



### ALL METRICS UP

**Q2'20: GPM 23.1%, EBITDA 22.5%; 1H'20: GPM 21.9%, EBITDA 21.6%**

**Jeddah, Saudi Arabia | 19 August, 2020** | The Middle East Paper Co. ('MEPCO'), the region's leading vertically-integrated paper manufacturer, today announced its 1H 2020 results.

All metrics show positive improvement compared with prior periods, QoQ and YoY, backed by price and demand.

### Strategic Highlights

- **Sales revenue** – recorded SAR 193.6 million for the quarter, 11.4% up from Q1'20. 1H'20 reached SAR 367.5, 2.7% higher YoY. The improvement in sales is backed by end product price recovery as well as increased demand.
- **Gross profit** – for the quarter, increased by a hefty 25.7% QoQ to reach SAR 44.8 million, and 11.0% YoY for the six months, reaching SAR 80.4 million. **Margins** recorded 23.1% and 21.9%, respectively. Although local fibre prices increased slightly, WASCO helped a significant role in stabilizing supply in 1H 2020.
- **EBITDA** – for the quarter, increased by 21.7%, reaching SAR 43.5 million. For 1H'20, it achieved strong growth of 24.5% to reach SAR 79.3 million. **Margins** achieved 22.5% and 21.6% for the quarter and 1H'20, respectively.
- **Net profit**– nearly tripled QoQ to reach SAR 11.4 million, and multiplied YoY to reach SAR 15.6 million. **Margins** achieved 5.9% and 4.2%, respectively.



## 1H 2020 | Earnings Release

Eng. Sami Al Safran, CEO, commented: “We are proud of this excellent set of results, which reflects efforts done at these challenging times. As prices started recovery during the first half of 2020, we positioned ourselves to strike a sensitive balance between maximizing our returns and ensuring full customer satisfaction. Demand on containerboard was notably high during this period, driven by increased consumer demand to secure current consumption and stocking for future needs. In addition, heavy reliance on online shopping due to lockdown.

I am proud to confirm that we were able to meet this heightened demand with record-level production. MEPCO achieved record high production levels during the peak of the pandemic situation. Our production levels exceeded 220k tons in 1H 2020, with an annual increase of c. 14% while operating with reduced manpower.

Out of our profound responsibility towards supporting our homeland market, we focused on local market demand during the first half of 2020, which resulted in 49% increase in local sales compared to the same period in 2019. This translated into a sales mix that with a bigger share of conventional containerboard products.

I extend my sincere gratitude to our stakeholders, particularly my team, for this outstanding achievement.

On the raw materials front, local and international prices increased during the lockdown period due to the curfew situation, which made collecting and transporting the required materials challenging. However, we were able to secure a steady supply of raw materials for the duration of this period, enabling us to run our operations uninterrupted, showcasing the pivotal role of WASCO this tough phase.

Our outlook for 2020 is on the cautious side due to future uncertainty. Concurrently, we foresee demand on our products to remain steady as economies recover gradually. However, pressure on prices may yet exist. On the raw materials side, as more countries adopt stricter environmental regulations, shadowing China’s regulations issued in 2017, we expect prices to trend downwards on the medium term. These forecasts remain subject to both market dynamics and issuance international and local regulations.

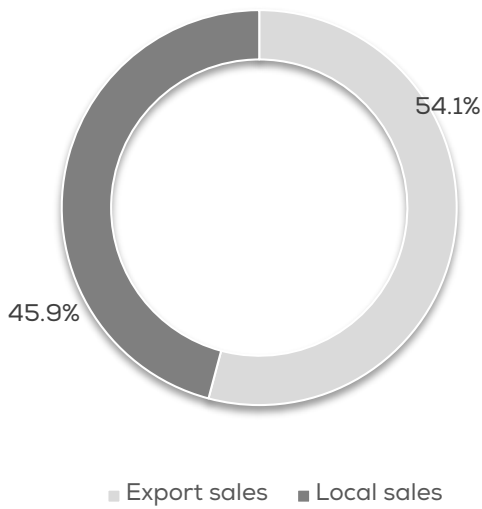
We have made noteworthy economic achievements, which lay concrete foundations for our current and future operations. It is without a doubt that the future will reflect positively on our shareholders”.

