



Middle East Paper Company
شركة الشرق الأوسط لصناعة وإنتاج الورق

Investor Presentation

Saudi Capital Forum 2024
& EFG Hermes 2024

DISCLAIMER

This presentation is prepared by MEPCO and contains basic information about Company activity as of the latest published results. The information is presented in summary rather than detailed form. This information, including any forward-looking statements, should not be taken as basis for investment recommendation/solicitation for any of the Company's tradable securities. 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.



OUTLINE

01 | MEPCO as a Group

02 | Strategy & Growth Pillars

03 | Market Drivers

04 | Expansion Project Financials

05 | Waste Management Strategy Aspiration

06 | Stock Performance & Peer benchmarking

07 | Financial Performance

08 | ESG Performance

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01

MEPCO as a Group



MEPCO as a group

MEPCO

Middle East Paper company was established in 2000 for the purpose to manufacture containerboard and industrial paper from recycled fiber pulp

The largest paper mill in the Middle East and Africa

More than 20 years of International partnership

Global presence across 50+ countries

International trade expertise

Leading with innovation to boost the sustainability of products and production processes

MEPCO recycles 70% of the water used in production

MEPCO produces 100% of our own power at our dedicated generation facility

WASCO



- MEPCO 100% ownership
- Largest waste collection & sorting company in middle east.
- 19 collection centers in KSA.
- 500,000 tons per year collection & recycling capacity
- MEPCO obtains more than 80 % of its raw materials recycled fiber pulp from WASCO.

ESTIDAMA



- WASCO joint venture with Jeddah Municipality
- Scope: Municipal recycle
- Waste collection & sorting.
- Waste Management .

JUTHOR



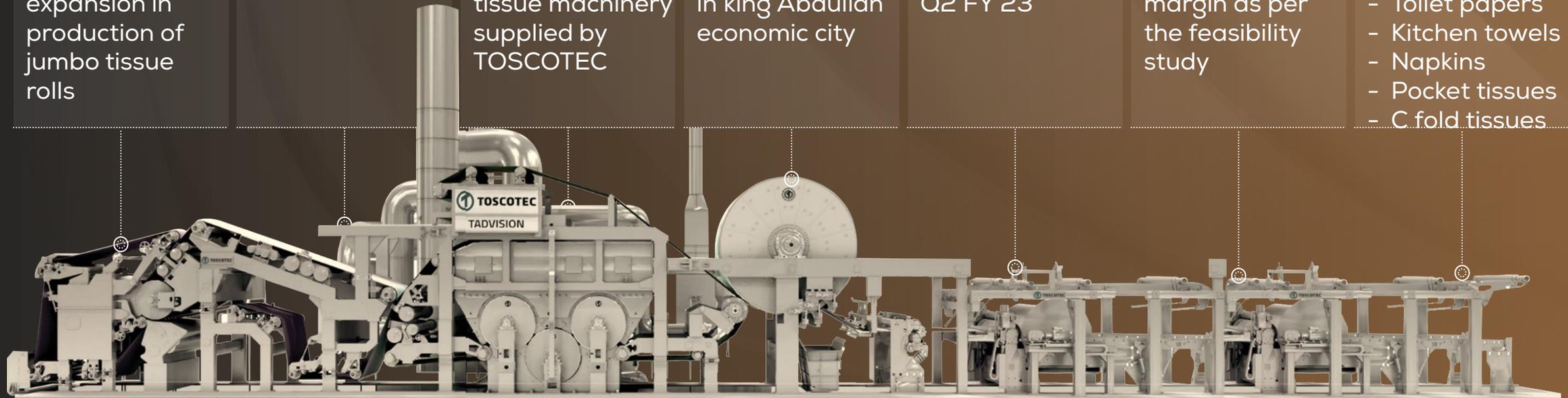
- New tissue mill
- Projected to satisfy 25% of local demand.
- Total Installed volume c. 60,000 ton.
- Products :
 - Facial tissues
 - Toilet papers
 - Kitchen towels
 - Napkins



Latest Project : JUTHOR in 2023



Factory:	Installed Capacity:	Technology Applied:	Location:	Commercial Launch:	25%	Products:
Horizontal expansion in production of jumbo tissue rolls	60,000 Ton	State of the art tissue machinery supplied by TOSCOTEC	Industrial valley in king Abdullah economic city	Launched in Q2 FY 23	Estimated gross margin as per the feasibility study	<ul style="list-style-type: none"> - Facial tissues - Toilet papers - Kitchen towels - Napkins - Pocket tissues - C fold tissues



MARKET SCOPE :

Market size 250 K ton, demand growth in KSA is 3.5% per annum	Demand drivers: increased urbanization rate	Kingdom's development for Tourism & hospitality sector
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02

Strategy & Growth Pillars as a Group



MEPCO's Strategy Pillars



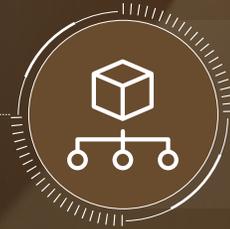
OVERALL STRATEGIC OBJECTIVE

To be the leading integrated paper & packaging player in the Middle East, which provides profitable growth for shareholders



GROWTH TRAJECTORY

MEPCO aims to achieve growth by expanding into other paper segments such as Tissues, growing our privileged position in WASCO and investing in MEPCO installed production capacity



UNIQUE ATTRIBUTES

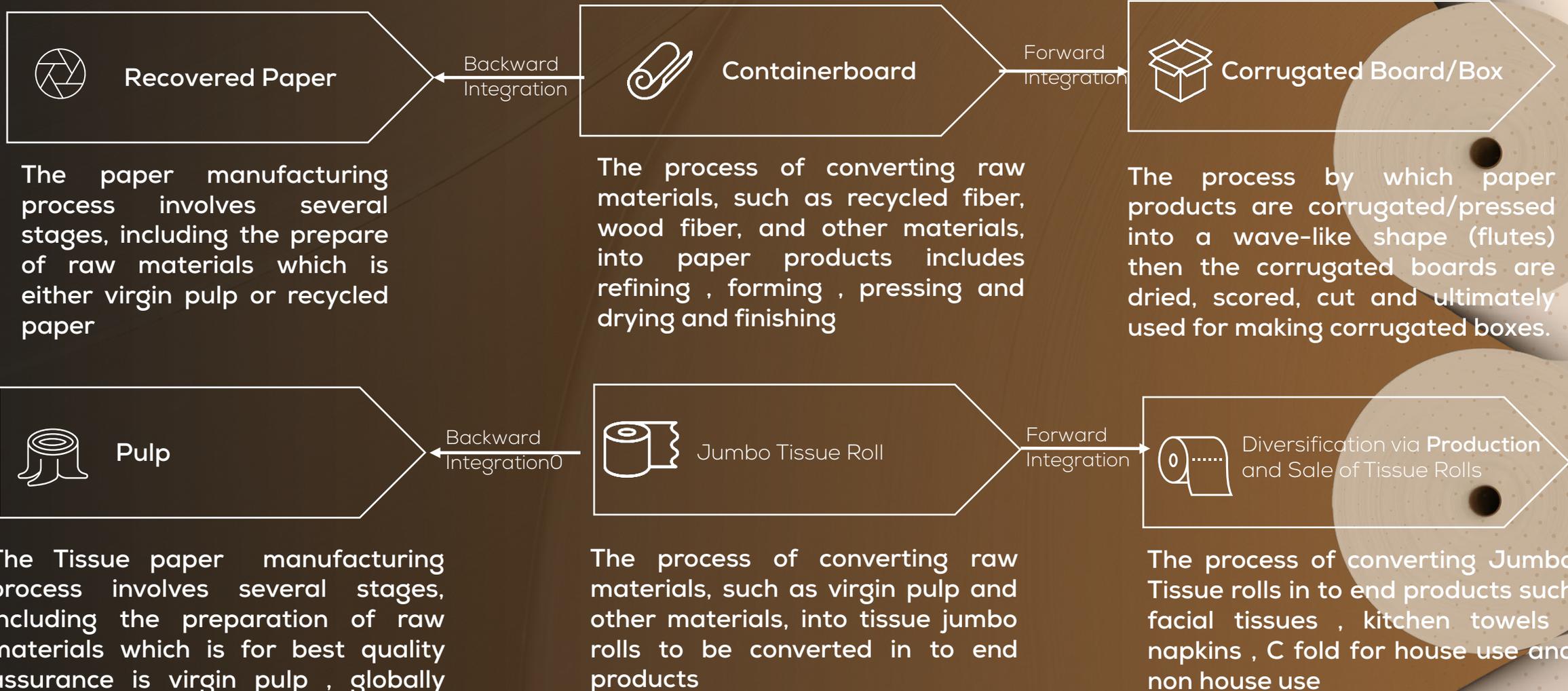
MEPCO competes by being the cost leader in its industry; its high-quality management will be focused on operational efficiency



EXECUTION APPROACH

MEPCO will achieve its objectives organically and inorganically in whatever way that maximizes shareholder returns

MEPCO growing in the paper value chain



Waste Management Strategy Aspiration

Ambition: Independent Waste Management developer and service provider



Leveraging Nationwide Presence

Capitalizing on our established presence across the Kingdom, we aim to secure contracts with various municipalities. The goal is to ensure a consistent feed supply of Fiber and recyclables while advancing the development of Integrated Waste Management (IWM) facilities

01



Expand Waste Management Capabilities

Expand to further recyclable processing of the recovered recyclable into semi final product such as Metal and Plastic

Waste to Energy
Hazardous waste management
Construction and Demolition projects

02



Prepare developing increase tonnage (Raw Material) in readiness for PM5

Through increasing the current center capabilities , their collection and recovery rate for wastepaper that will be reflected in WASCO production capacity increase

03

Paper & package and Hygiene Tissues Strategy



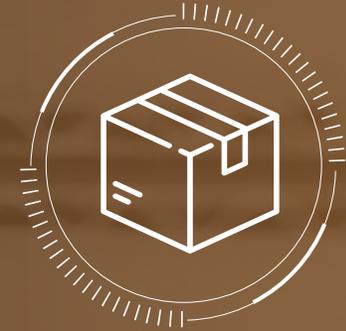
Increase Production Capacity of Container board PM5

Building new paper machine with production capacity of 400 K ton
Investment cost SAR 1.7 Bn ,
adopting the latest technology to
produced recycled
containerboard, producing low
GSM products



Increase Production for Tissues TM6

The mill will establish a further
production capacity of 60,000 tons
of jumbo tissue roles for the final
production of napkins, facial tissue
and toilet tissues. The products will
be manufactured in the form of
jumbo rolls



Forward Integration

It is expected that forward
integration will stabilize and enhance
MEPCO's profit margins and improve
resilience to costs disruption through
optimized inventory management
across the entire value chain
producing end product inform of
carton box

03

Market Drivers



Waste Market Dynamics

Current Status

Current recovery rate of wastepaper in Saudi Arabia is above 50 %

Saudi Arabia generates more than 50 millions tons of waste per annum

Diversion rate c.5 %

Saudi Arabia waste Strategy

Diversion Target from landfills
 2030 : 34 %
 2035 : 55 %
 2040 : 90 %

Investment Opportunities : SAR 480 Bn

Above 500 Material recovery facilities to be built by 2040



Market Dynamics for Containerboard

30% in KSA

MEPCO's Market Share in recycled container board.

