

Earnings Release

H1 FY23



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While management has made every effort to present a fair view of MEPCO's operational and financial performance in this presentation; it is important to note that expectations about the future results that come in light of prevailing operational, financial and market conditions may change in the future. Management does not recommend using such forward looking statements in financial modeling or investment decision making. It thus takes no liability to explain differences between future actual results and what was stated in the course of this presentation.



MEPCO's Executives

GROUP PRESIDENT

Over 30 years in the Paper industry and others.
Held leadership position for over 20 years in MEPCO and others.
Bachelor of Industrial Chemistry in 1992.



ENG. SAMI AL-SAFRAN

GROUP CHIEF FINANCIAL OFFICER

Over 17 years of finance specialized in mobilizing funds and turnaround strategies . Trusted partner with a remarkable history of guiding corporate mergers. Certified Public Accountant (CPA) . Holder of an Executive MBA from London Business School



AMR MASRY

GROUP CHIEF COMMERCIAL OFFICER

Over 20 years of international marketing and trading experience
With extensive paper industry experience and achievements
Bachelor of commerce and post graduate diploma in international trading



AHMED EL FAZARY

Outline



H1 FY 23 Key
Performance
Indicators

01



Macro Economic
review

02



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Container board
review

03



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01

H1 FY23 Key Performance Indicators

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H1 FY 23 Performance*



SALES REVENUES SAR 413 M

- 37 % YoY



GROSS PROFIT SAR 58 M

- 81 % YoY



EBITDA SAR 38 M

- 85 % YoY



NET LOSS SAR 27 M

- 114 % YoY



COST OF SALES SAR 355 M

+ 2 % YoY



GROSS PROFIT MARGIN 14 %

- 3251 bps YoY



EBITDA MARGIN 9 %

- 3027 bps YoY



NET LOSS MARGIN - 6 %

- 3574 bps YoY

* Consolidated financial statement for Q1 FY 2023

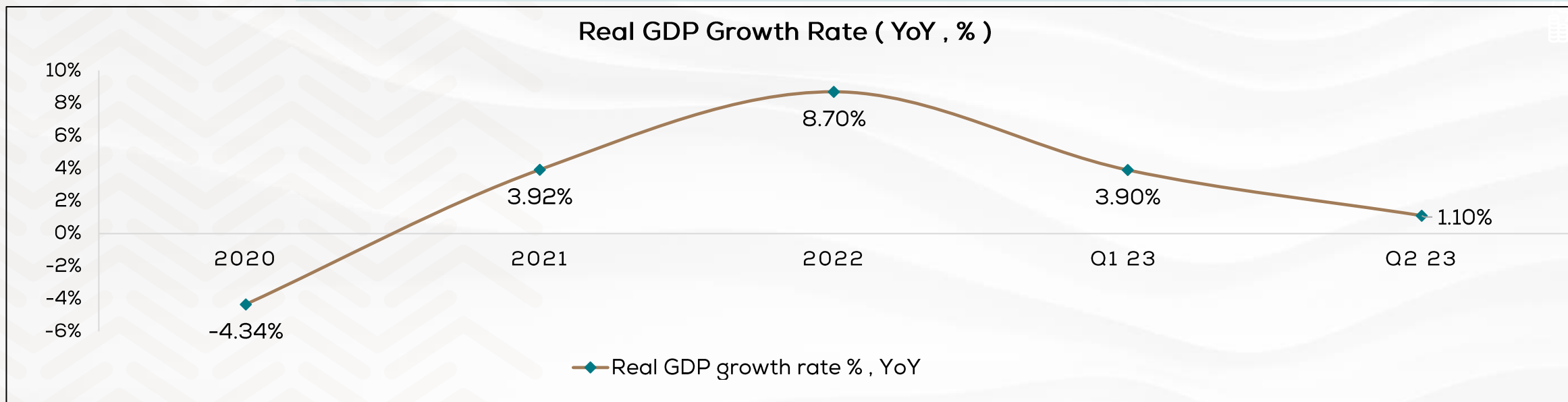
02

Macro Economic Review

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Economic Review

Saudi Arabia Economy is still growing in the non oil activities



Brent Crude Oil spot price averaged \$ 78 /b , - 4% QoQ

According to quarter estimates by the General Authority for Statistics (GASTAT), the real Gross Domestic Product (GDP) of Saudi Arabia grew by 1.1% in Q2/2023 compared to Q1/2023. This growth was due to the increase in non-oil activities by 5.5%, government services activities by 2.7%, while oil activities decreased by 4.2% in Q2/2023 year-on-year

According to the world bank estimates the world economy is projected to grow by 2.1% , while emerging markets excluding China , growth in emerging market and developing economies is expected to decelerate from 4.1% in 2022 to 2.9 % in 2023

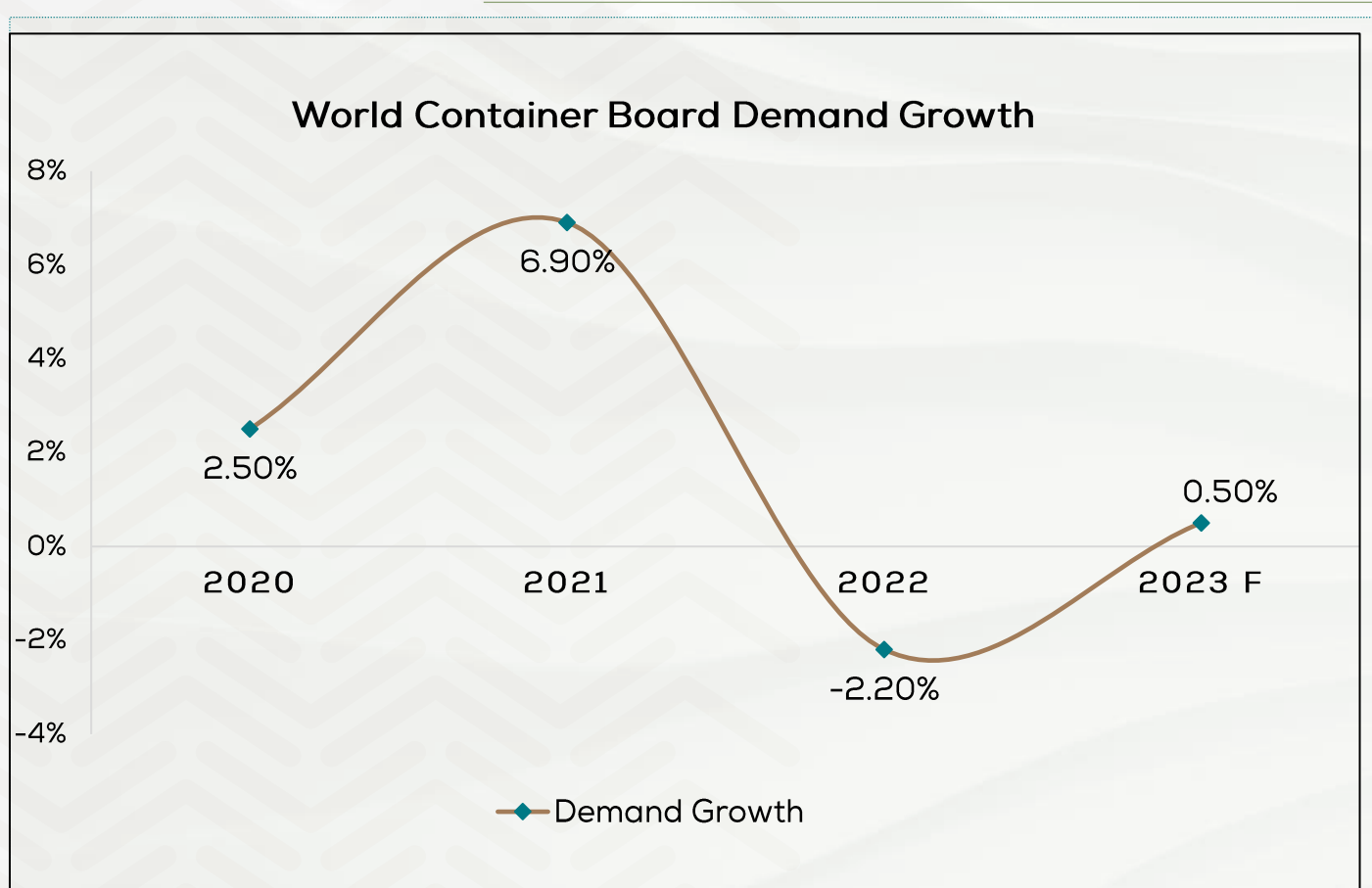


03

Industry & Market Containerboard Review

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Industry & Market Review For Containerboard



