



Q4/FY 2020 | Earnings Release

MEPCO Records Strong Operational and Financial Results for FY020

FY 2020 EBIT records 36.8%, Net Income climbs 229.2% YoY on operational efficiency

Jeddah, Saudi Arabia | 17 March, 2020 | The Middle East Paper Co. ('MEPCO'), the region's leading vertically-integrated paper manufacturer, today announced its FY 2020 results.

MEPCO recorded improving operational and financial results, compared to FY 2019 as a direct result of higher end-product selling prices, increased production and sales levels, and tighter control on cost of manufacturing. Amid exceptionally difficult year, full of unprecedented circumstances, MEPCO succeeded in marking record production and sales levels. Production and sales increased by 10% and 12% respectively, driving EBIT, and Net Income by 36.8% and 229.2% up YoY, respectively.

Strategic Highlights.

- **Production** – FY 2020 production reached 426k tons, c. 10% up from 2019 production.
- **Sales revenue** – Q4'20 recorded sharp increase of 13.3% to reach SR 189.7 MM compared to Q3'20, while FY 2020 Increased by 4.9% YoY, reaching SR 724.7 MM for the year.
- **Gross profit** – Q4'20 in SR recorded 49.3% increase reaching SR 37.7 MM QoQ, a margin of 19.8%. FY 2020 GP in SR achieved a 1.1% improvement recording SR 143.2 MM. This represents a margin of 19.8%.
- **EBIT** – Q4'20 EBIT reached SR 12.5 MM marking a 175.9% increase from Q3'20 while annual EBIT recorded SR 43.6 MM, 36.8% up YoY.
- **Net profit**– Q4'20 surged QoQ to record SR 4.2 MM. The FY 2020 increased sharply compared to FY 2019 to record SAR 20.2 MM recording 229.2% annual increase.

Eng. Sami Safran, MEPCO CEO, commented: "The results we present you today showcase MEPCO's ability to withstand significant challenges. While international operating rates for peers worldwide dropped from an average of 86% to reach 82% and below in 2020 due to the impact of the pandemic, MEPCO's operating rates exceeded 92% to meet the excessive demand that happened in the first half of the year. We achieved an unprecedented production and sales levels in this challenging year. Many competitors either stopped operations completely, or had to reduce their production capacity, significantly, due to scarcity of fibre locally.

Not only we achieved these record production and sales levels, we did so with higher efficiency as we managed to reduce direct production cost by successfully implementing several operational efficiency initiatives in 2H 2020.

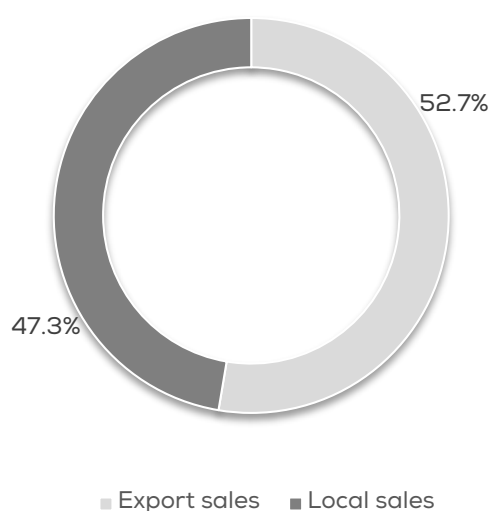
I am proud for having achieved these results, and sincerely thank every member of MEPCO's team for dedication in this difficult year. We continue to standout, not only as one of the best performing companies regionally, but also on an international scale and I am confident that the best is yet to come".

Q4/FY 2020 | Earnings Release

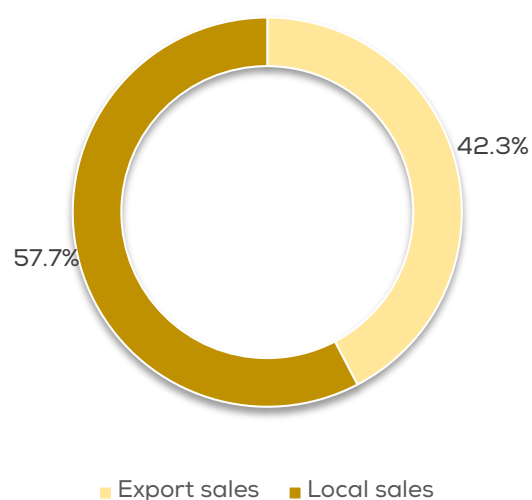
Sales Highlights

Sales breakdown¹ by value (SAR)