Container board consumption in MENA is around 3.4 million tons and it is forecasted to increase in 2024 by 3.7%, while it is forecasted to increase in 2025 by 3.8% followed constant increase per annum

CONSUMER BEHAVIOR



Government and consumers are preferring recycled products

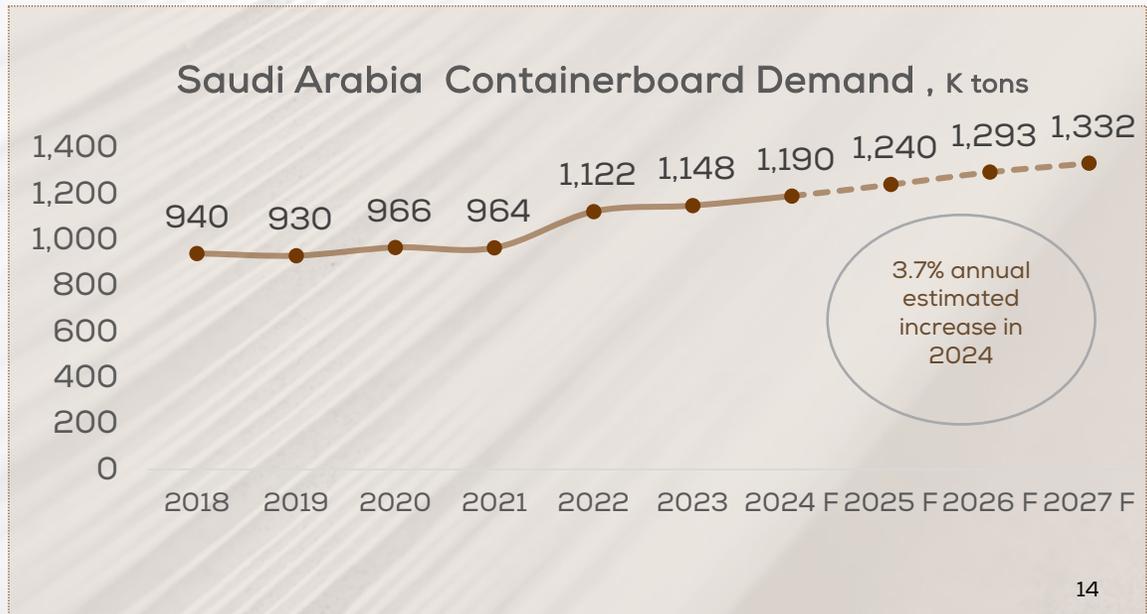
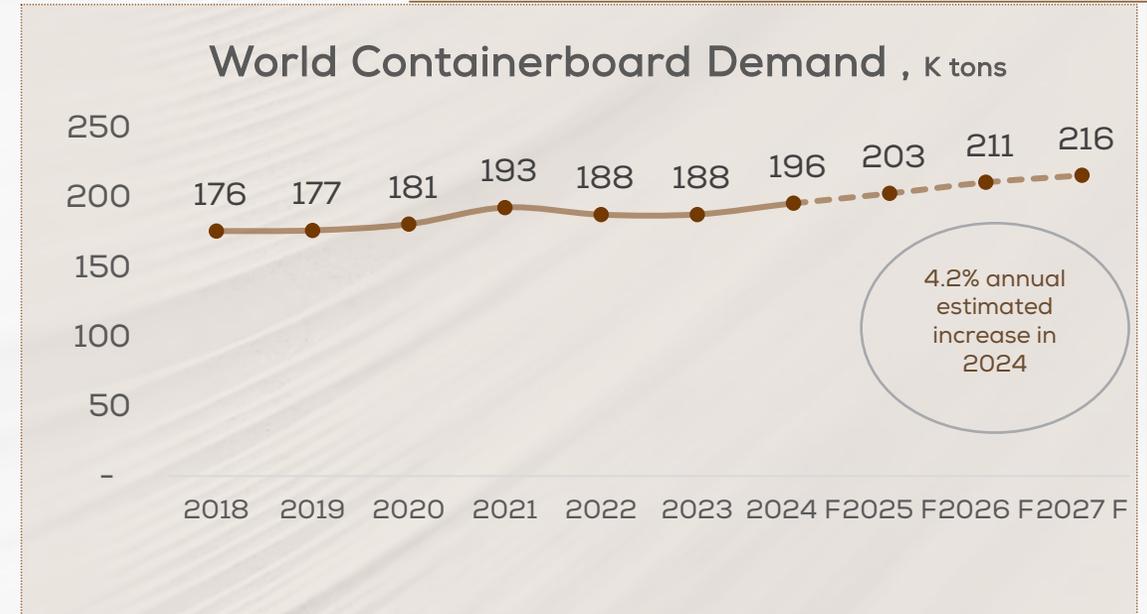


Most paper mills expansion announced world wide is for the recycled paper production



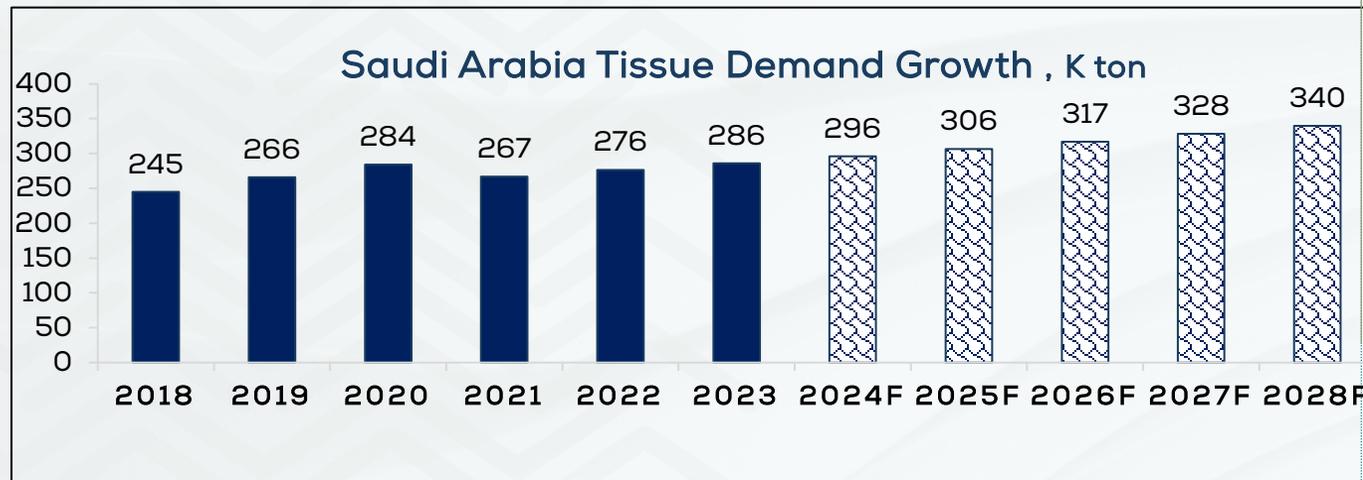
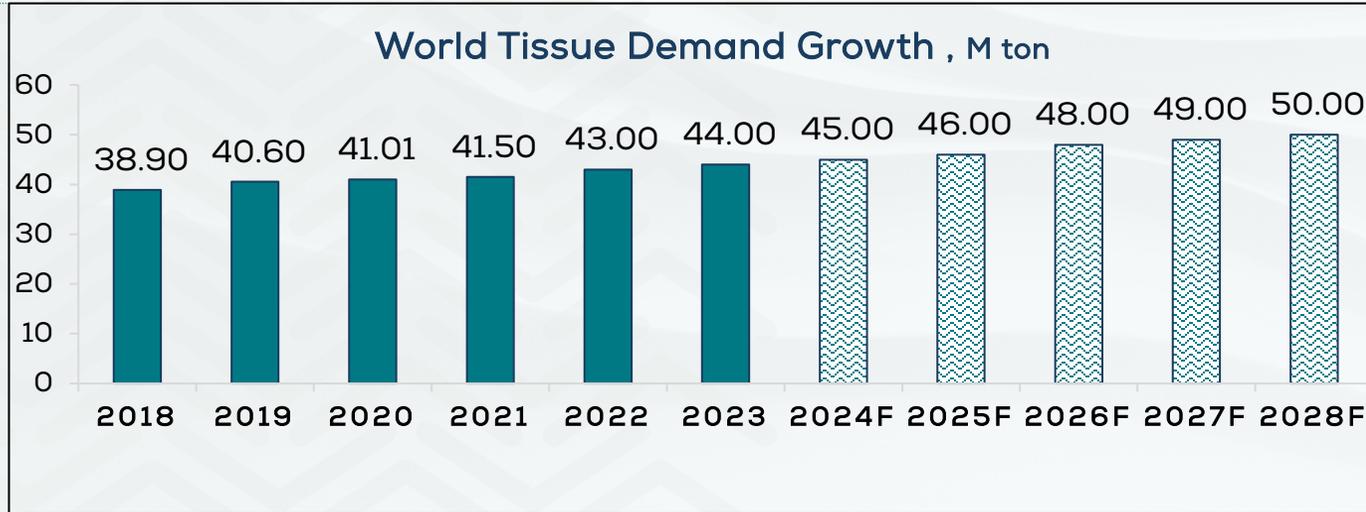
Sectors such as construction, Tourism, Hospitality, Packaging are all in expansionary status for the upcoming years

RISI Pulp and Paper, Fast markets price reports



Tissue Market Dynamics

Globally the Tissue demand is reviving , Tissues attractiveness for a local producer



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

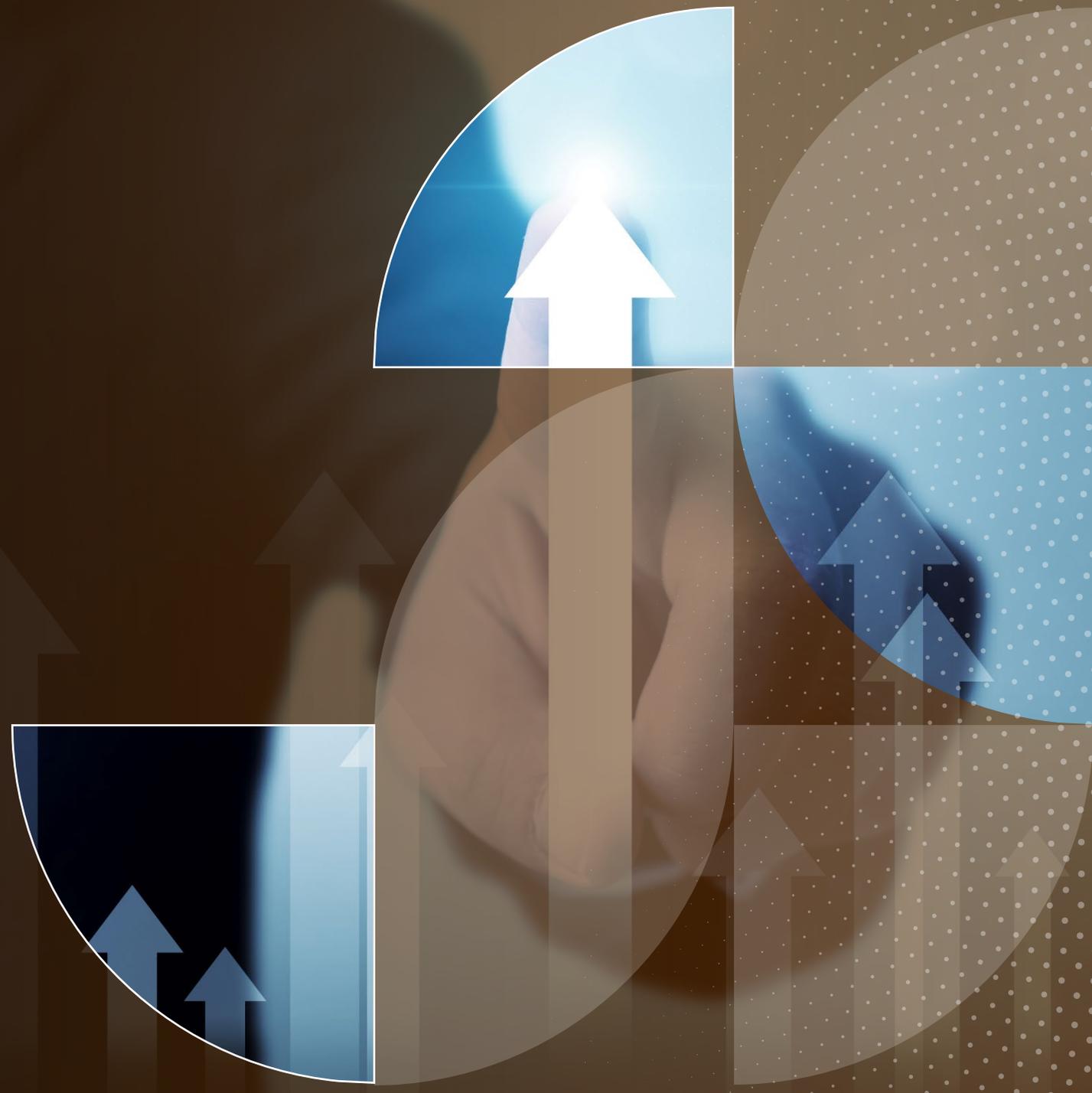


- **Tissues & Hygiene paper market is expected to grow annually by 5% (CAGR 2023-2028)**
- **The Market largest segment globally is the Toilet paper with Volume of USD 954 in 2023**
- **Tissue & Hygiene Paper market is expected to show a volume growth of 2.2% in 2024 , globally**