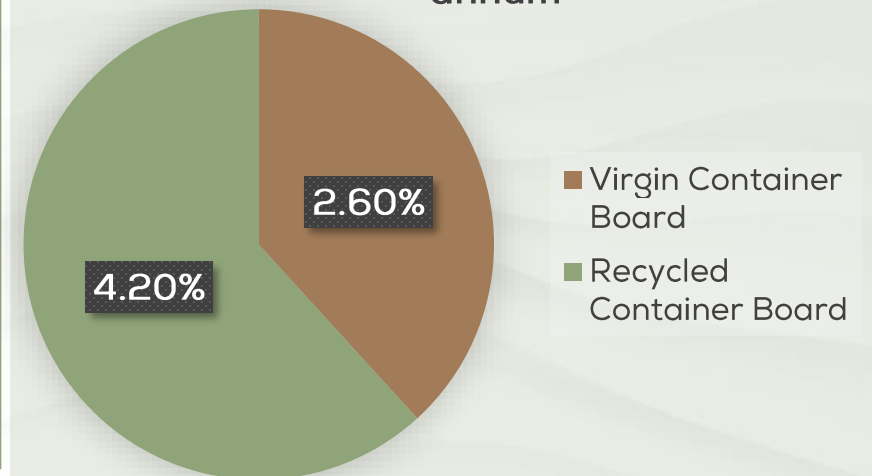
**MEPCO 's current
Market Share
31 % in KSA**

**World Containerboard demand growth
has decrease from a forecast of 1.70% to
0.5%**

- Global Container board is c. 186 million tonnes/year
- MENA is c. 4.1 million tonnes/year
- Saudi Arabia is c. 1 million tonnes/year

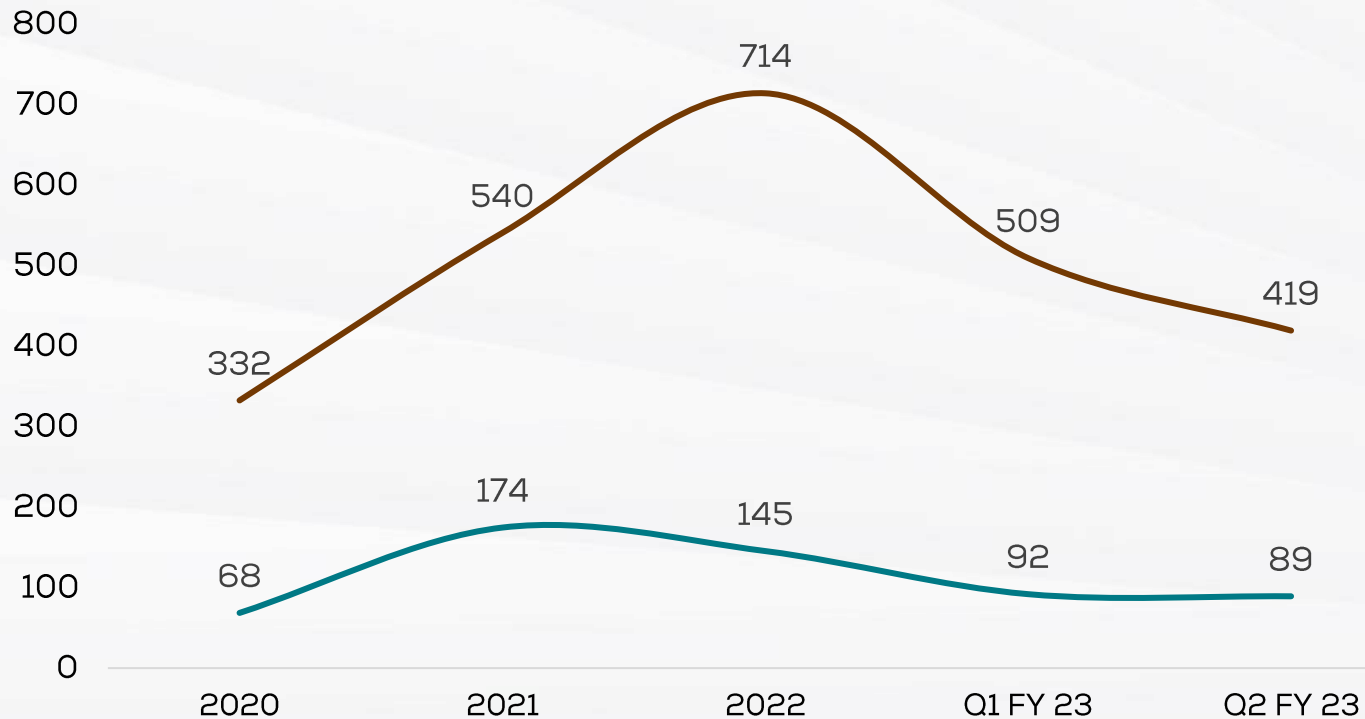


Saudi Arabia Demand Growth per annum



International Prices For Containerboard

Benchmarking with international prices for test liner 2 (Italy) and OCC international price (Europe Average) *, USD/ton



— Average Testliner 2 — Average OCC

* RISI Pulp and Paper , Fast markets price reports



In 2023 , the prevailing global economic conditions amid concerns globally for economic recovery which has impacted a slower demand recovery than anticipated supported by cost inflation which caused sluggish consumer activity and slowness in global destocking.