# 1H 2020 | Earnings Release

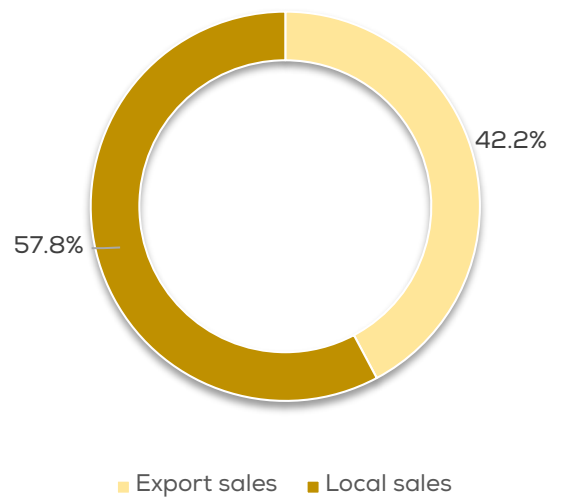
## Sales Highlights

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

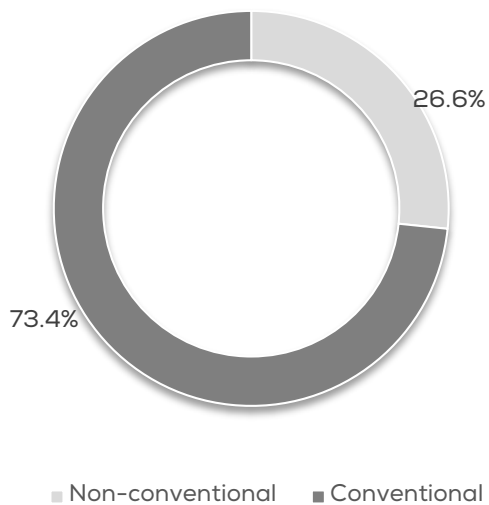
Local vs. Export Sales (%)  
1H 2019



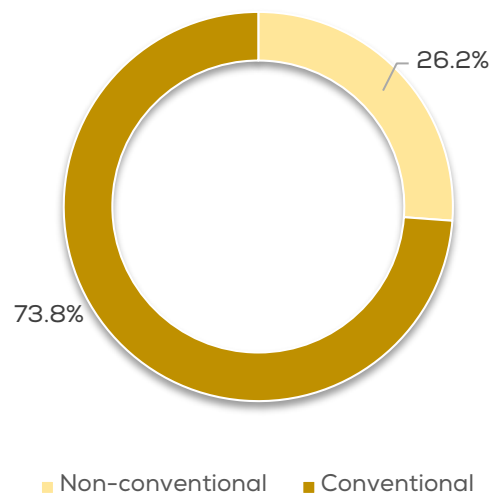
Local vs. Export Sales (%)  
1H 2020



Sales by Product Class (%)  
1H 2019



Sales by Product Class (%)  
1H 2020



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



## 1H 2020 | Earnings Release

### Financial Review

For the 3/6 months ended 30 June, 2020; all figures are in SAR '000, unless stated otherwise.

	Previous Quarter	Current Quarter	QoQ Change	Previous Period	Current Period	YoY Change
	Q1'20	Q2'20	e	1H'19	1H'20	
Sales Revenue	173,866	193,622	11.4%	357,930	367,487	2.7%
Gross Profit	35,613	44,772	25.7%	72,438	80,386	11.0%
<i>Gross Profit %</i>	<i>20.5%</i>	<i>23.1%</i>	<i>2.6 bps</i>	<i>20.2%</i>	<i>21.9%</i>	<i>1.6 bps</i>
EBIDTA	35,758	43,513	21.7%	63,507	79,271	24.8%
<i>EBIDTA %</i>	<i>20.6%</i>	<i>22.5%</i>	<i>1.9 bps</i>	<i>17.7%</i>	<i>21.6%</i>	<i>3.8 bps</i>
Net Profit (Loss)	4,124	11,440	177.4%	1,755	15,564	786.9%
<i>Net Profit (Loss) %</i>	<i>2.4%</i>	<i>5.9%</i>	<i>3.5 bps</i>	<i>0.5%</i>	<i>4.2%</i>	<i>3.7 bps</i>
Earnings Per Share (SAR)	0.08	0.23	0.15	0.04	0.31	0.27

bps=basis points

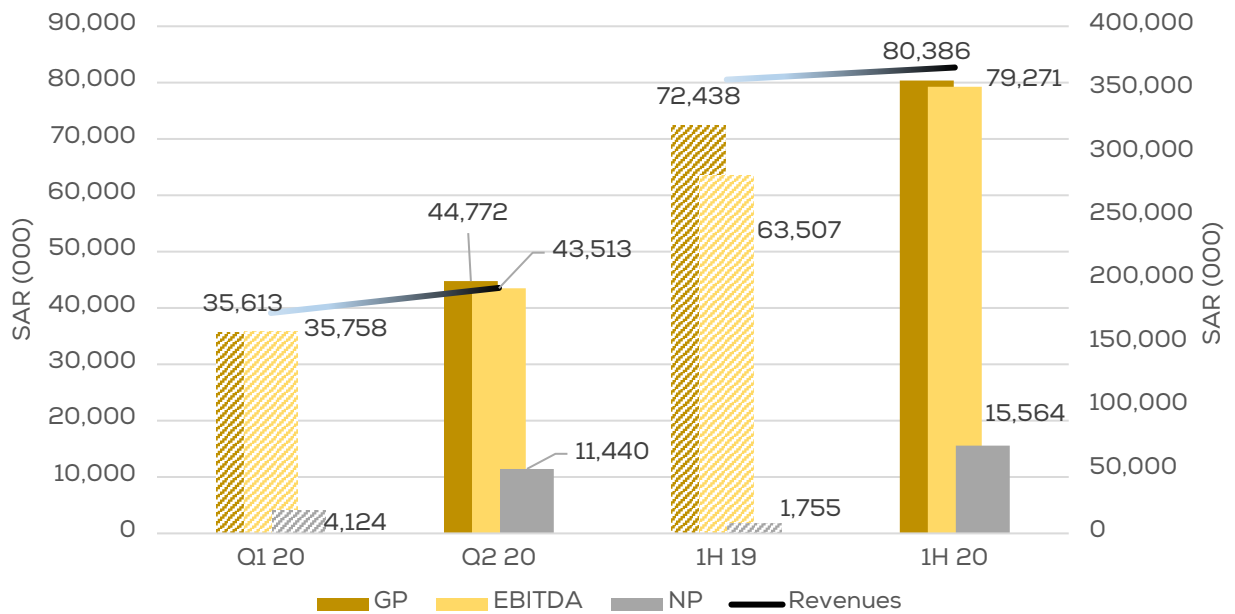
Dr Mohamed Saleh Darweesh, MEPCO Group Chief Financial Officer, commented: "It is a pleasure to see all metrics positive. We made several accomplishments in 2020. Besides the excellent performance, we successfully reduced the short term debt position by 31.0% to reach SAR 118.5 million, down from SAR 171.7 million while medium term loans increased by 1.9%.