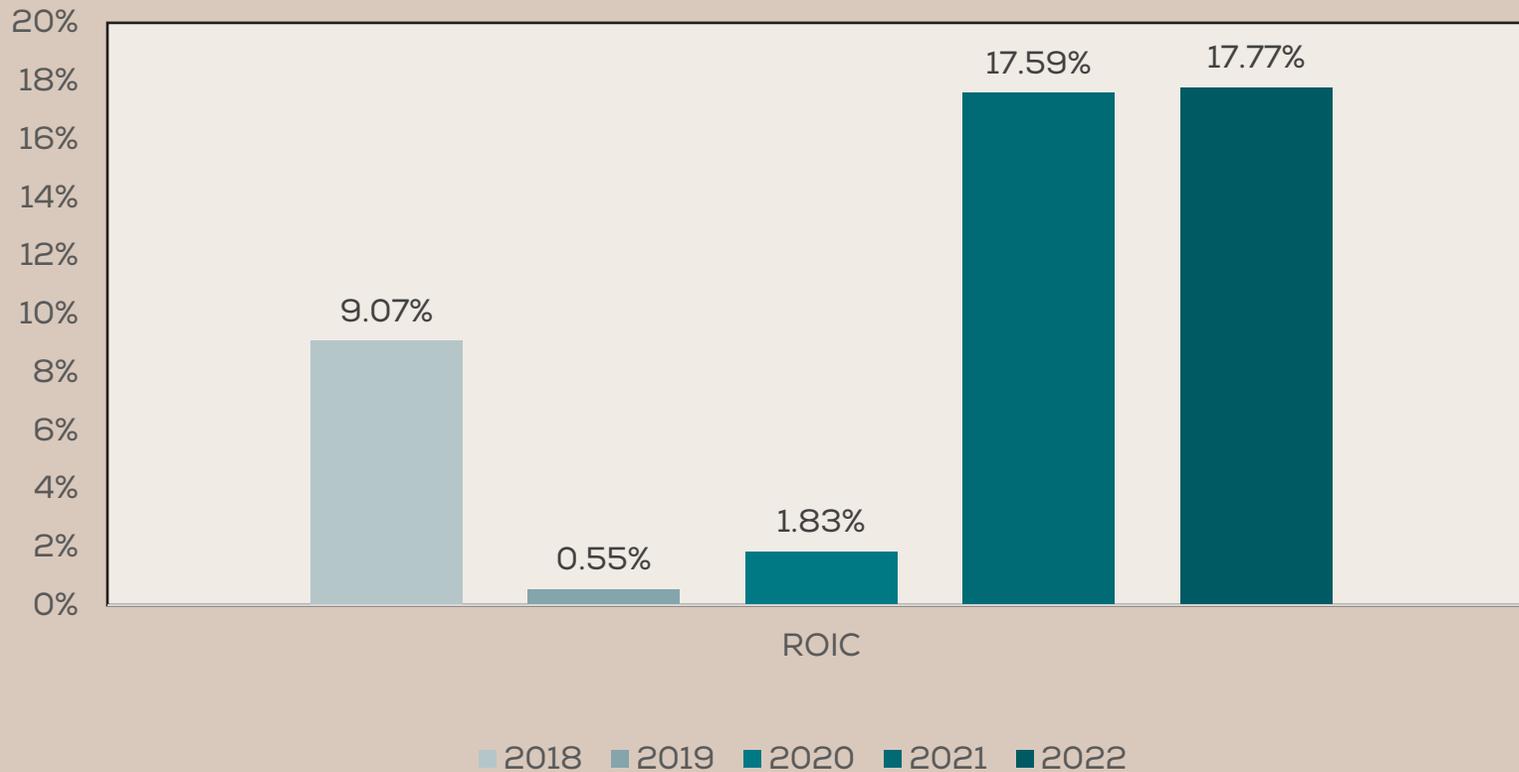
04

Expansion Projects
Financials



MEPCO Return on Invested Capital

Return on Invested Capital



CAGR of 14.39%
Over 5 years

Use of Proceeds and Future Projects

Net use of the Offering Proceeds:

The net offering proceeds amounting to 619,909,511 Saudi Riyals will be used as follows:

Activity		Total Cost of Activity (Million SAR)	Amount Used from Other Sources (Million SAR)	Amount Used from Offering Proceeds (Million SAR)	Timeline	Percentage of Net Proceeds
Paper (PM5)	Manufacturing	1,770.0	1,595.1	174.8	Q4 2026	28.2%
Tissue (TM6)	Manufacturing	373.4	219.4	153.9	Q2 2026	24.8%
Forward Integration Acquisition		291.1	-	291.1	Q2 2024	47%

Indicative timeline for the use of Net Proceeds and possible changes:

- MEPCO intends to use the net proceeds to cover some or all the activities mentioned above throughout a timeframe of 24 months from the date of the Prospectus.
- The use of net proceeds reflects MEPCO's business plan and market conditions as of the date of the prospectus. The use of net proceeds is subject to change based on any economic, social or political change in addition to any change in MEPCO's business plan.

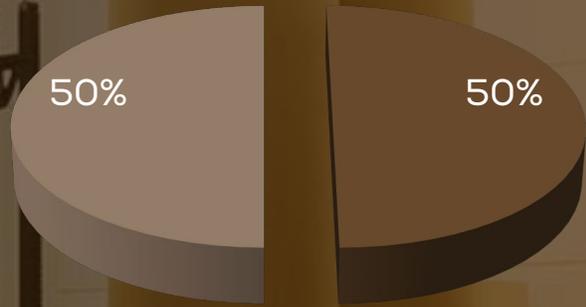
Paper Machine PM5 Doubling MEPCO's container board production

Allocated Amount SAR M



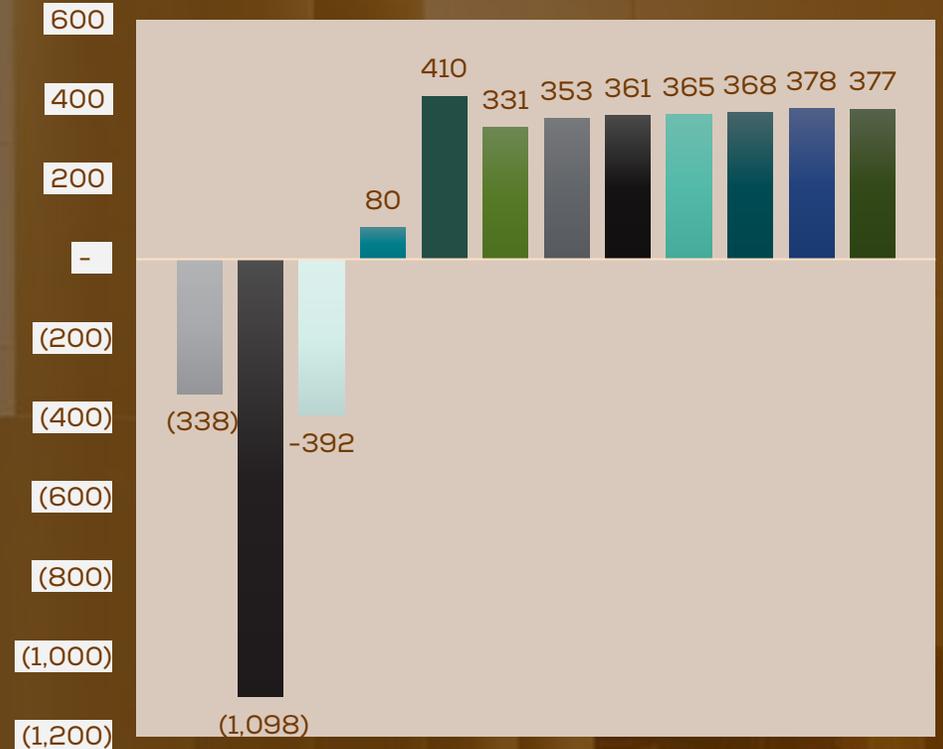
- Paper Manufacturing (PM5)
- Forward Integration Acquisition and Tissue Manufacturing (TM6)

Product Mix



- Testliner
- Fluting

Expected Cash Flow



Free Cash Flow

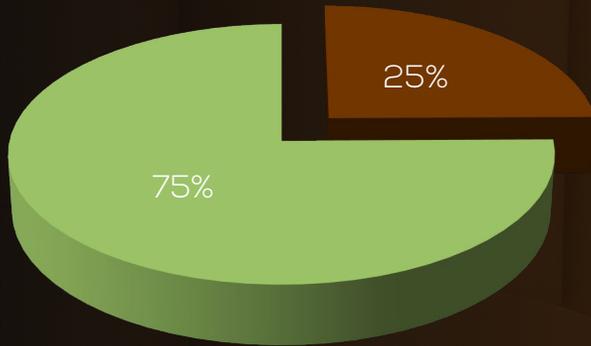
- 2024
- 2025
- 2026
- 2027
- 2028
- 2029
- 2030
- 2031
- 2032
- 2033
- 2034
- 2035

- The investment of SAR 174.8 M will be allocated across the following activities:
 - Land Allocation – SAR 50.0 M
 - Main Equipment Contracts – SAR 124.8 M

- Investment cost SAR 1.7 Bn
- NPV : SAR 1.4 Bn
- IRR (Project) 18.1 %
- Payback period : 8 years
- Estimated EBITDA : c.28 % - 31 %

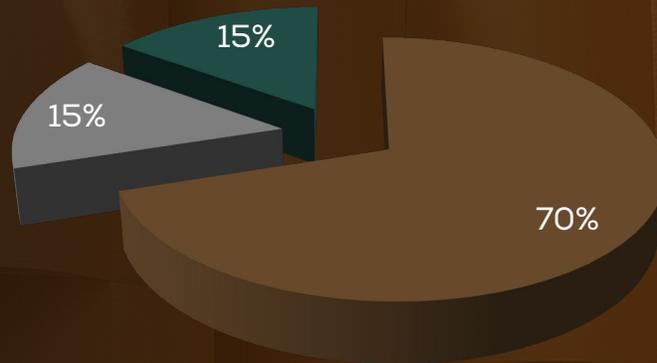
Tissue Manufacturing TM6

Allocated Amount SAR M



- Tissue Manufacturing (TM6)
- Forward Integration Acquisition and Paper Manufacturing (PM5)