Expected price movements is to be between flattish to a relative decrease



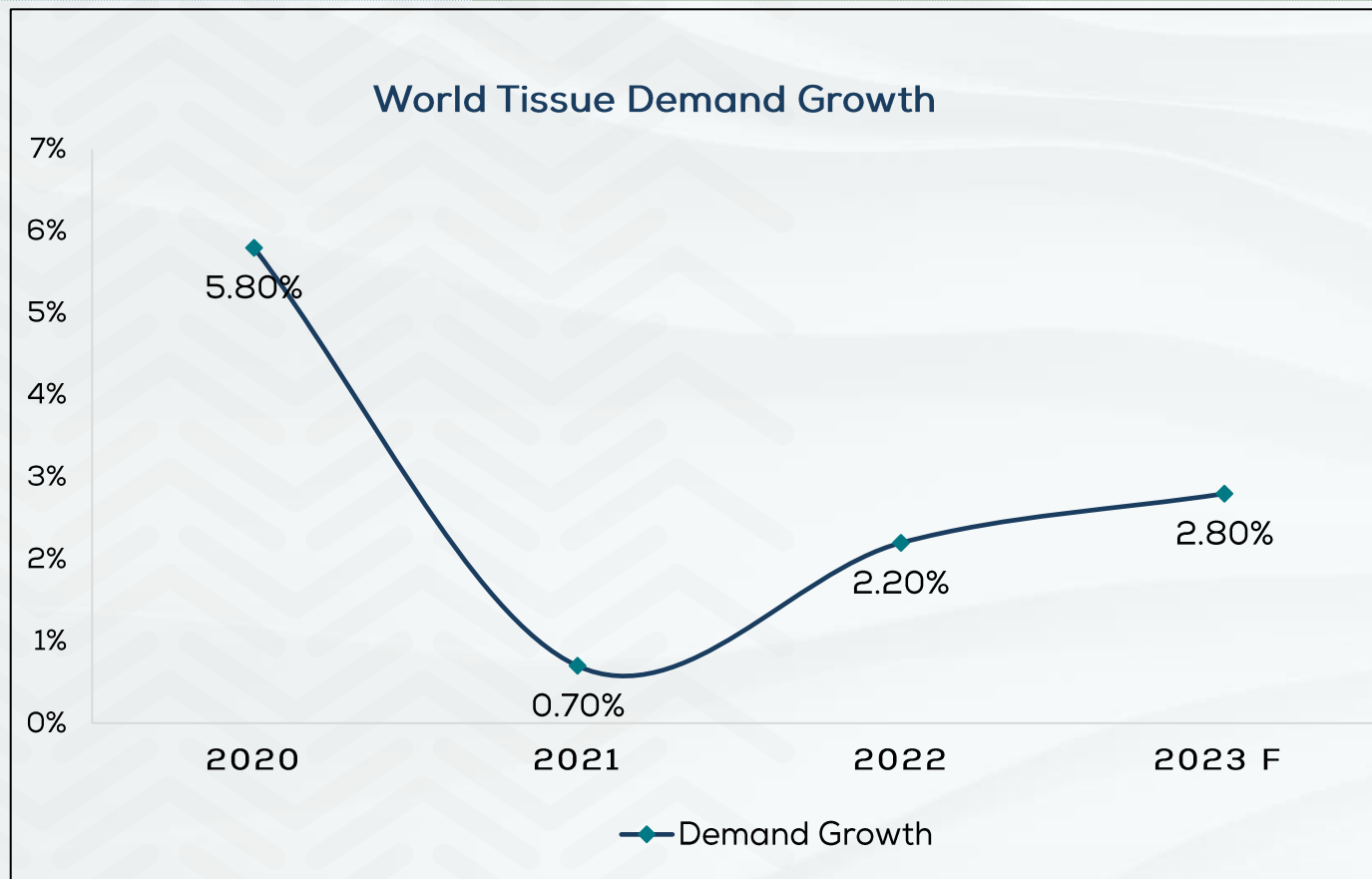
04

Macro Economic and Market Tissue Review

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Tissue Market Review

Tissues attractiveness for local producers



**JUTHOR 's Targeted
Market Share
c.24 % in KSA**

**Products : Kitchen Towels,
Facial Tissues, Pocket
Tissues, Napkins, C Fold**

- Global Tissue consumption c.44 M ton/year
- Saudi Arabia is c. 250 million tonnes/year
- Average Global demand growth for tissue consumption : 3.3-3.4%
- Saudi demand growth : 3.5 %

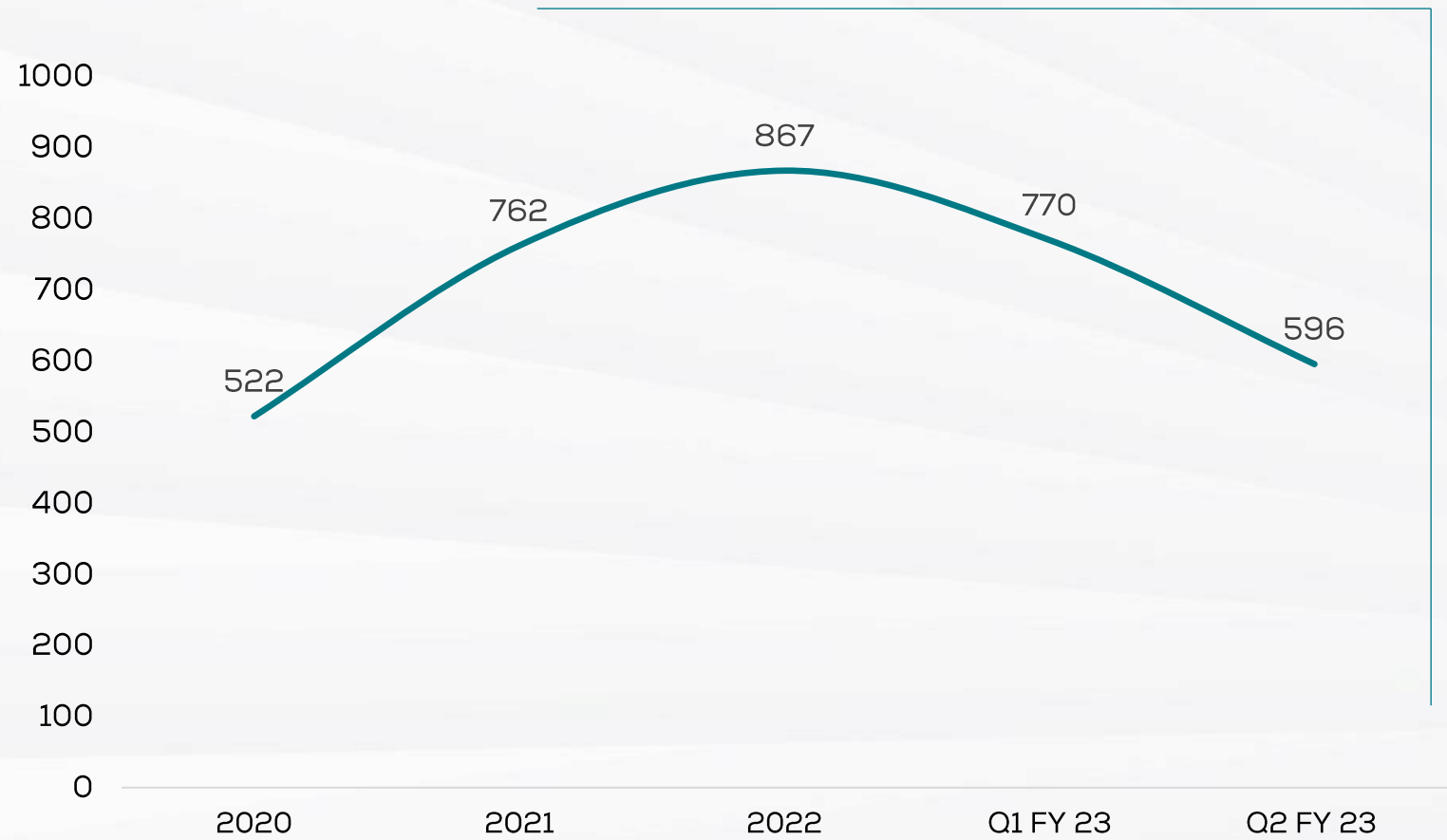


- Expected to produce net income within Q3 2023
- Contribution to the top line for MEPCO consolidated financial statements c . 18-20%
- Expected Gross profit c. 25%-27%



International Prices For Tissue Paper

Benchmarking with international prices for average of bleached hardwood kraft price and Northern bleached softwood kraft (China) *, USD/ton



JUTHOR end products are priced in relation to the virgin pulp prices , the bleached hardwood kraft pulp (BHKP) northern bleached softwood kraft pulp (NBSKP) are types virgin pulp that are imported from countries such as Scandinavian countries , South America . used to provide strength , purity , superior quality.