MEPCO's total debt position improved by 6.7%, compared to the same period of 2019. This evidences the company's ability to generate strong and steady cash flow.

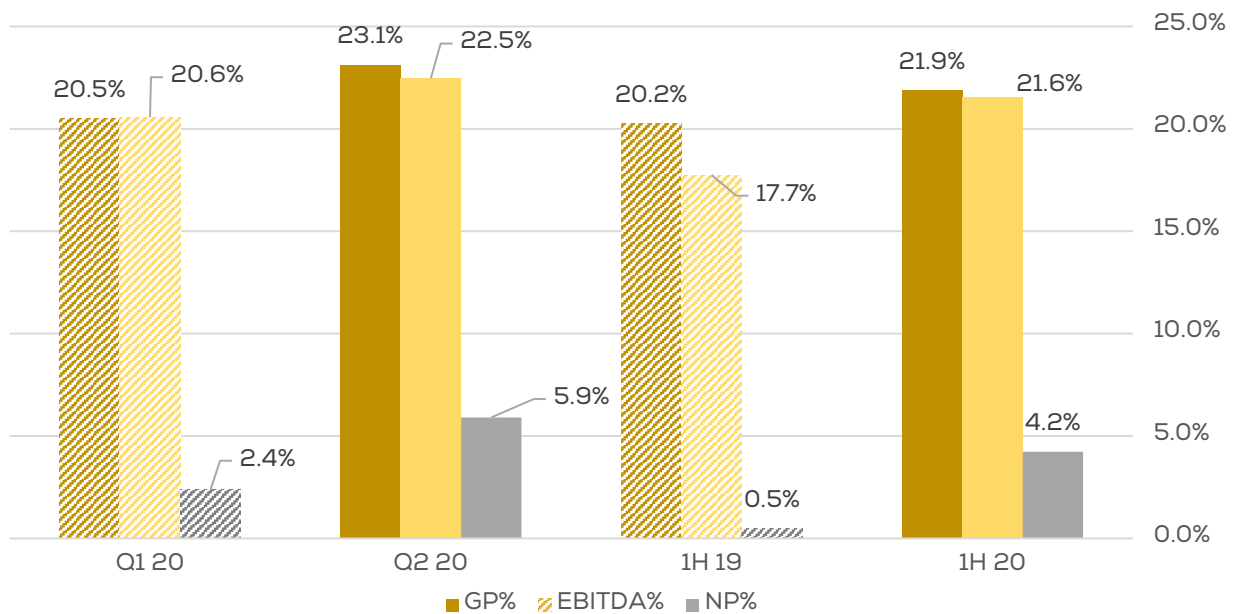
Collectively, the debt service for 1H 2020, standing at SAR 10.3 million, dropped by 20%, compared to the same period last year. This significant debt reduction brought down our debt to equity to 0.82x, which is an excellent metric in the paper industry. This low debt level unlocks MEPCO's ability to gear up and fuel future growth".

# 1H 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 30 June 2020 (SAR ,000)

	Jun-20	Jun-19	Change (SAR)	Change %
STL*	118,498	171,701	(53,202)	-31.0%
MTL**	493,709	484,535	9,174	1.9%
<b>Total debt</b>	<b>612,208</b>	<b>656,236</b>	<b>(44,028)</b>	<b>-6.7%</b>
Cash Balance	17,179	23,213	-6,034	-26.0%
<b>Net debt</b>	<b>595,028</b>	<b>633,023</b>	<b>(37,994)</b>	<b>-6.0%</b>
Equity	746,942	731,378	15,564	2.1%
<b>Debt/Equity (x)</b>	<b>0.82</b>	<b>0.90</b>	<b>(0.08)</b>	<b>-</b>
<b>Net debt/Equity (x)</b>	<b>0.80</b>	<b>0.87</b>	<b>(0.07)</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

Bassem Elshawy

Email: [investors@mepco.biz](mailto:investors@mepco.biz)

Phone: +966 12 6380111

[IR website](#)