



Q1 2022 | Earnings Release

MEPCO POSTS STRONG Q1'22 RESULTS WITH SR 92.4M IN NET INCOME

Gross Profit margin records 46.9% and Net Income margin exceeds 30.3%

Jeddah, Saudi Arabia | April 27, 2022 | The Middle East Paper Co. ('MEPCO'), the region's leading vertically integrated paper manufacturer, announced its results for the first quarter of 2022. Results show a significant increase in all metrics compared to the same period last year. Compared to the last quarter of 2021; the ongoing logistical challenges had an impact on dispatch rates being lower than average, which consequently impacted sales revenues negatively. However, profitability metrics further improved indicating the continuation of price trends.

Highlights

- **Sales revenue** – recorded SR 305.0m representing a 52.1% increase compared to Q1'21 and a decrease of 6.7% compared to Q4'21. The YoY increase is primarily attributed to the increase in international price levels while the QoQ decrease is logistical challenges in Europe that are happening due to the political turbulence since February 2022.
- **Gross profit** – recorded SR 143.2m showing a significant 198.2% increase YoY and a slight decrease of 2.5% QoQ, driven by the sales levels. It is worth mentioning that raw materials are showing a steady pricing level after implementing several cost controls in 2021. The gross profit margin recorded a significant 46.9% in Q1'22 showing a hefty 23 basis points increase YoY and an improvement of 2 basis points over the previous quarter.
- **EBIT** – have improved by 340.1% and by 2.0%, YoY and QoQ, respectively, to reach SR 101.3m in the first quarter of 2022. This reflects a rather healthy margin of 33.2%, an improvement of 21.7 basis points YoY and advances by 2.8 basis points relative to Q4 2021.
- **Net income** – stood at SR 92.4m with a sharp YoY increase of 421.3% and a slight decrease of 2.6% on a quarterly basis due to the reasons mentioned above. The Net profit margin of 30.3% in Q1'22 improved on the YoY and QoQ levels to record 21.5 and 1.3 basis points gains, respectively.

Eng. Sami Safran, President of MEPCO, commented: "The first quarter of this year evidences the continuation of our strong performance in 2021. We continue to follow international selling price trends, which showed no sign of easing till the date of this release. The global logistical challenges had an impact on our dispatch this quarter, which led to a decrease in the dispatch quantity. On the profitability side, we keep recording higher levels of profitability across all metrics. This is backed by the prevailing selling price levels as well as a stable manufacturing cost, particularly fiber, at the local level. We expect Q2'22 to be in line with the results presented to you today.

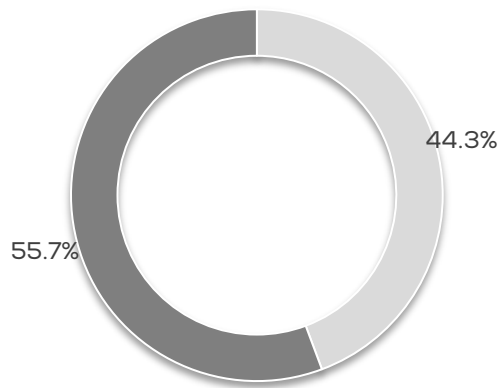
On the tissue manufacturing project front, I am happy to report that we have received parts of the tissue machine from our partners in Italy, Toscotec. The project is in progress according to the timeline. We are eager to see this important strategic initiative bear fruit next year, which will reflect positively on our topline, profitability, and will offer our shareholders a more streamlined earnings pattern going forward".