Pulp is c. 60 % of cost base of cost of sales

Expected price movements is to be between flattish to a relative decrease

* RISI Pulp and Paper , Fast markets price reports

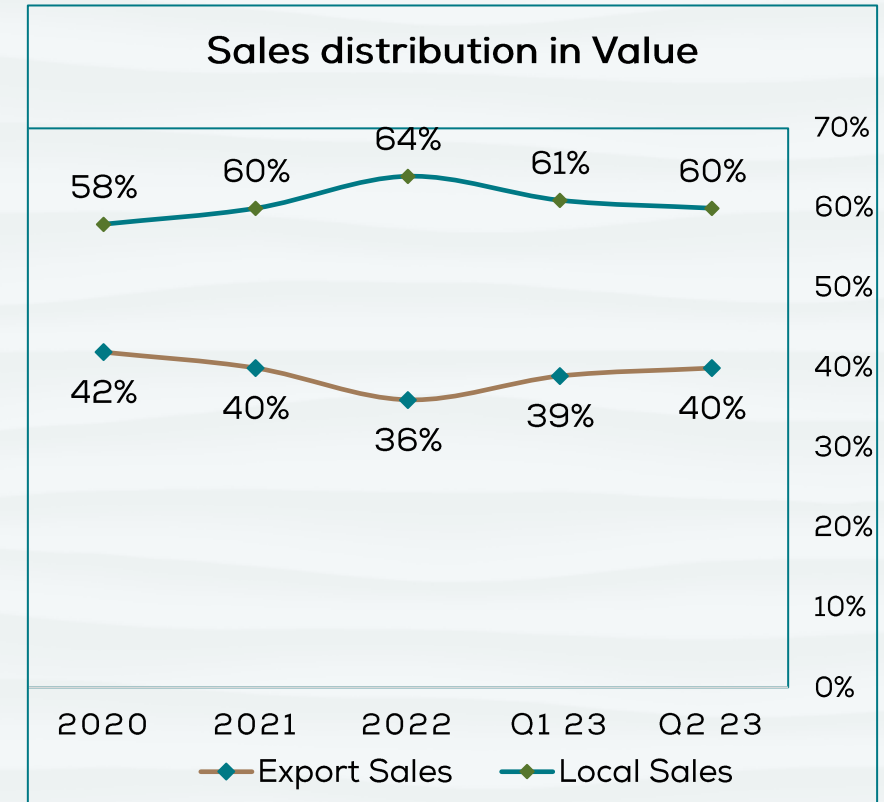
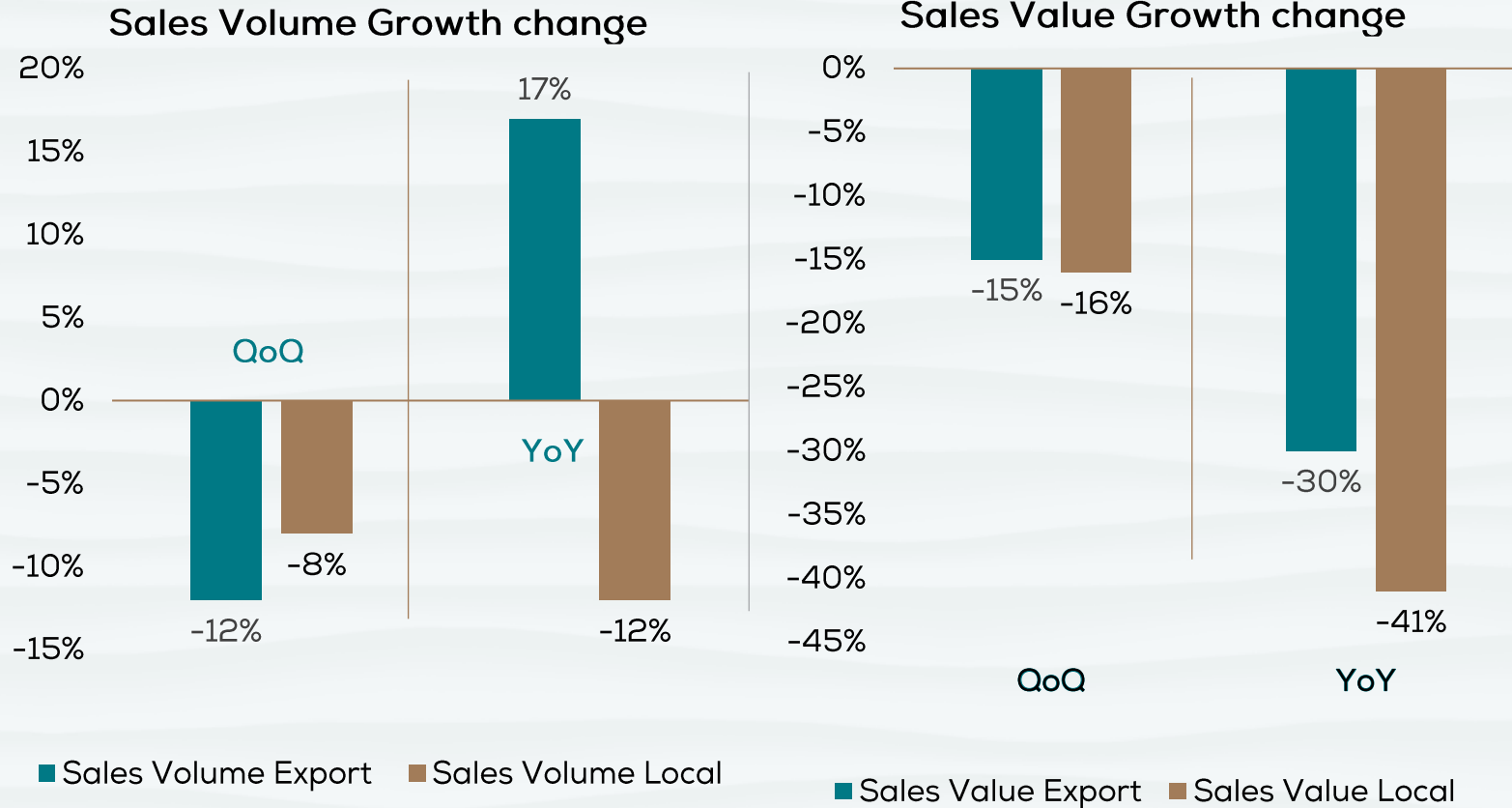
05

The background features a blurred image of a business meeting. In the center, a person's hand is visible, holding a pen and pointing at a document that contains various charts, including a bar chart and a line graph. The scene is overlaid with a dark green semi-transparent layer. On the right side, there are abstract geometric shapes in shades of blue and teal. A prominent light gray diamond shape is positioned in the lower right quadrant. Thin white lines and small white squares are scattered across the composition, adding to the modern, professional aesthetic.

