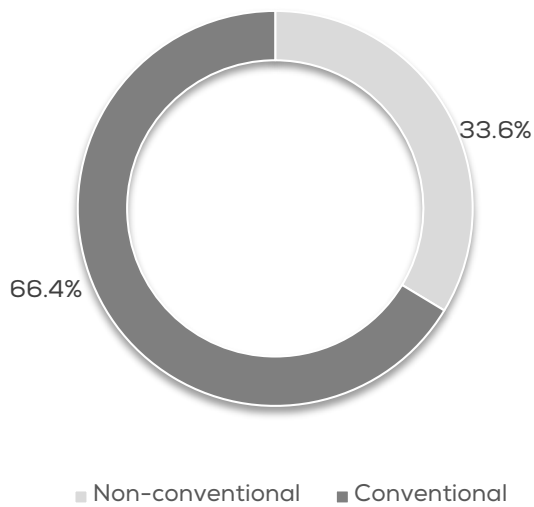
Local vs. Export Sales (%)  
Q1 2019



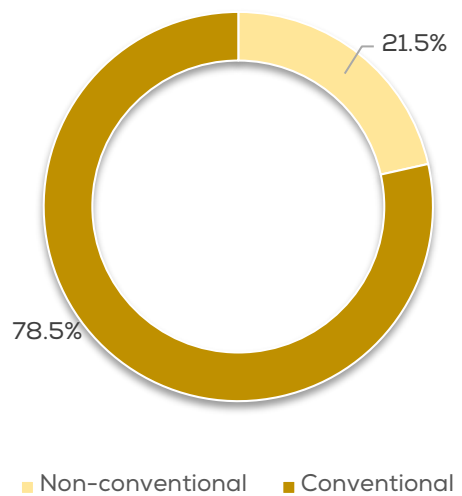
Local vs. Export Sales (%)  
Q1 2020



Sales by Product Class (%)  
Q1 2019



Sales by Product Class (%)  
Q1 2020



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



## Q1 2020 | Earnings Release

### Financial Review

For the 3 months ended 31 March, 2020; all figures are in SAR '000, unless stated otherwise.

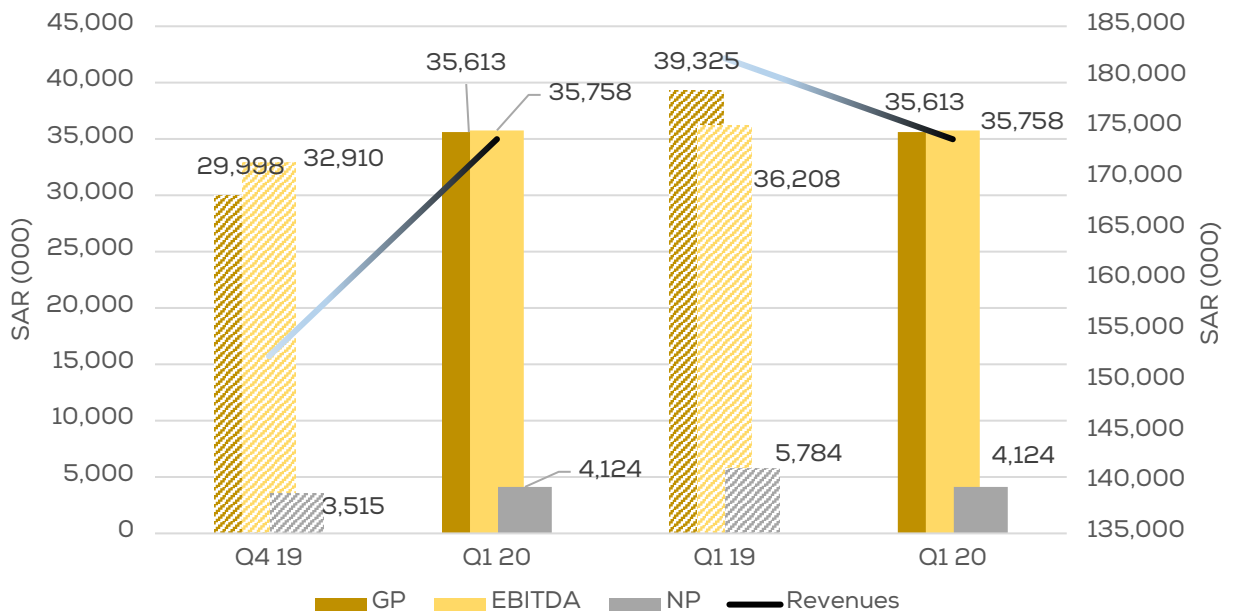
	Previous Quarter	Current Quarter	QoQ Change	Previous Period	Current Period	YoY Change
	Q4 19	Q1 20		Q1 19	Q1 20	
<b>Sales Revenue</b>	152,480	173,866	14.0%	181,844	173,866	-4.4%
<b>Gross Profit</b>	29,998	35,613	18.7%	39,325	35,613	-9.4%
<b>Gross Profit %</b>	19.7%	20.5%	0.8 bps	21.6%	20.5%	-1.1 bps
<b>EBIDTA</b>	32,910	35,758	8.7%	36,208	35,753	-1.2%
<b>EBIDTA %</b>	21.6%	20.6%	-1.0 bps	19.9%	20.6%	0.7 bps
<b>Net Profit (Loss)</b>	3,515	4,124	17.3%	5,784	4,124	-28.7%
<b>Net Profit (Loss) %</b>	2.3%	2.4%	0.1 bps	3.2%	2.4%	-0.8 bps
<b>Earnings Per Share (SAR)</b>	0.07	0.08	0.14	0.12	0.08	-0.33