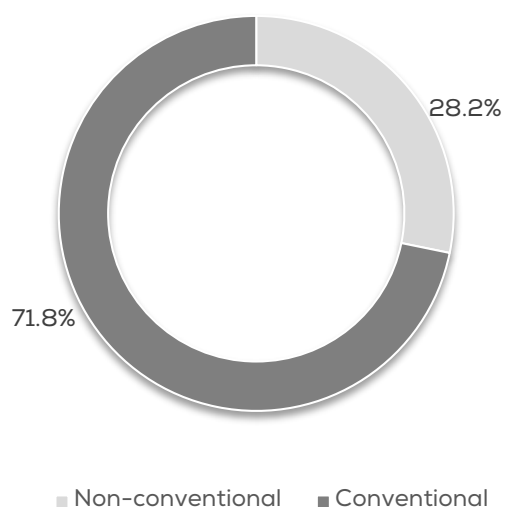
Local vs. Export Sales (%)
FY 2019



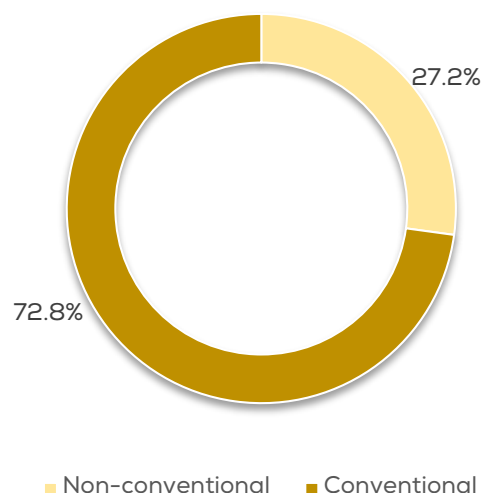
Local vs. Export Sales (%)
FY 2020



Sales by Product Class (%)
FY 2019



Sales by Product Class (%)
FY 2020



¹ Refers to MEPCO standalone sales.

Q4/FY 2020 | Earnings Release

Financial Review

For the 3 and 12 months ended 31 December 2020, all figures are in SAR '000, unless stated otherwise.

	Previous Quarter	Current Quarter	QoQ Change	Previous Period	Current Period	YoY Change
	Q3 20	Q4 20		FY 19	FY 20	
Sales Revenue	167,480	189,718	13.3%	691,077	724,685	4.9%
Gross Profit	25,217	37,646	49.3%	141,710	143,249	1.1%
<i>Gross Profit %</i>	15.1%	19.8%	4.8 bps	20.5%	19.8%	-0.7 bps
EBITDA	31,205	39,019	25.0%	127,685	149,495	17.1%
<i>EBITDA %</i>	18.6%	20.6%	1.9 bps	18.5%	20.6%	2.2 bps
EBIT	4,546	12,542	175.9%	31,860	43,592	36.8%
<i>EBIT %</i>	2.7%	6.6%	3.9 bps	4.6%	6.0%	1.4 bps
Net Income	383	4,229	1004.4%	6,128	20,176	229.2%
<i>Net Income %</i>	0.2%	2.2%	2.0 bps	0.9%	2.8%	1.9 bps
Earnings Per Share (SAR)	0.01	0.09	0.08 SAR	0.12	0.41	0.29 SAR

bps=basis points

Dr Mohamed Saleh Darweesh, MEPCO Group Chief Financial Officer commented: "I am delighted to report this set of results as we reach new levels of production, with noteworthy cost efficiencies. We could make gains on both the direct and indirect cost fronts. This is only the beginning of a series of initiatives that should help further enhance MEPCO's profitability going forward.

We are witnessing a sharp increase in fibre prices since Q4 2020, which resulted in achieving slightly lower gross margins for the year-end. However, the EBIT line is showing impressive growth, to which many cost efficiencies contribute.

We managed to deleverage our position to reach 0.77x in debt to equity and 0.71 in net debt to equity ratios as our liquidity and cash flow improves enabling us to meet all debt repayments comfortably. These attractive ratios will enable MEPCO to fuel the upcoming growth in the next 3 years".

Q4/FY 2020 | Earnings Release



Sales Revenues, Gross Profit, EBIT, and Net Profit Trends | QoQ and YoY



Debt Structure

As of 31 December 2020 (SAR ,000)

	Dec-20	Dec-19	Change (SAR)	Change %
STL*	86,297	171,701	-85,404	-49.7%
MTL**	496,381	484,535	11,845	2.4%
Total debt	582,677	656,236	-73,559	-11.2%
Cash Balance	45,455	23,213	22,242	95.8%
Net debt	537,222	633,023	-95,801	-15.1%
Equity	751,993	731,378	20,615	2.8%
Debt/Equity (x)	0.77	0.90	(0.12)	-
Net debt/Equity (x)	0.71	0.87	(0.15)	-

* STL includes: Notes Payable liability against import bills

** MTL includes: Current Portion of Term Loans

-Ends-



Q4/FY 2020 | Earnings Release

About MEPCO

MEPCO is the leading vertically integrated paper manufacturer in the Middle East, offering a diverse range of containerboard and specialty paper products serving the packaging, construction, furniture, and paper core industries around the world. MEPCO supplies its products to the local Saudi market, as well as the GCC, Middle East and Africa. The Company's innovative approach to doing business enables it to deliver significant environmental and economic benefits to Saudi Arabia. MEPCO is listed on the Saudi Stock Exchange (Tadawul) under symbol '1202'. For more information about MEPCO, click [here](#).

Investor Relations

Bassem Elshawy

Head of Strategy and Business Development

Email: investors@mepco.biz

Phone: +966 12 6380111

[IR website](#)