Exports & Local Sales Review

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Exports and Local Sales



QoQ : Total Sales Volume decreased by 10 %

YoY : Total Sales Volume decreased by 2 %

06

Financial Review

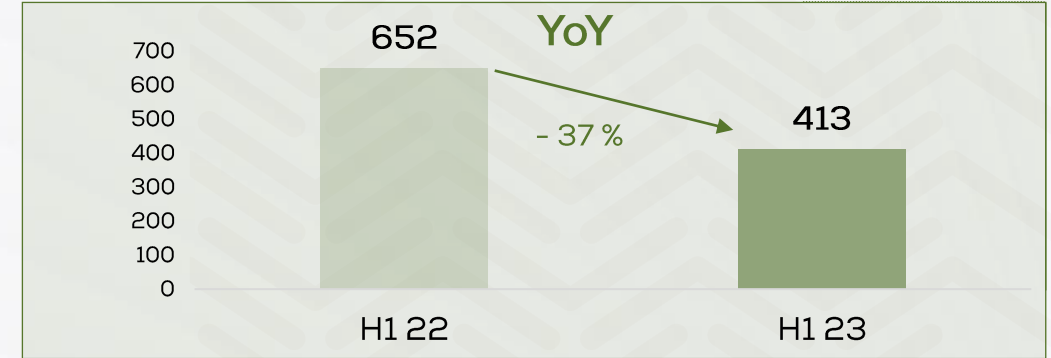
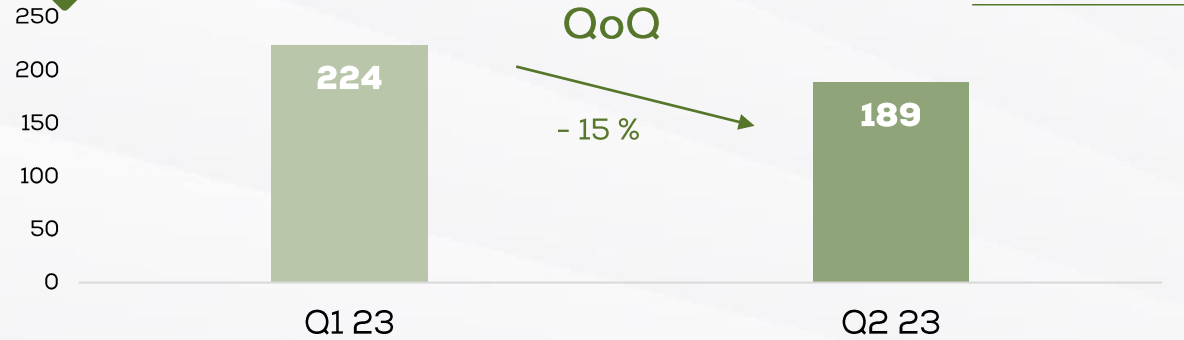
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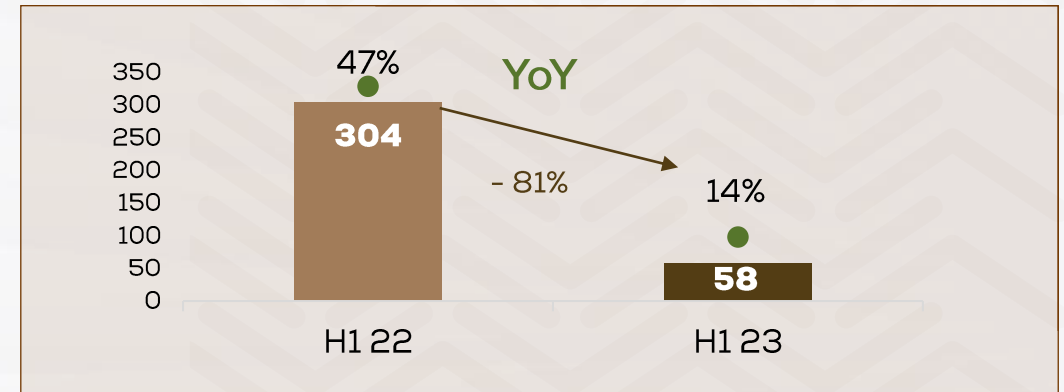
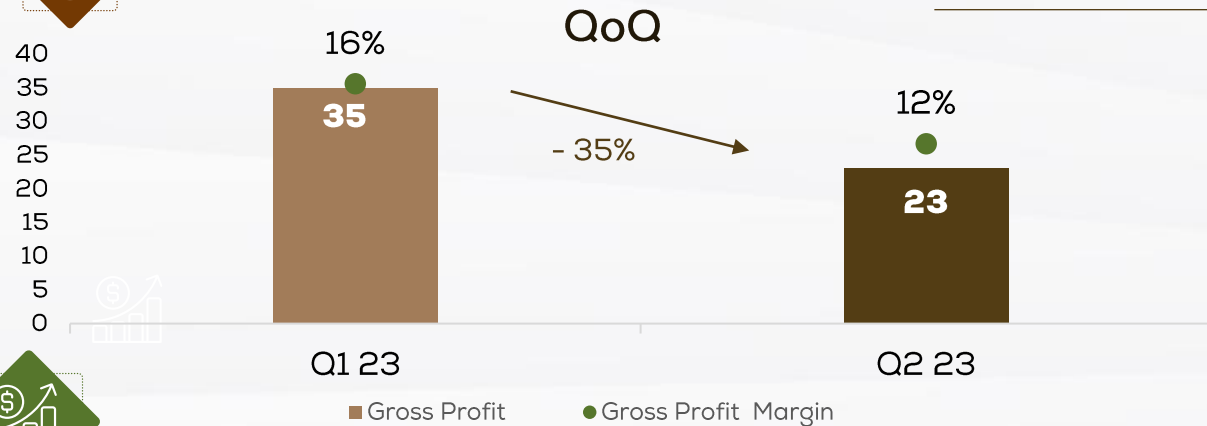
Key Financial Indicators



Sales Revenues , SAR M



Gross Profit & Profit Margin, SAR M. %



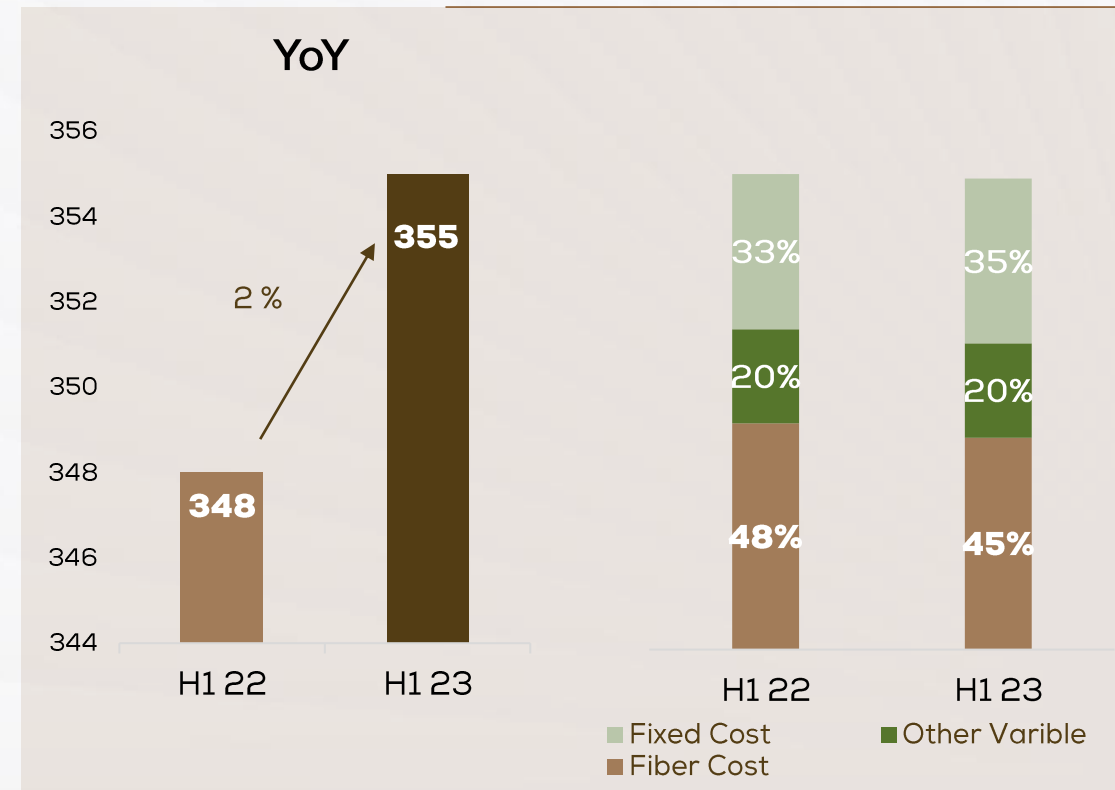
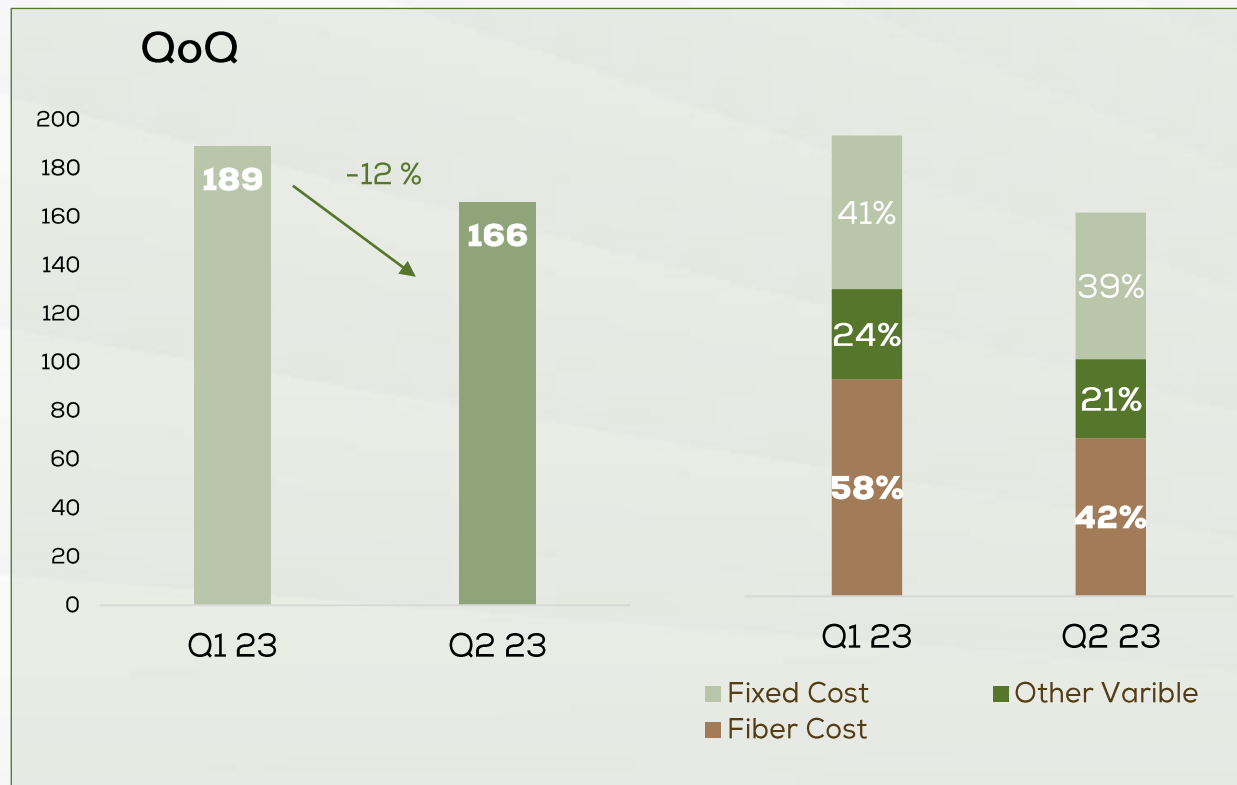
QoQ : Average selling prices (local & export) decreased by 7% while average cost of sales per ton decreased by 3 %