Product Mix

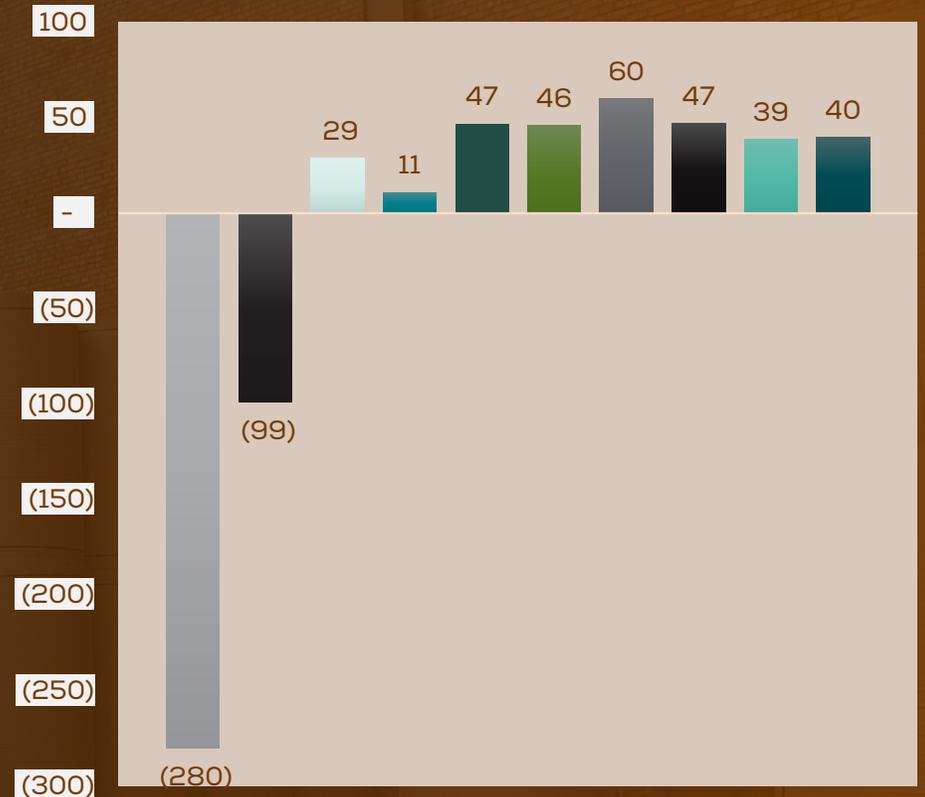


- Fascial Tissues
- Toilet Tissues
- Napkins / Kitchen Towels

- The investment of SAR 154.0 M will be allocated across the following activities
- Main Equipment Contracts – SAR 90.0 M
- Building Construction – SAR 40.0 M
- Installations of Main Equipment – SAR 23.9 M

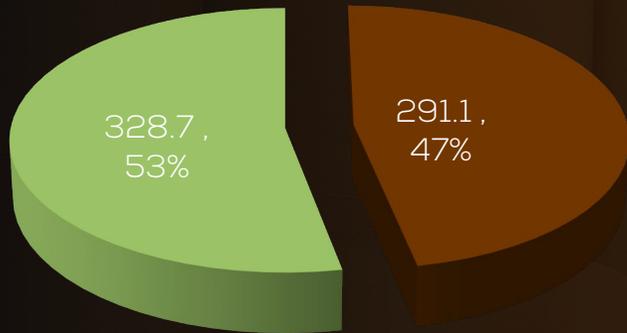
- Investment cost SAR 373.4 M
- NPV : SAR 146.5 M
- IRR (Project) 13.4 %
- Payback period 9 years
- Estimated EBITDA : c.18 % - 20%

Expected Cash Flow



- 2024
- 2025
- 2026
- 2027
- 2028
- 2029
- 2030
- 2031
- 2032
- 2033

Allocated Amount SAR M



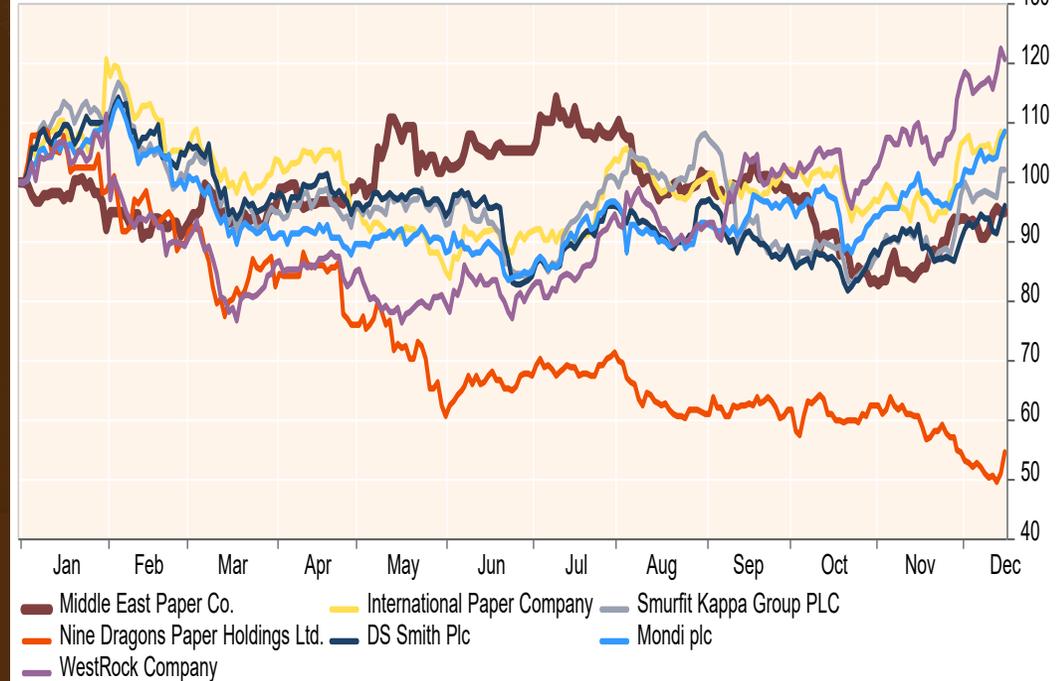
- Forward Integration Acquisition
- Paper Manufacturing (PM5) and Tissue Manufacturing (TM6)

- MEPCO has exposure to both paper and fiber price volatility which can result in periods of underperformance followed by overperformance and hence MEPCO's Company's strategy to forward integrate to mitigate such cyclical
- It is expected that forward integration will stabilize and enhance MEPCO's profit margins and improve resilience to costs disruption through optimized inventory management across the entire value chain/

Middle East Paper Co. vs. Peers

Indexed Price Performance

Price (Indexed to 100)

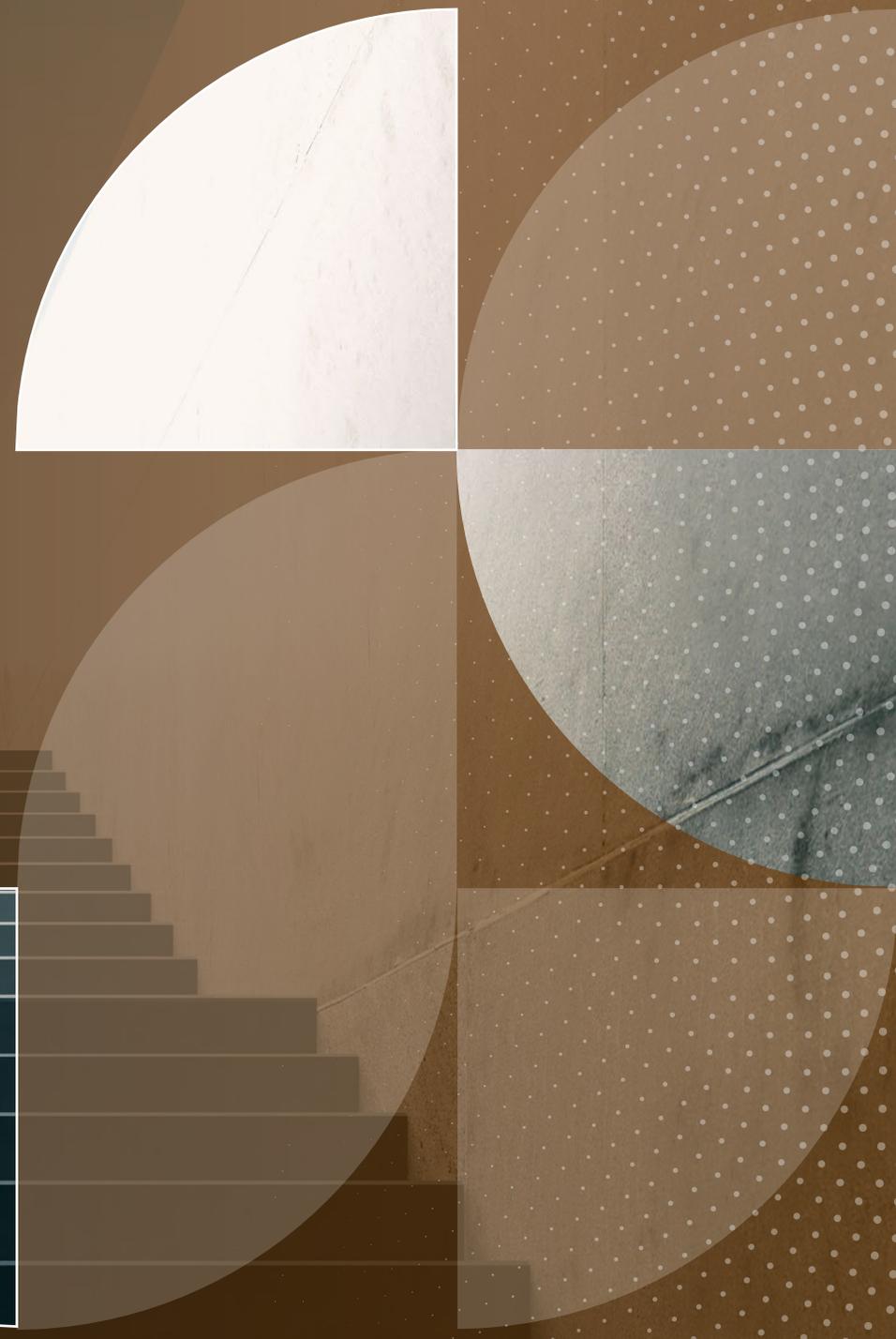


Source: FactSet Prices

All peers are forward integrated , their performance was more stable which was reflected on their stock performance despite the downward trend witnessed this year in the international prices

05

Waste Management
Strategy



Waste and resources Management Cluster - MEPCO

Waste Strategy Aspiration



Ambition: *Independent WM developer and service provider*

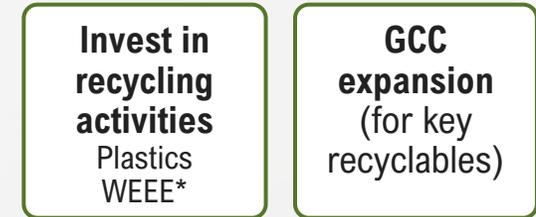
A Recyclables materials sourcing and trading