Sales Highlights

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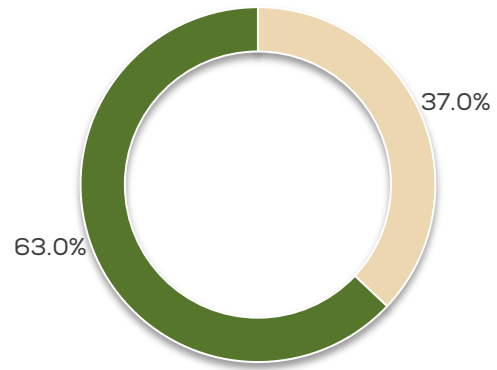
Sales breakdown¹ by value in (SAR)

Local vs. Export Sales (%)
Q1 2021



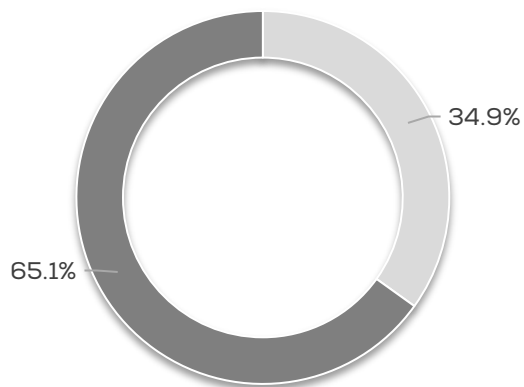
■ Export sales ■ Local sales

Local vs. Export Sales (%)
Q1 2022



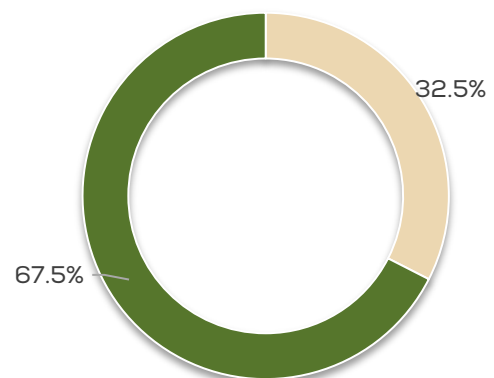
■ Export sales ■ Local sales

Sales by Product Class (%)
Q1 2021



■ Non-conventional ■ Conventional

Sales by Product Class (%)
Q1 2022



■ Non-conventional ■ Conventional

¹ Refers to MEPCO standalone sales.



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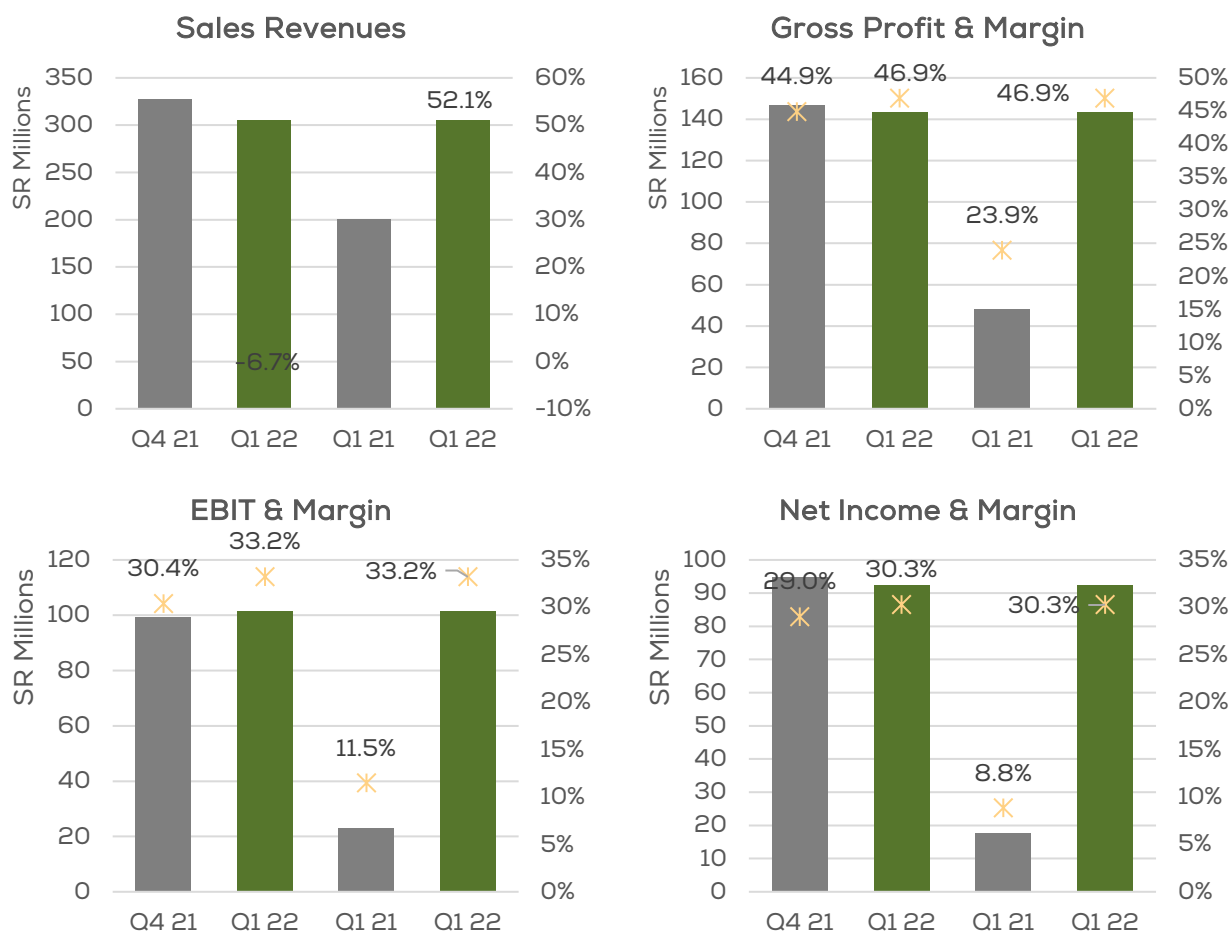
Financial Review