YoY : Average selling prices (local & export) decreased by 35% while average cost of sales per ton increased by 5 %

Key Financial Indicators



Cost of Sales Breakdown , SAR M



QoQ : A decrease in the cost of sales by 12% ; the total fiber cost consumed per ton decreased by 16 % . The local OCC per ton consumed decreased by 16 % .

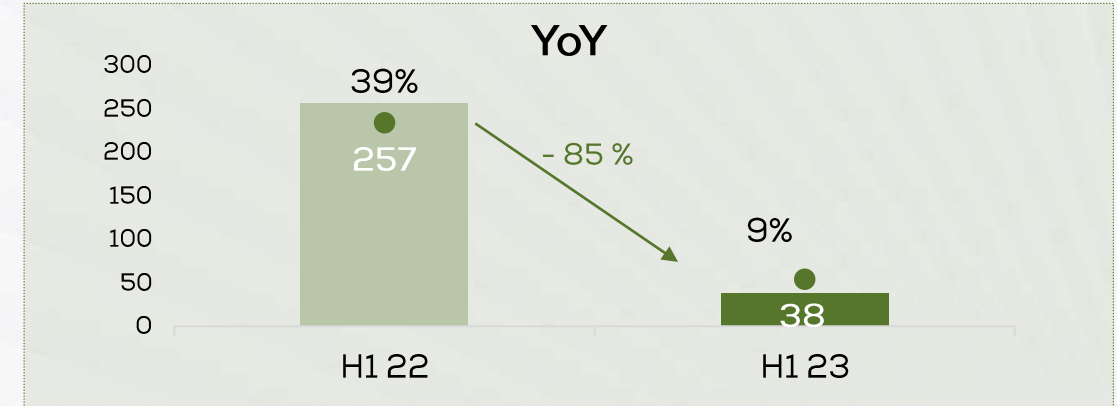
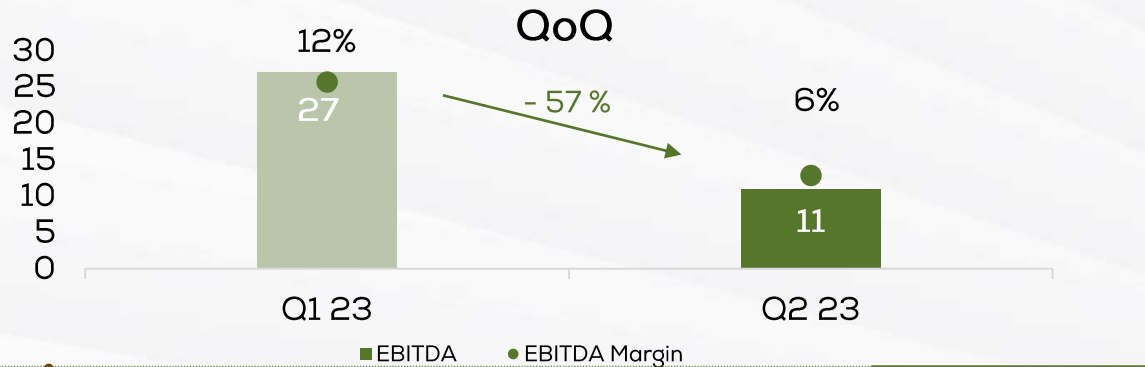
YoY : An increase of cost of sales by 2% although , the total fiber cost consumed per ton decreased by 10 % , and the local OCC per ton consumed during H1 FY decreased YoY by 29 % , an increase in the fixed cost was incurred for business needs.

The total Fiber cost includes OCC and virgin pulp needed for certain product grades.

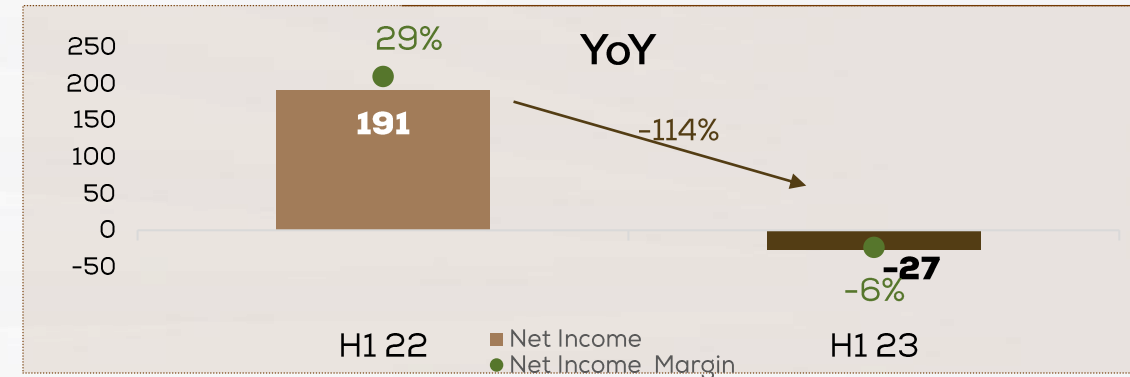
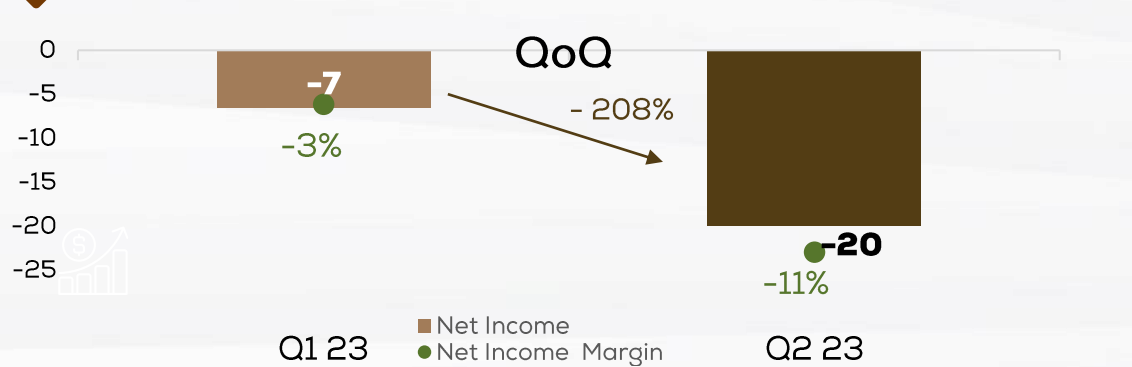
Key Financial Indicators