B Focused treatment facility developer



C Diversified along value chain & geographies



Foundations

D WASCO operating model roadmap



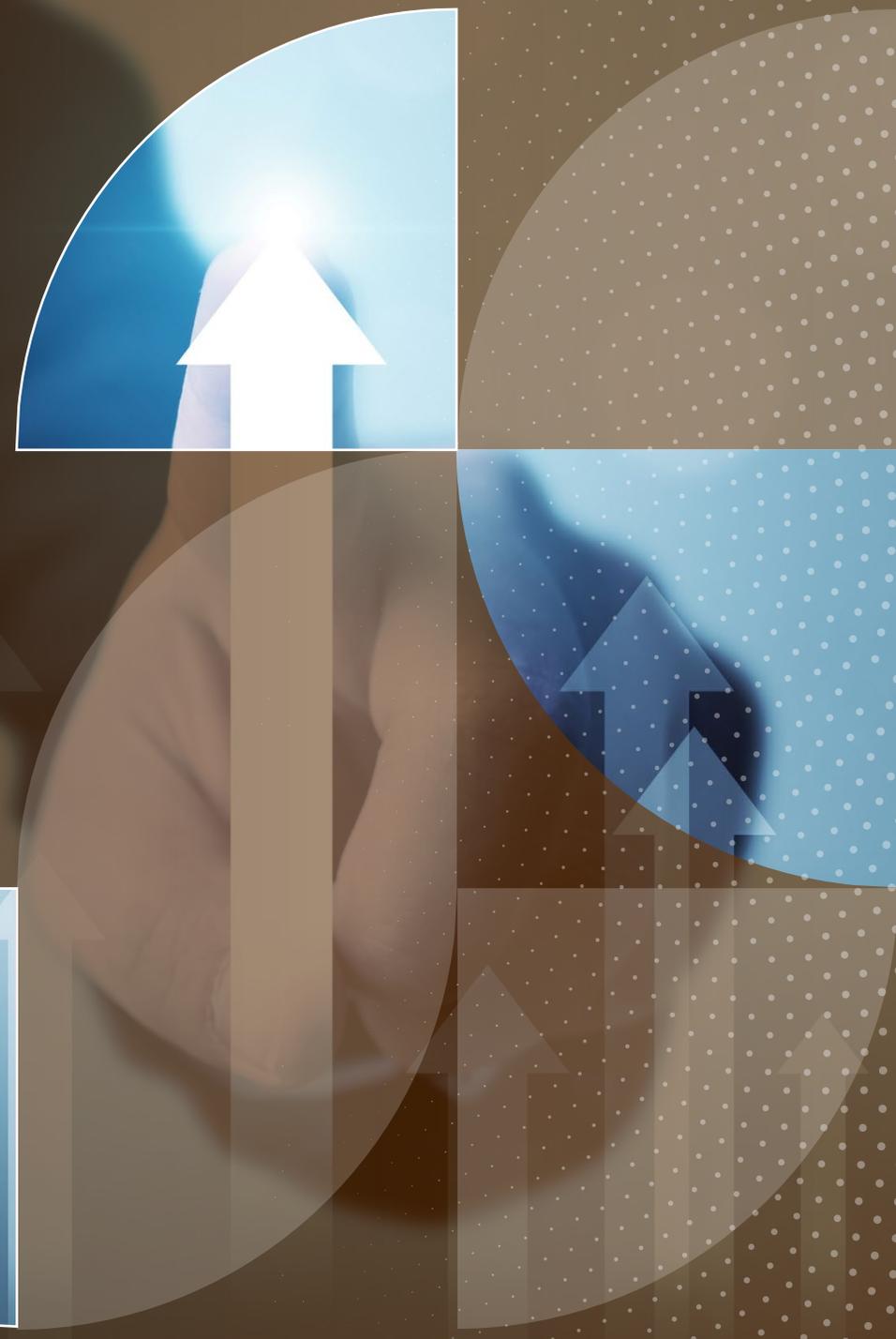
E Estidama operating model enhancement



*(MRF) Materials Recovery facilities *(RDF) Refuse derived fuel *(CDW) Construction and demolition waste *(WEEE) Waste from Electrical and Electronic Equipment

06

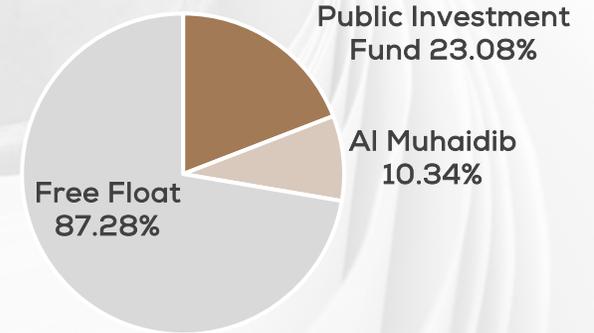
Stock Performance & Peer Benchmarking



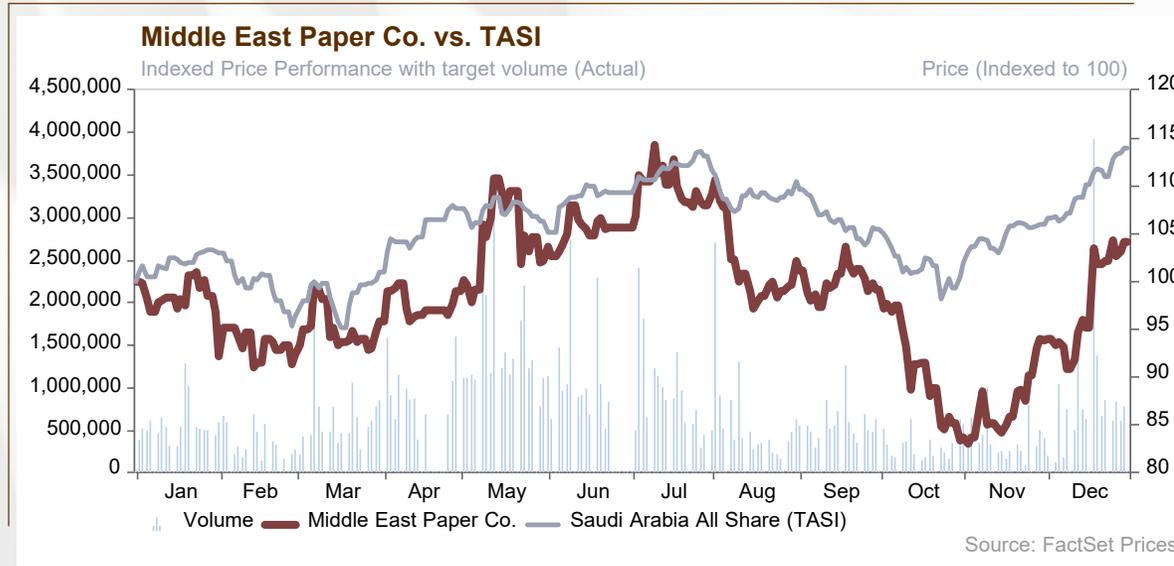
MEPCO's Stock Performance

TRADING NAME: MEPCO
SECTOR: Materials
INDUSTRY GROUP: Materials Main Market
ISIN CODE : SA13Q050IP16
STOCK EXCHANGE MARKET : Tadawul , Saudi Exchange
PAID IN CAPITAL: SAR 866 M
NUMBER OF ORDINARY SHARES : 86 M
PAR VALUE : 10 SAR
PERCENTAGE OF FOREIGN OWNERSHIP : 4.79 % (as of 18 Jan 2024)

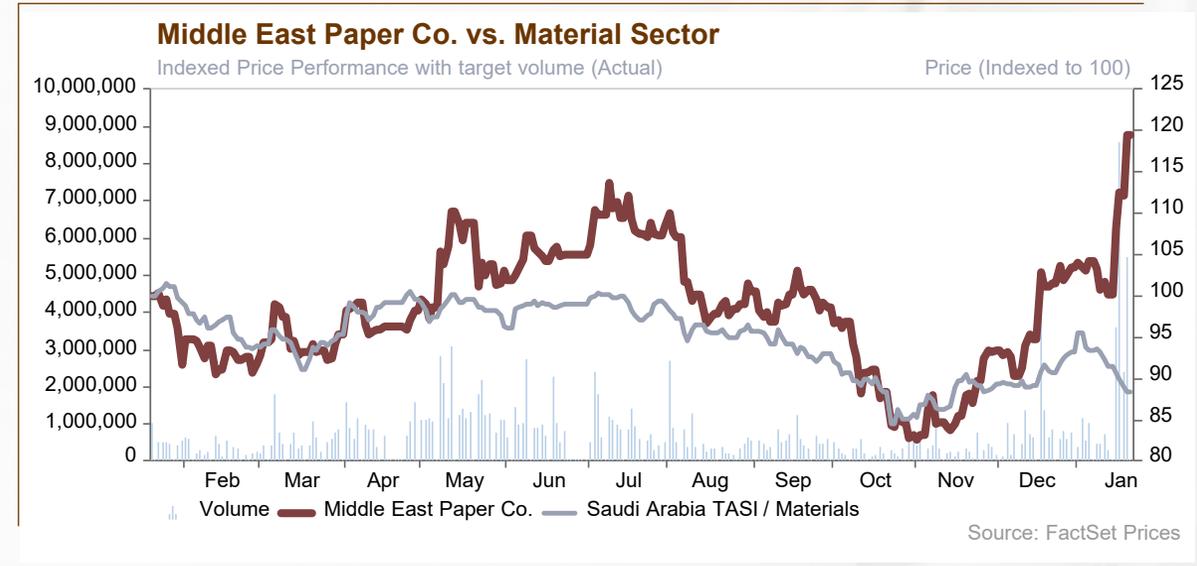
Shareholder structure



MEPCO Stock Performance & Material, SAR



MEPCO Stock Performance & Material, SAR



MEPCO's Stock Performance and Peers Performance

MEPCO Stock Performance ,Smurfit Kappa ,Lee & Man ,International Paper & Nine Dragon Paper, SAR

MEPCO P/E 0

INTERNATIONAL PAPER P/E 16.55

LEE & MAN P/E 13.32

NINE DRAGONS P/E 0

SMURFIT KAPPA P/E 10.05

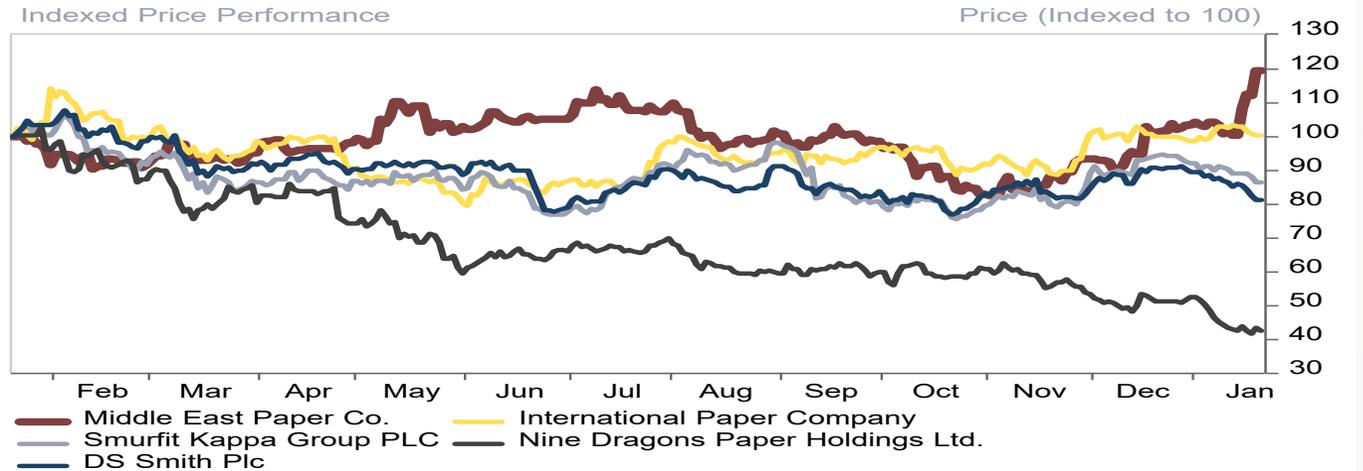
MEPCO witnessed bullish price stock performance in 2023 for abiding to expansion strategy despite the current global challenges