For the financial period ended March 31, 2022; all figures are in SAR '000, unless stated otherwise.

in SAR (000 's)	Previous Quarter Q4 21	Current Quarter Q1 22	QoQ Change	Previous Period Q1 21	Current Period Q1 22	YoY Change
Sales Revenue	326,949	305,017	-6.7%	200,514	305,017	52.1%
Gross Profit	146,860	143,157	-2.5%	48,011	143,157	198.2%
Gross Profit %	44.9%	46.9%	2.0 bps	23.9%	46.9%	23.0 bps
EBIDTA	123,448	125,202	1.4%	50,074	125,202	150.0%
EBIDTA %	37.8%	41.0%	3.3 bps	25.0%	41.0%	16.1 bps
EBIT	99,356	101,294	2.0%	23,017	101,294	340.1%
EBIT %	30.4%	33.2%	2.8 bps	11.5%	33.2%	21.7 bps
Net Profit	94,859	92,386	-2.6%	17,722	92,386	421.3%
Net Profit %	29.0%	30.3%	1.3 bps	8.8%	30.3%	21.5 bps
Earnings Per Share	1.91	1.85	-0.06	0.36	1.85	1.49

bps=basis points

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





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Debt Structure

As of 31 March, 2022 (SAR '000)

(SAR ,000)	Mar-22	Mar-21	Change (SAR)	Change %
STL*	15,629	121,911	-106,282	-87.2%
MTL**	435,314	424,032	11,282	2.7%
Total debt	450,943	545,943	-95,000	-17.4%
Cash Balance	149,715	32,834	116,881	356.0%
Net debt	301,228	513,109	-211,881	-41.3%
Equity***	1,075,918	769,715	306,203	39.8%
Debt/Equity (x)	0.42	0.71	(0.29)	-
Net debt/Equity (x)	0.28	0.67	(0.39)	-

* STL includes: Notes Payable liability against import bills

** MTL includes: Current Portion of Term Loans and net-off Deferred Finance Charges (DFC)

*** Total Equity including Non-Controlling Interest with value of SR 843 thousand.

-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, GCC countries. Its growing global footprint spans over 40 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. Through its wholly owned subsidiary, WASCO, MEPCO sources raw material from across the Kingdom and neighboring 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.

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