



Earnings Release

Q1 2024

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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



ENG. SAMI AL-SAFRAN

GROUP PRESIDENT

- 30+ years of experience in the paper industry
- 20+ years in leadership roles within MEPCO and other organizations
- Bachelor of Industrial Chemistry (1992)

AMR MASRY

GROUP CHIEF FINANCIAL OFFICER

- 17+ years of finance experience with expertise in fundraising and turnaround strategies
- Proven track record in successfully leading corporate mergers
- Certified Public Accountant (CPA)
- Executive MBA from London Business School

AHMED EL FAZARY

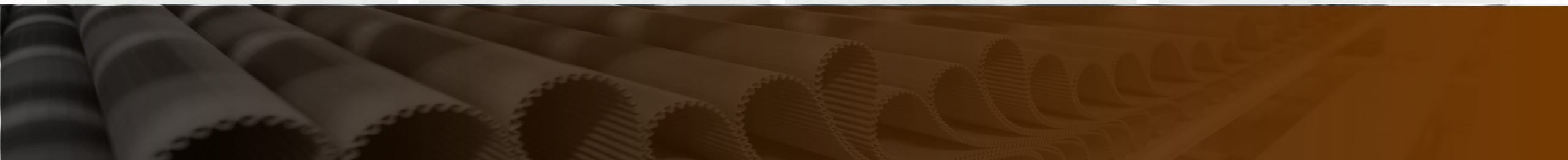
GROUP CHIEF COMMERCIAL OFFICER

- 20+ years of international marketing and trading experience
- Extensive expertise and accomplishments in the paper industry
- Bachelor of Commerce
- Postgraduate Diploma in International Trading

MOHAMED ELSHERIEF

GROUP STRATEGY DIRECTOR - WASTE MANAGEMENT

- 16+ years of regional expertise in waste management
- Successful track record leading organizations and spearheading multibillion-dollar projects
- Fellow member of the Chartered Institution of Waste Management (CIWM)



Outline



Q1 2024 Key
Performance
Indicators

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Industry & Market
Container board
review

03



Industry & Market
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Exports and Local
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Q1 2024

Key Performance Indicators

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Q1 2024 Performance



SALES REVENUES SAR 243.5 M

+ 9 % YoY



GROSS PROFIT SAR 32.5 M

- 8 % YoY



EBITDA SAR 15.4 M

- 42 % YoY



NET LOSS TO PARENT SAR (18.7) M

+ 164 % YoY



COST OF SALES SAR 210.9 M

+ 12 % YoY



GROSS PROFIT MARGIN 13 %

- 241 bps YoY



EBITDA MARGIN 6 %

- 556 bps YoY



NET INCOME MARGIN - 8 %

- 452 bps YoY



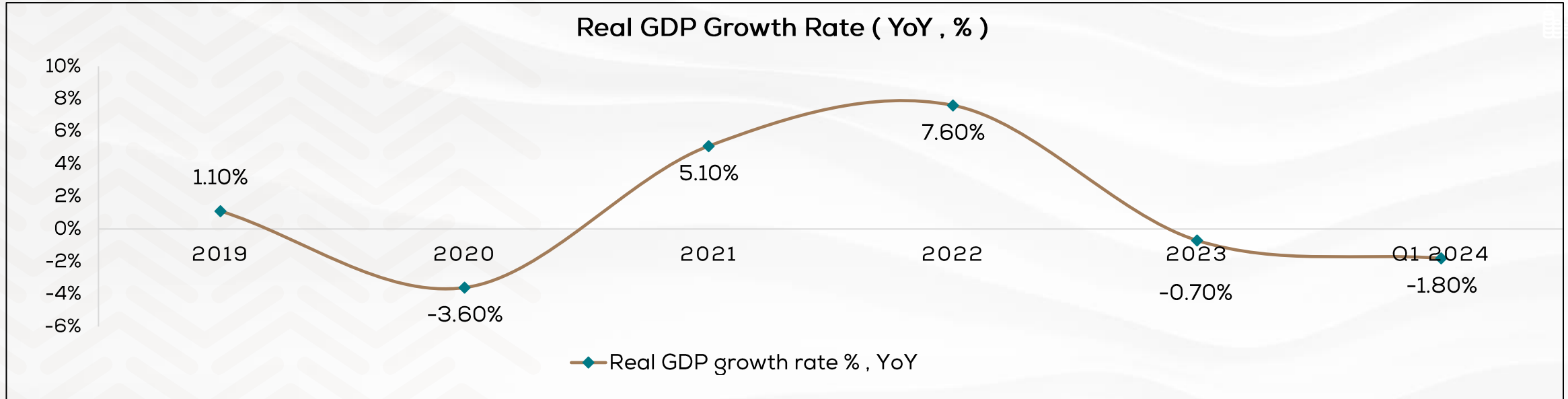
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Macro Economic Review

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Economic Review - Local

Saudi Arabia Economy is still growing in the non-oil activities



Brent Crude Oil spot price averaged \$ 87 /b , + 11 % QoQ

According to estimates by the General Authority for Statistics, real Gross Domestic Product (GDP) decreased by 1.8% in Q1/2024 compared to Q1/2023. This decrease was primarily driven by a 10.6% decline in oil activities. While non-oil activities increased by 2.8%, and government activities grew by 2.0% on an annual basis.