All peers along with MEPCO were impacted by international prices in 2022

Reference : Mepco website , Reuters

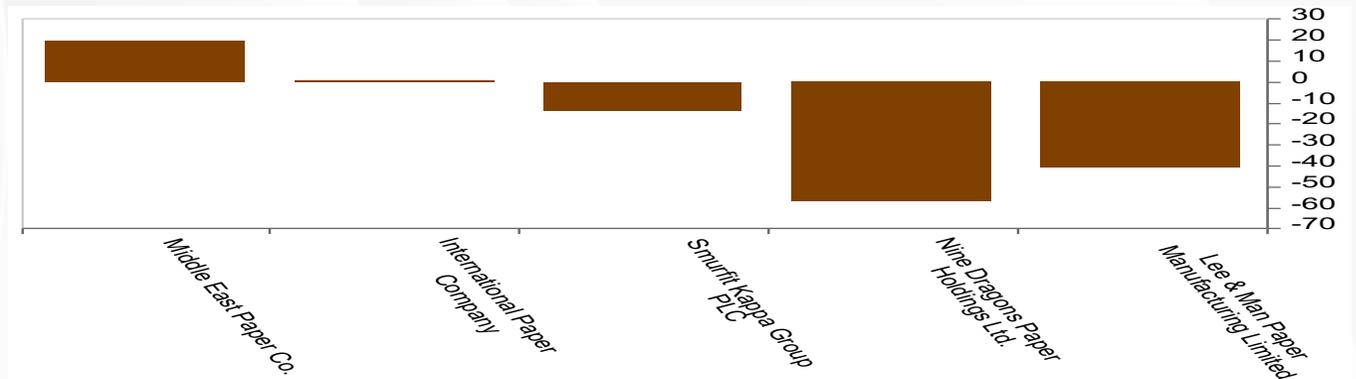
Middle East Paper Co. vs. Peers

Indexed Price Performance



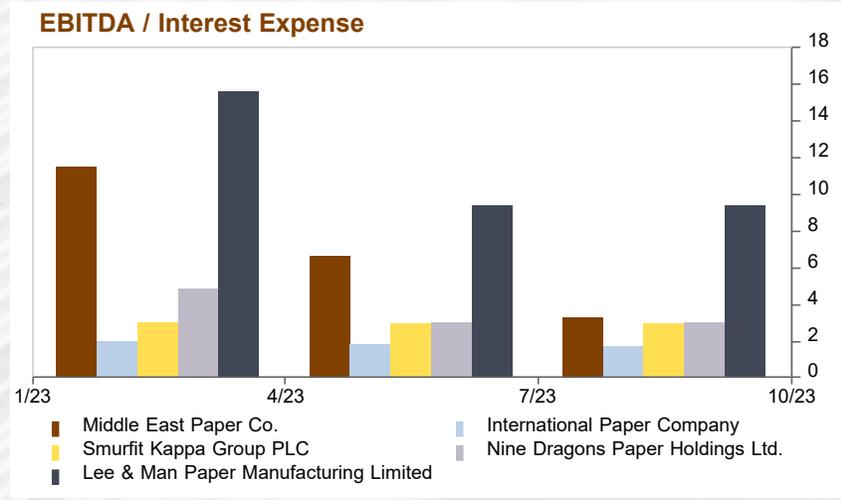
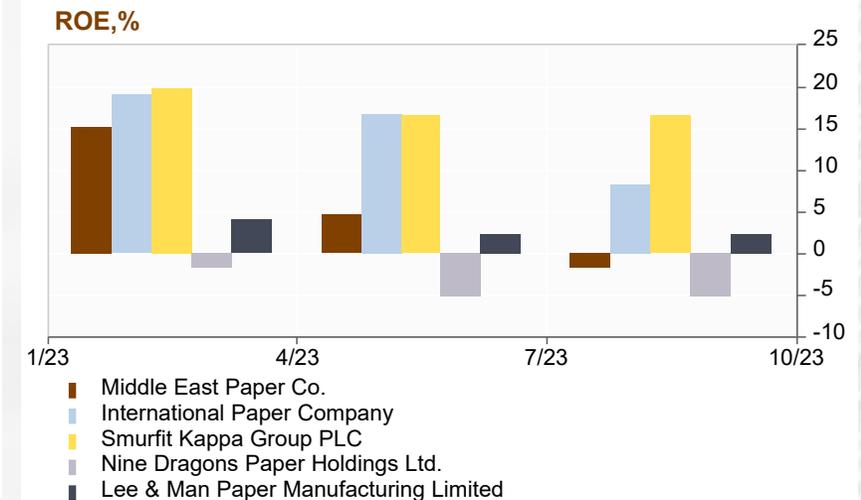
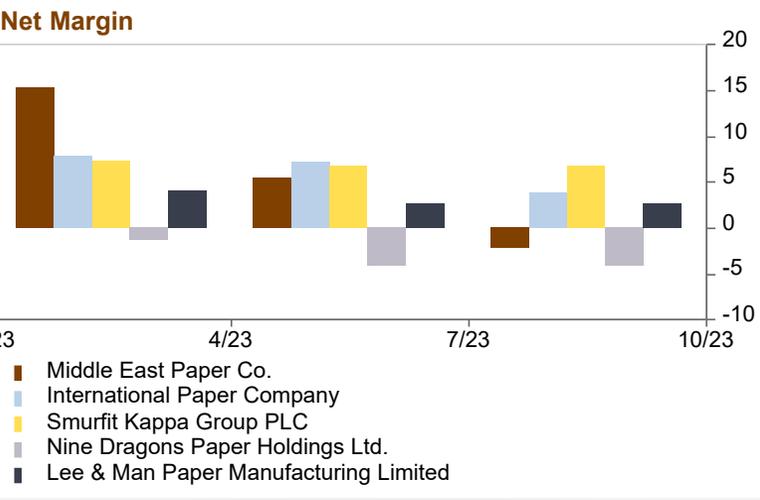
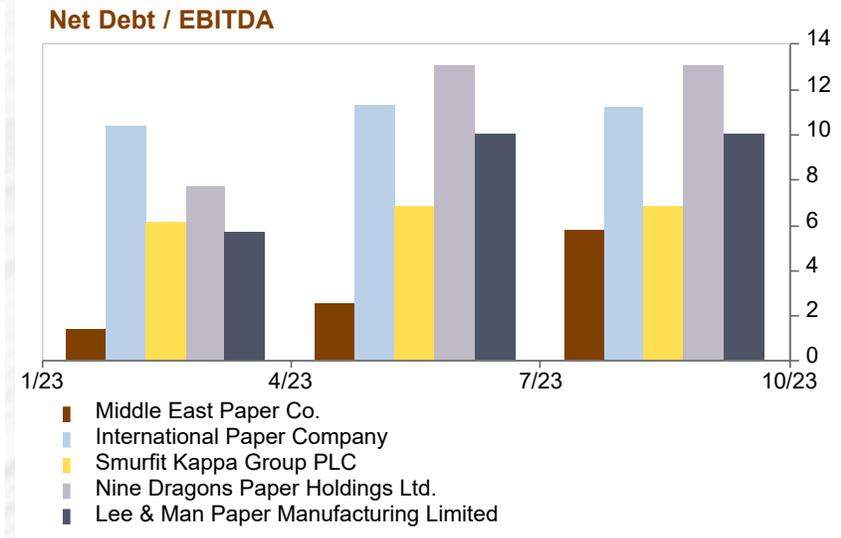
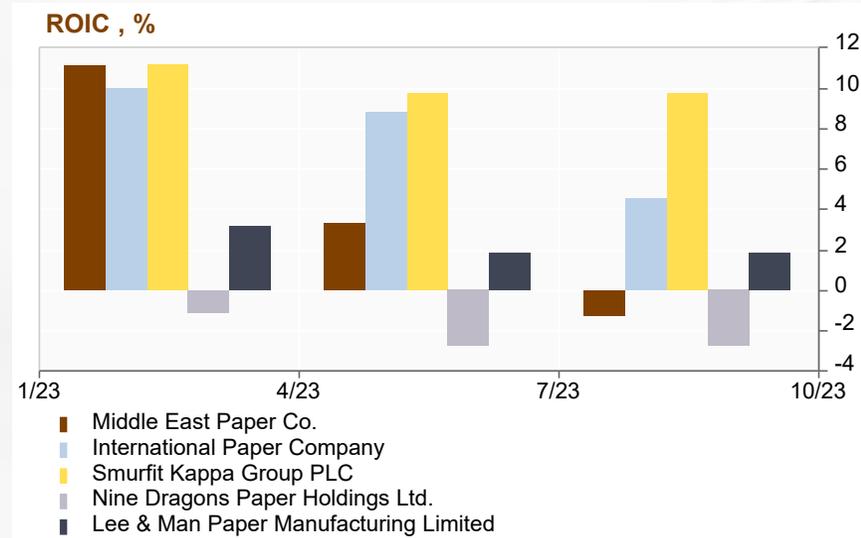
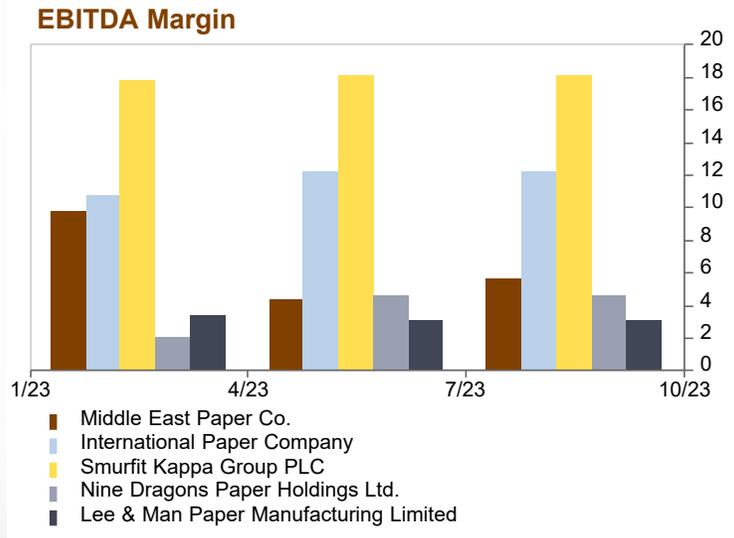
Source: FactSet Prices