EBITDA and EBITDA margin, SAR M



Net Income/loss and Net Income/loss Margin SAR M, %

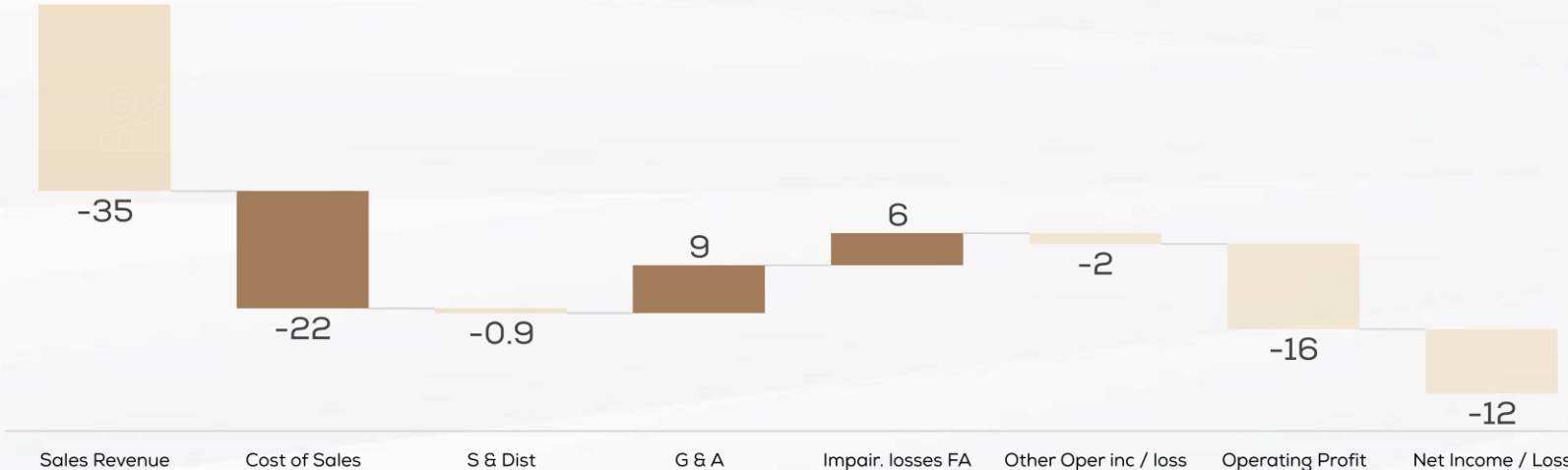
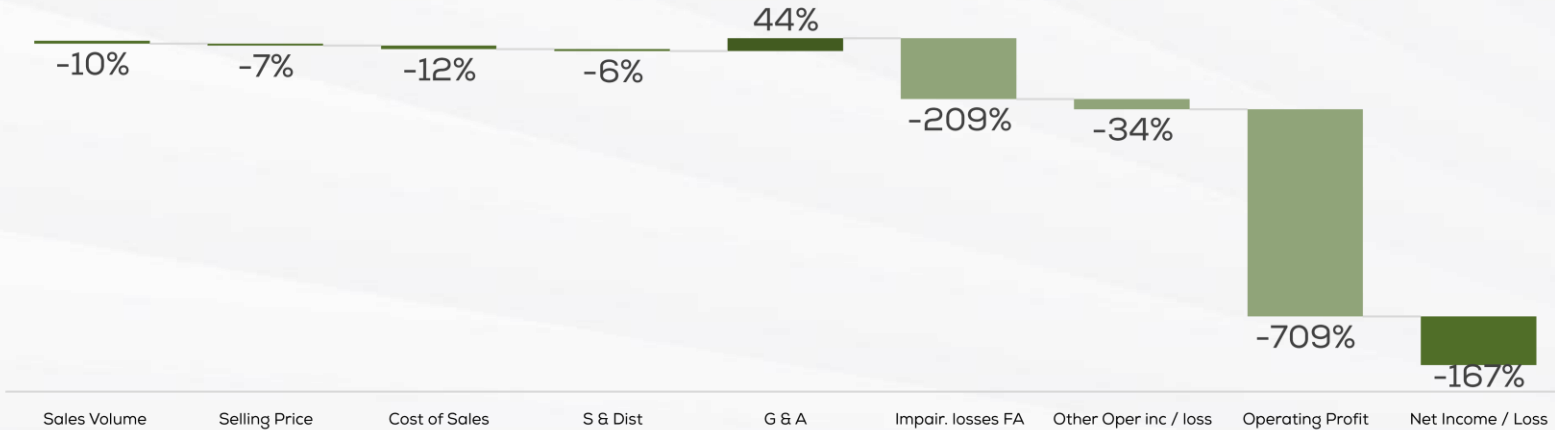


YoY and QoQ, there is a decrease in the EBITDA and Net Income as a result to the current downward pressure on the international prices for paper and the slowing recovery of demand

Key Financial Indicators Q2 23 vs Q1 23



Net profit break down * % SAR M



As prices are already in the lower ranges QoQ

- Impact of lower sales volume on sales revenue is 10 %
- Impact of lower selling prices is 6 % on sales revenues

Favorable

- Decrease in Cost of sales by 12 % , supported by a decrease in OCC price per ton by 16 %
- Selling & distribution decrease by 6 % due to reduction in transportation and shipping
- Impairment losses financial assets decreased backed by increased collection from customers
- Despite a decrease by 34 % QoQ , but Other Operating income realized backed up Insurance claim recovery SAR 2 M , 100 % increase, Finance charges payment decreased by 11 %

Un Favorable

- A decrease in sales volume Q o Q by 10 %
- General & Admin increase , as a result of WASCO provision for penalty by SAR 5 M, equity shares by SAR 1.3 M ,

Key Financial Indicators H1 23 vs H1 22



Net profit break down* % SAR M



As prices are already in the lower ranges H o H

- Impact of lower sales volume on sales revenue is 2% only
- Impact of lower selling prices is 35 % on sales revenues

Favorable

- An increase in the export sales volumes YoY by 17 %
- Selling & distribution decrease by 30 % due to reduction in transportation and shipping cost
- Impairment losses financial assets decreased backed by increased collection from customers
- Other Operating income backed up by Foreign exchange gain (SAR vs Euro) +166 % and an insurance claim of SAR 2 M