bps=basis points

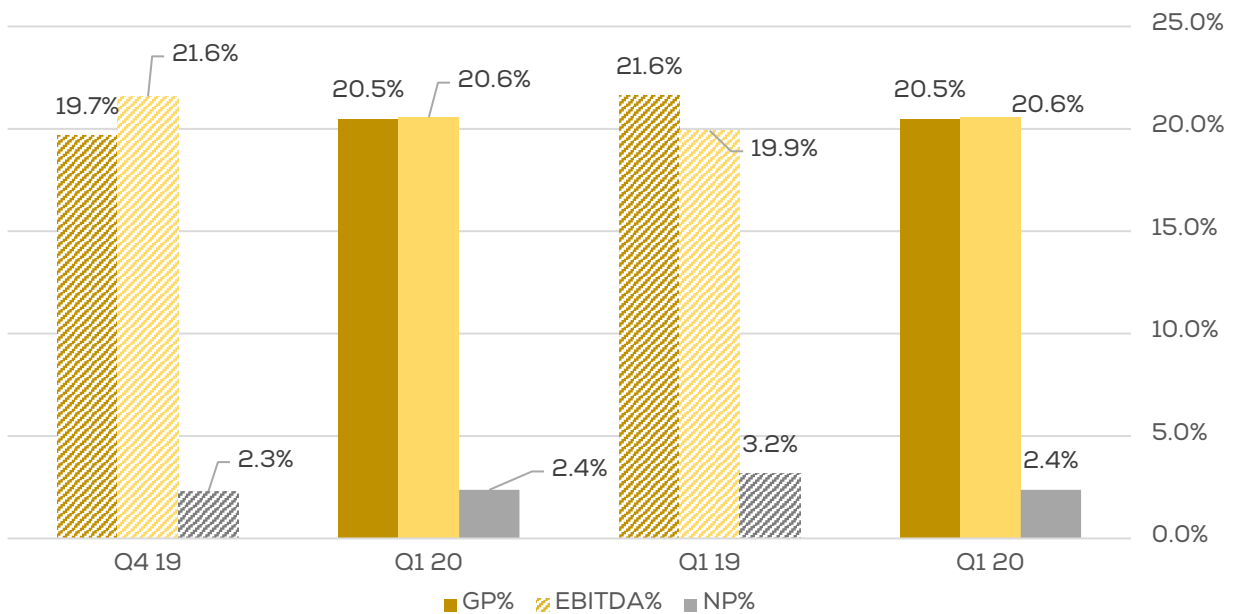
Dr Mohamed Saleh Darweesh, MEPCO Group Chief Financial Officer, commented: "We are keeping a close eye on the evolving Covid-19 pandemic situation. As of Q1 2020, MEPCO did not witness adverse financial implications. Collections from trade receivables have improved in Q1 2020 as compared to collection in same period last year, which reduced trade receivables by 16%. We reduced the total debt by 3.5%, resulting in a favourable net debt to equity ratio of 0.83x compared to 0.87x last year. We are in full compliance with all debt covenants".

## Q1 2020 | Earnings Release

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



## Debt Structure

As of 31 March 2020 (SAR ,000)

	Mar-20	Mar-19	Change (SAR)	Change %
STL*	169,888	171,701	(1,813)	-1.1%
MTL**	463,455	484,535	(21,080)	-4.4%
<b>Total debt</b>	<b>633,343</b>	<b>656,236</b>	<b>(22,893)</b>	<b>-3.5%</b>
Cash Balance	23,134	23,213	(79)	-0.3%
<b>Net debt</b>	<b>610,209</b>	<b>633,023</b>	<b>(22,813)</b>	<b>-3.6%</b>
Equity	735,602	731,378	4,224	0.6%
<b>Debt/Equity (x)</b>	<b>0.86</b>	<b>0.90</b>	<b>(0.04)</b>	<b>-</b>
<b>Net debt/Equity (x)</b>	<b>0.83</b>	<b>0.87</b>	<b>(0.04)</b>	<b>-</b>

\* 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 and neighbouring 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

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