1 Year Price Change ,%



Bench Marking MEPCO against Peers

Trailing Twelve Months



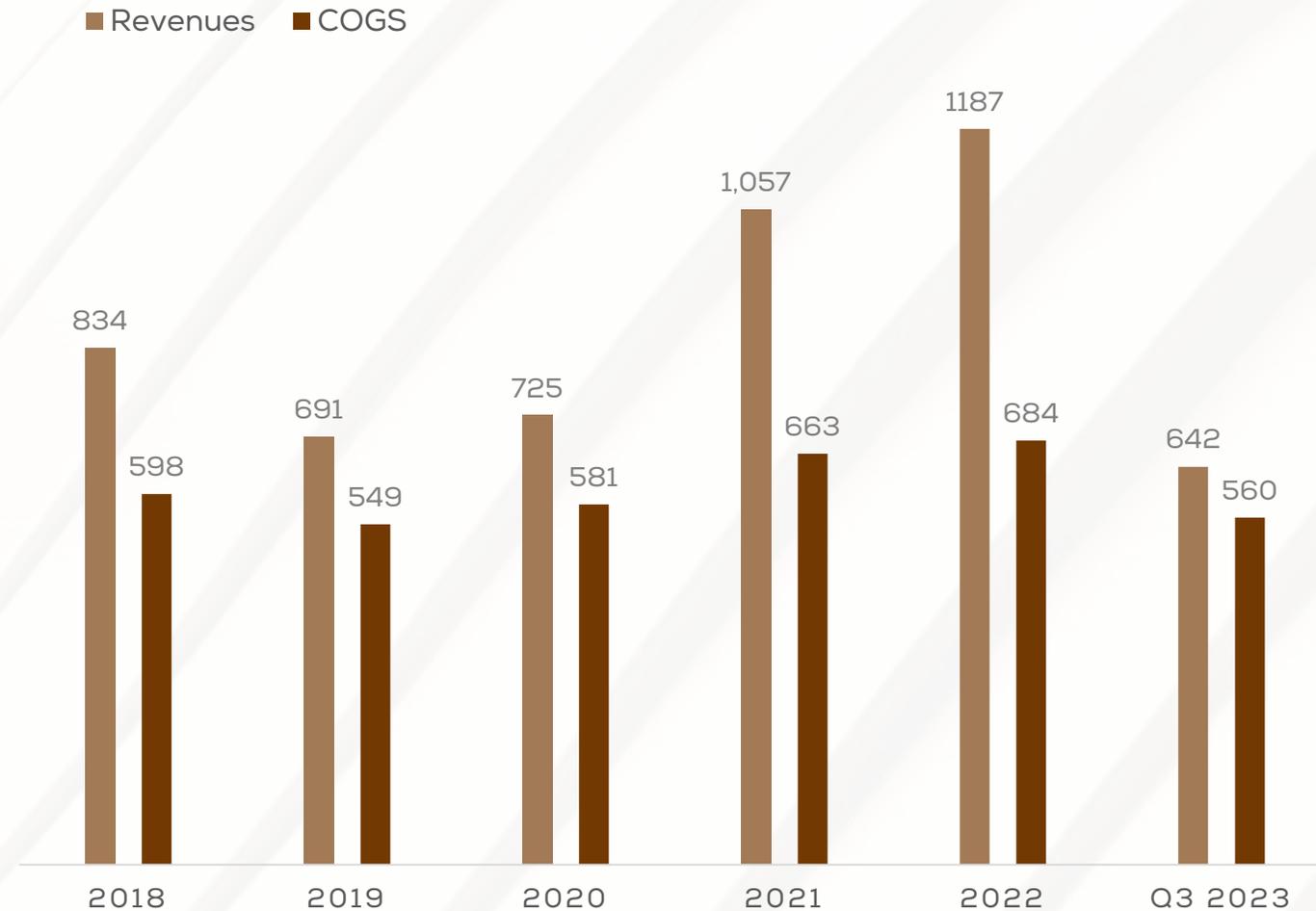
07

Financial
Performance



Overview Profitability

Revenues and Cost of goods sold , SAR Mn

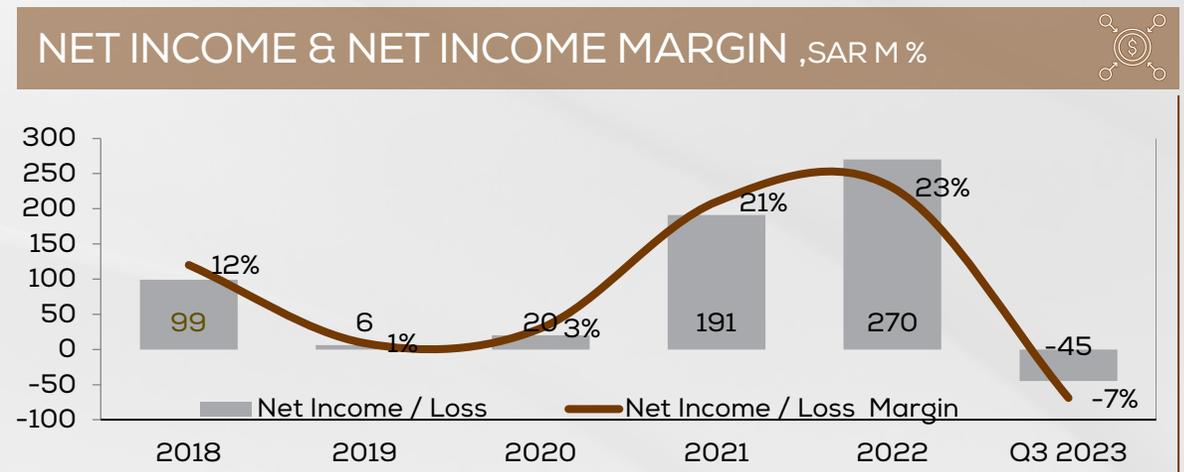
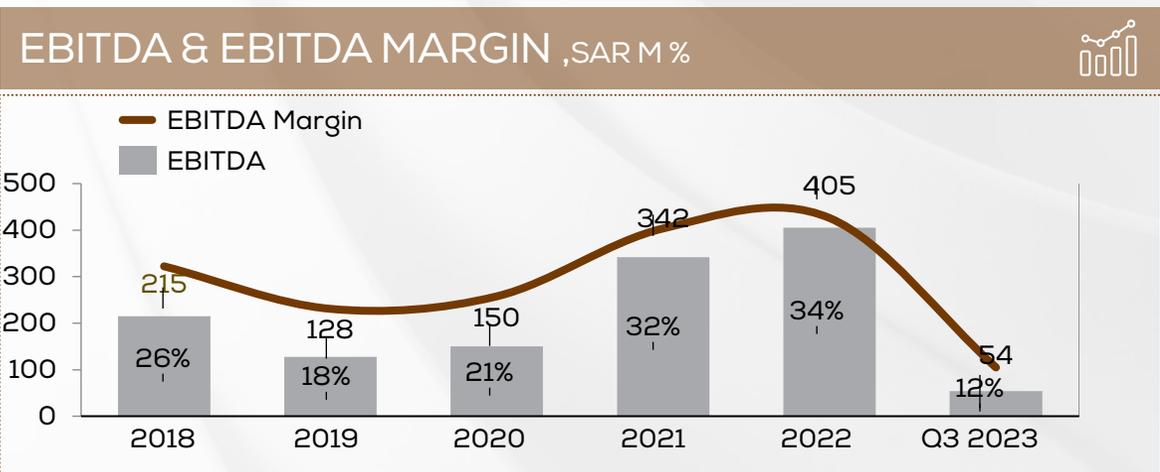
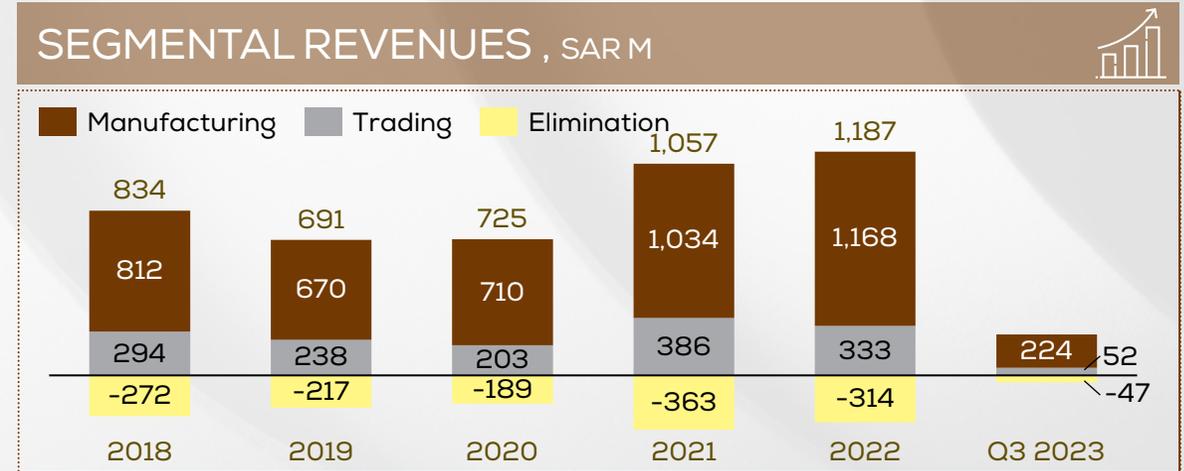
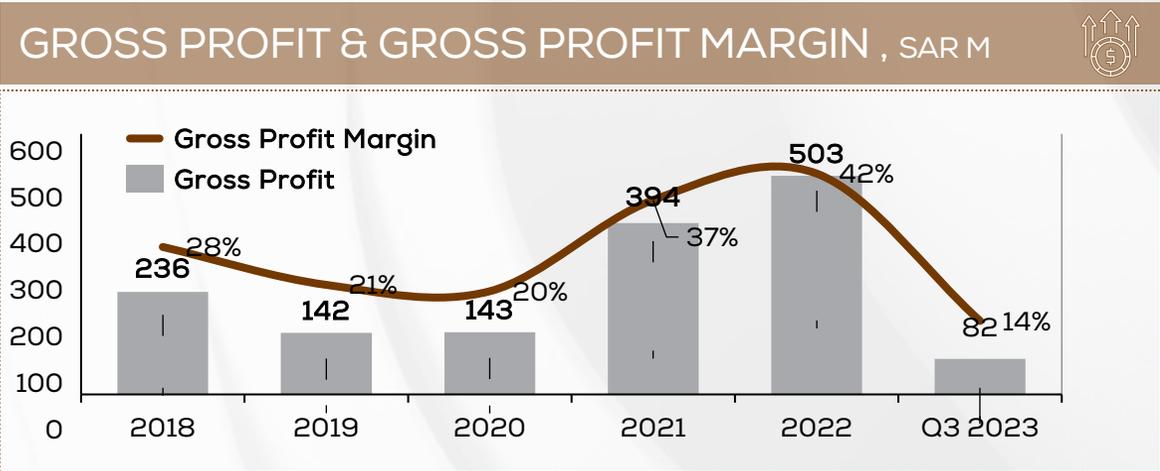


In 2022 - 2023

Sales revenues hit SAR 1 Bln 2022 for the second consecutive year the increase in international selling prices was leveraged and captured by ensuring a streamlined production process, minimizing downtime, and a disciplined dispatch process.

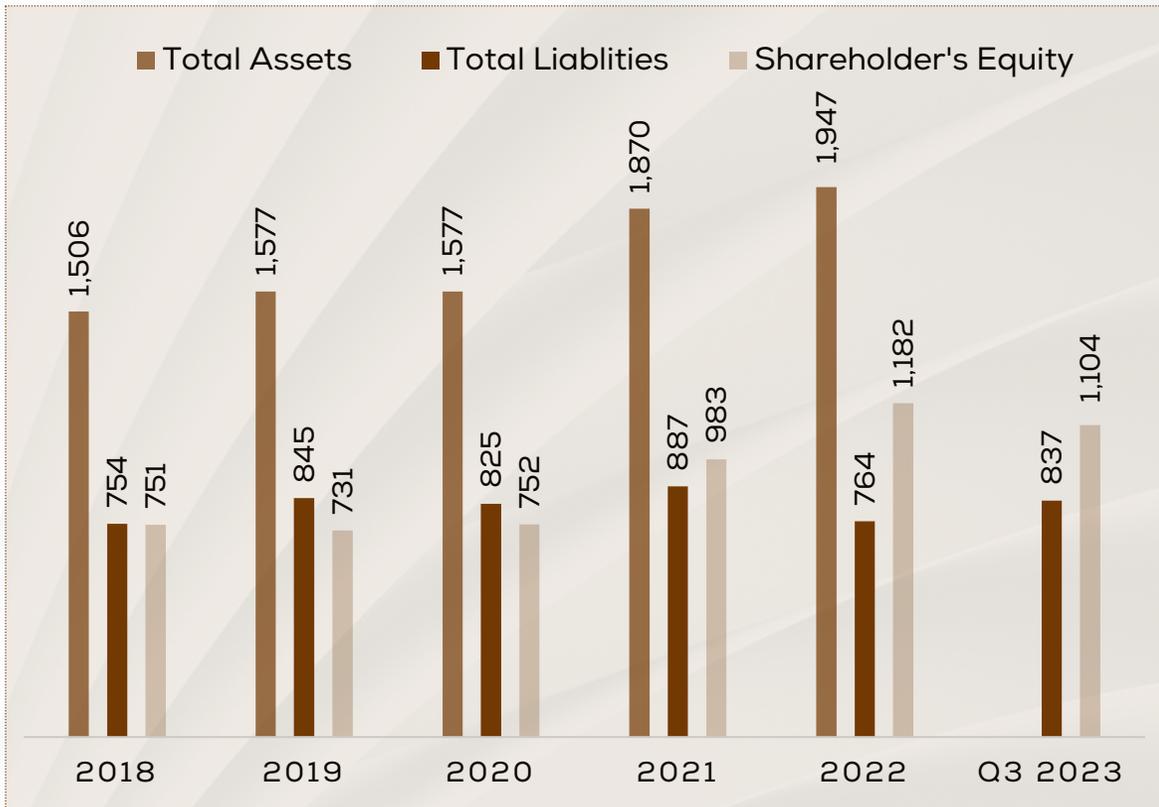
Through which MEPCO continued such strategy in 2023 , despite being hit by international prices decline, MEPCO strong market leadership succeeded to have the export sales H o H increase by 17 %