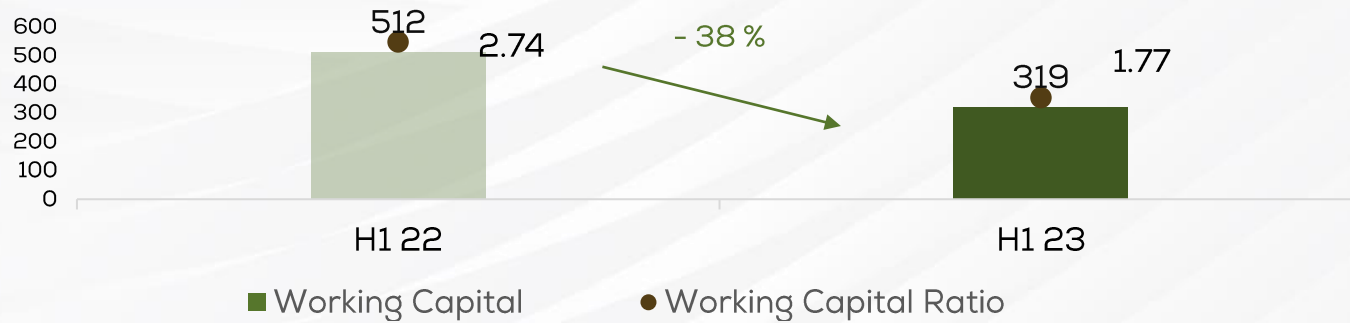
Un Favorable

- A decrease in total sales volumes YoY by 2 %
- Increase in Cost of sales by 2%
- General & Admin increase , as a result of WASCO provision for penalty by SAR 5 M, equity shares by SAR 1.3 M , Finance charges increase by 41 % i.e. SAR 3 M

Key Financial Indicators



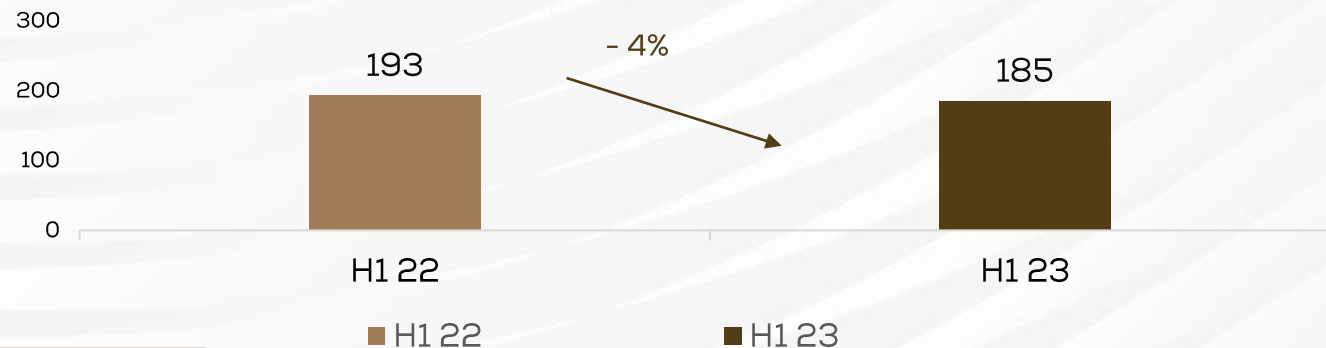
Working Capital And Working Capital Ratio SAR M



There has been an enhancement in the collection received from customers, but the working capital is still impacted by the international prices . AR turnover , AP turnover in the normal ranges YoY , inventory turnover is enhanced to attain lower OCC costing.



Cash Flow From Operations SAR M

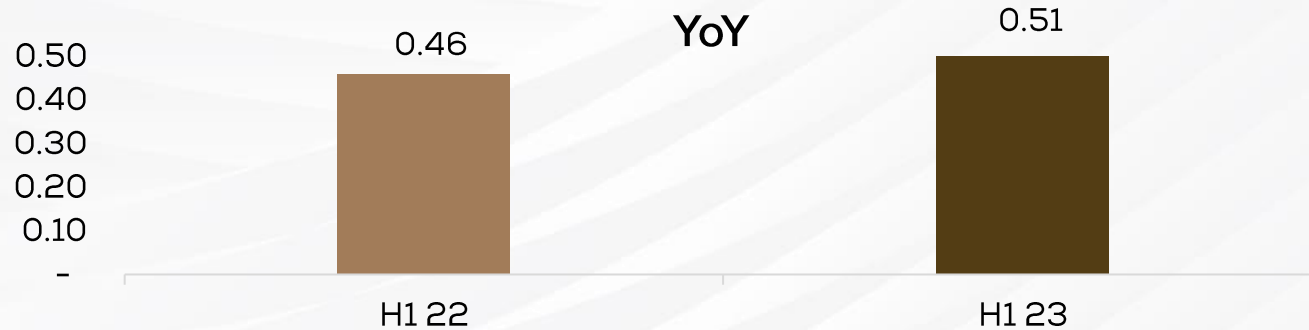


Despite the incurred losses MEPCO was successful in managing its working and maintaining healthy ranges of cash flow from operations ,

Key Financial Indicators



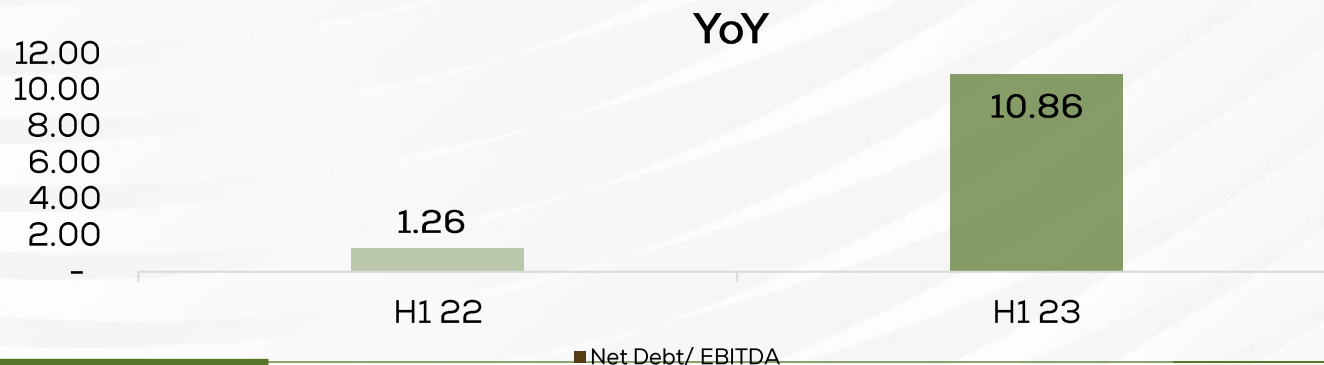
Net Debt to Equity SAR M



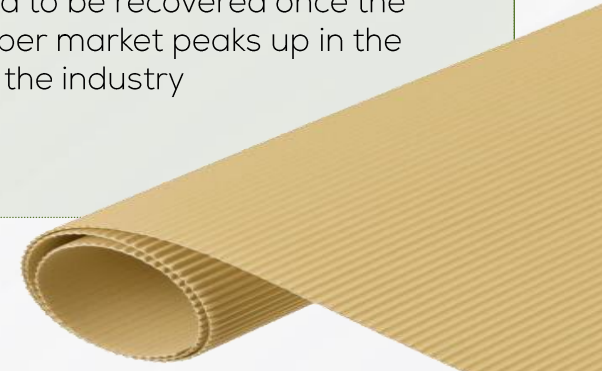
Short term debt decreased YoY by 33 % from SAR 55 M to SAR 37 M while the Mid term debt increased by 18 % from SAR 458 M to SAR 541 M . The industry average is stay within the range of less than 1.1x



Net Debt to EBITDA %



Net Debt to EBITDA increased by 9.6 due to the decrease in the EBITDA , as this is a temporary situation due to the current incurred losses which is expected to be recovered once the international paper market peaks up in the Upward cycle of the industry



07

Management Outlook

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Mid Term Out look

- Abiding to the growth strategy for MEPCO as group of companies in waste and paper sector.
- Market local demand to catch up after national holidays in Q3 FY23 for paper.
- JUTHOR market growth is promising in Saudi Arabia
- Implement cost control initiatives.
- Management is taking a conservative outlook for the second half of 2023





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