Profitability Key Financial Indicators

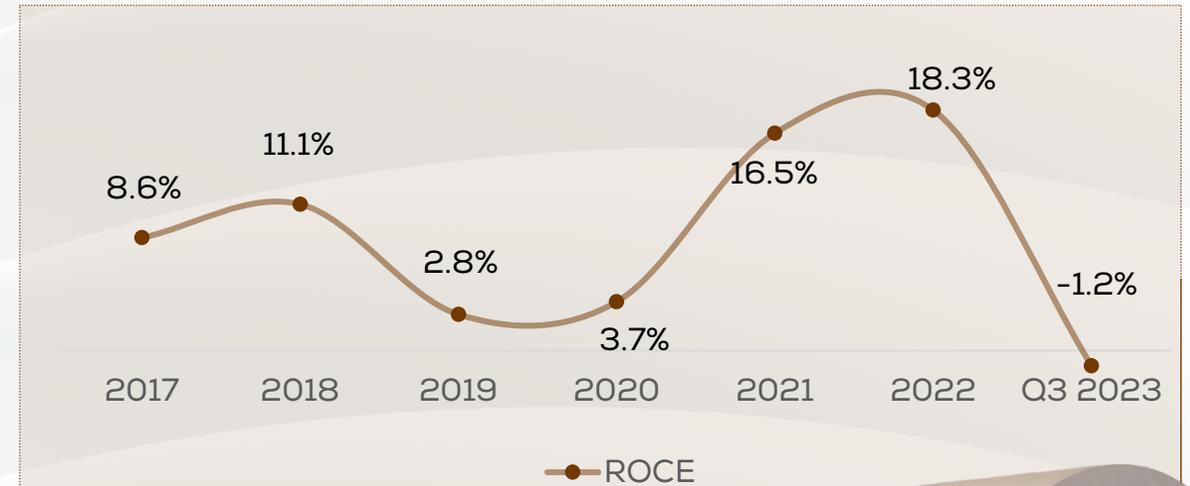


Operational Efficiency

**TOTAL ASSETS , TOTAL LIABILITIES ,
SHARE HOLDERS, SAR M**



RETURN ON CAPITAL EMPLOYED, %



ROCE continued to increase with higher operational margin , yet it took a downward shift in Q3 FY 23 as a result to the lower profitability margins



08

ESG Performance



MEPCO's ESG performance

Performance on key ESG issues

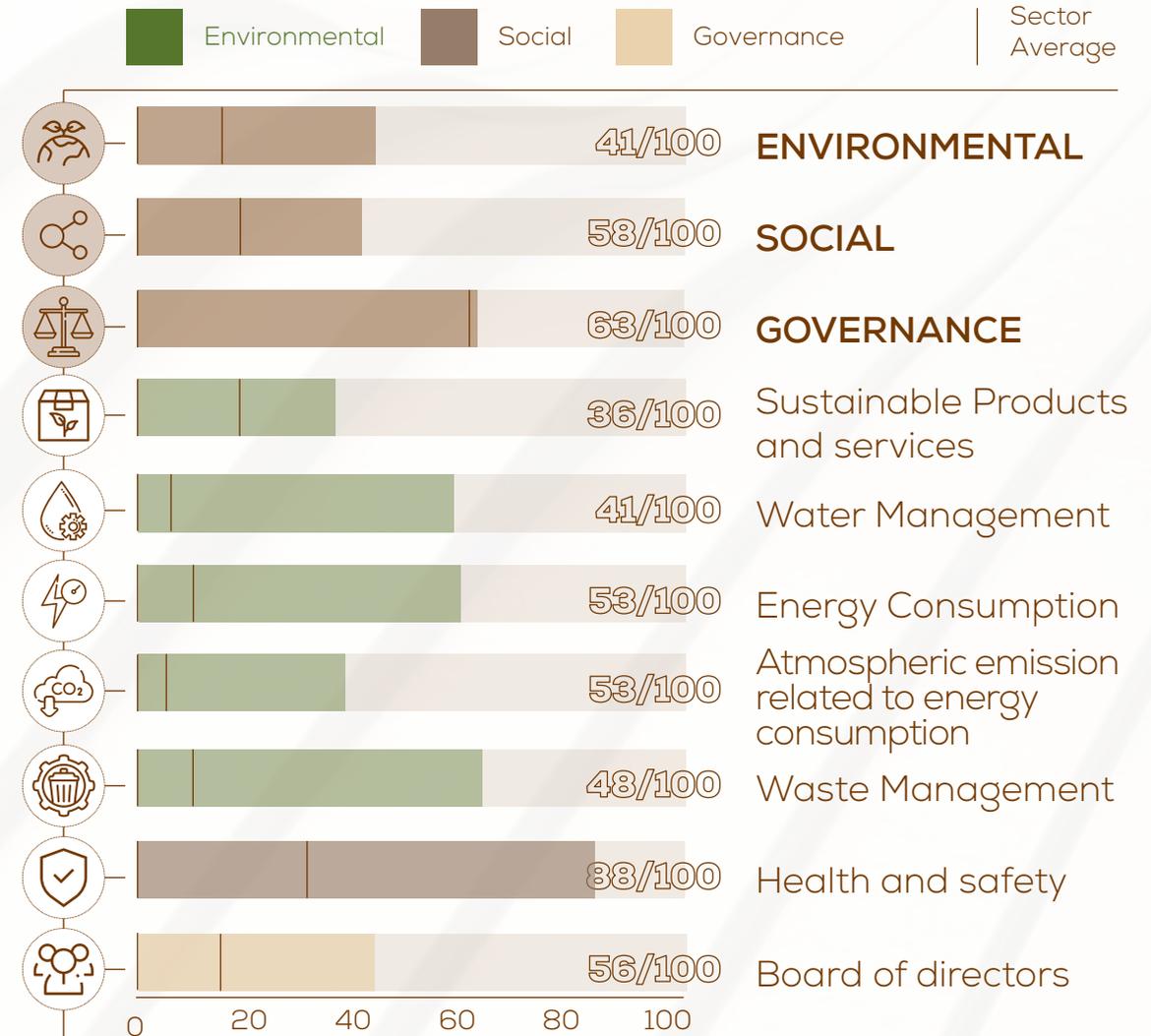
- **COMPANY**; Middle East Paper Company
- **ISIN**; SA13Q0501P16
- **RATING DATE**: February 2023
- **SECTOR**: Containers & Packaging
- **COUNTRY**: Saudi Arabia
- **SECTOR ORGANIZATION**: 5
- **ESG SCORE**: 54/100 (Up 5 points YoY)
- **RANK**: -
- **PERCENTILE RANKING**: 90



In February 2022 , MEPCO pioneered in terms of it's Environment , social and governance disclosure among peers. The benchmark study was conducted by ESG Invest.

MEPCO continued in enhancing its ESG disclosure in the 2021 Sustainability report.

Currently MEPCO is in the process of implementing an ESG strategy that is intended to further embed the implementation of the SDG targets .



MEPCO's SDG Targets



Number of females in the Board directors and committees have risen to include 2 members of high expertise contributing to MEPCO ESG strategy and corporate governance

Enhanced water management

- An Effluent treatment plant (ETP) was installed in 2021 to increase the reuse of water and to improve the quality of recycled water.
- Water consumption was reduced by 4% in 2021.

Energy management and Carbon footprint

- A dedicated energy consumption facility with a capacity of 49 MWh to generate electricity to MEPCO plant
- GHG Emissions Intensity (ton CO₂ / ton production) was improved by 5.6% from 2019 to 2021

The higher institute for paper And industrial technologies

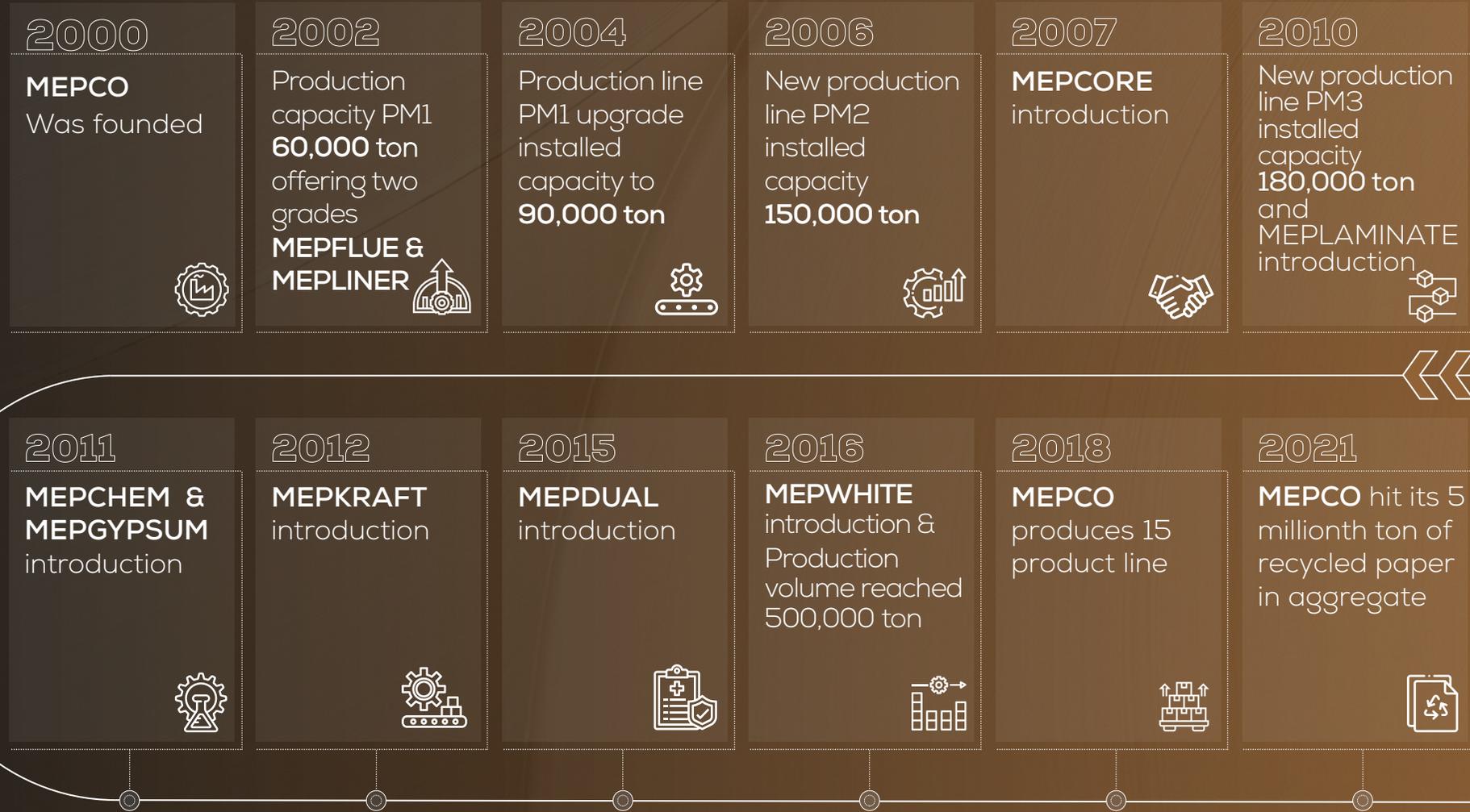
- Established in 2013 to support the skills development of young people and develop the experience and technical skills of Saudi workers in paper and industrial technologies.

09

Appendix



Product Line Evolution & Production Volume - MEPCO



Corporate Governance

Best Corporate Governance Leadership Award – Saudi Arabia 2017
Awarded by Capital Finance International (CFI)



CGI Excellence award-Saudi Arabia 2020 awarded by Corporate Governance Center



Board of Directors consist of 8 members; more that 50% of whom are independent members led by Chairman Mr.Mussab Sulaiman Al-Muhaidib. He has an extensive experience in Strategies and Business Visibility Improvement and is part of many boards of influential organizations.

QUARTERLY BOD MEETINGS

01



Risk & Sustainability Committee led by board member Mr. Walid Shukri. He is audit and risk committee member in several board in KSA and abroad.

QUARTERLY RISK & SUSTAINABILITY COMMITTEE MEETINGS

02



Audit Committee led by Mr. Fahad Al Fawaz. He is currently an audit committee member in various sectors and has taken leadership roles in investment positions as well as various board of directors' membership .

QUARTERLY AUDIT COMMITTEE MEETINGS

03



Remuneration and Nominations Committee led by board member Hawazen Nassief, who is head of sustainability & stewardship in PIF and member of NRC committees with other sectors

QUARTERLY NRC COMMITTEE MEETINGS

04



Strategic & Executive Committee to overlook MEPCO's strategy led by Board member Rob Jan who has held leadership positions in various Industrial sectors , he is currently BOD member in industrial companies ,one of which is in the paper industry .

QUARTERLY EXECUTIVE COMMITTEE MEETINGS

05



Middle East Paper Company
شركة الشرق الأوسط لصناعة وإنتاج الورق

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