According to the International Monetary Fund estimates the world economy is projected to grow by 3.2% in 2024 , while emerging markets excluding China will grow at 4.3%.

*. General Authority for Statistics (Kingdom of Saudi Arabia) , Central Bank of Saudi , IMF (Mar 2024)



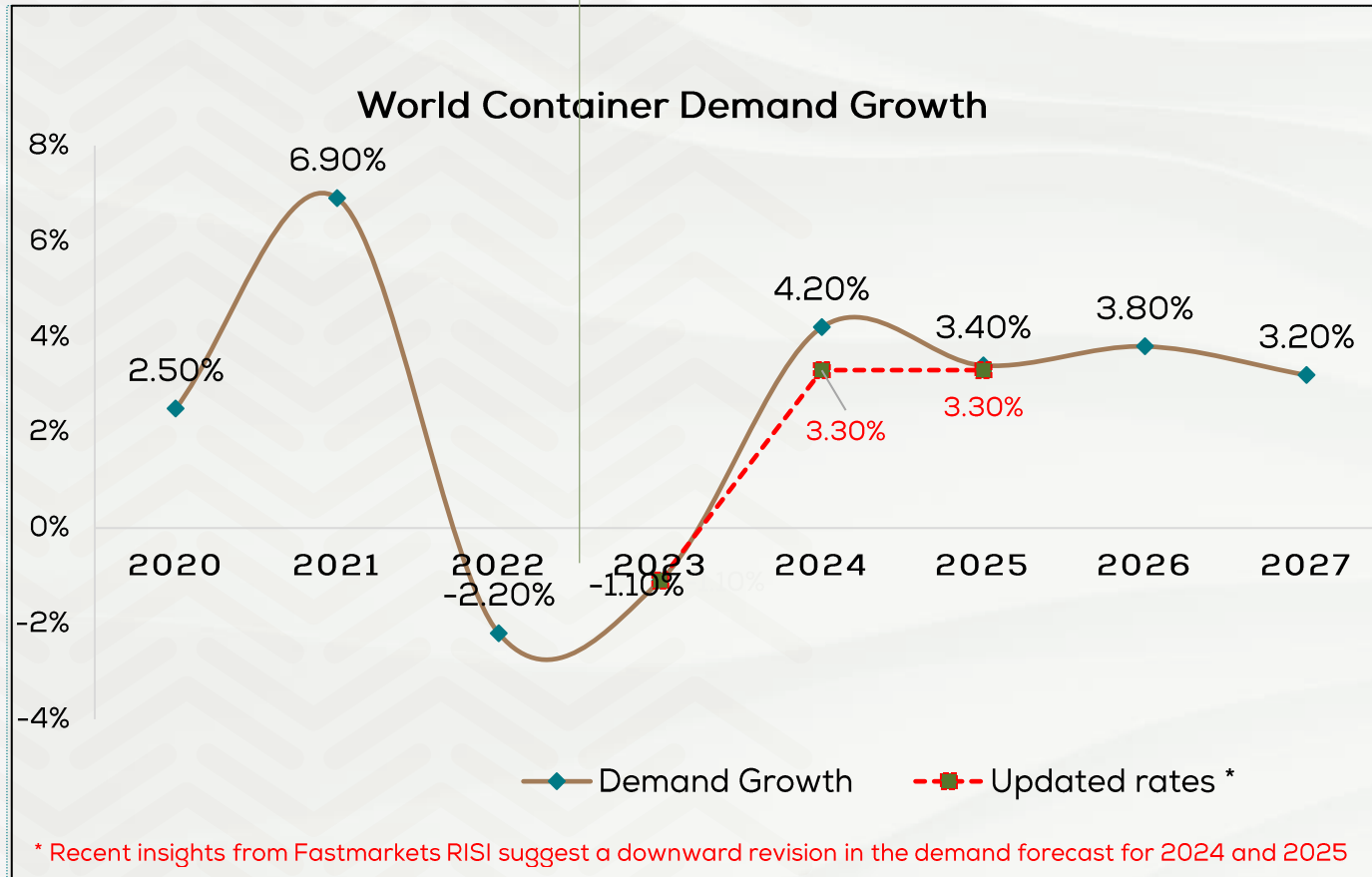
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Industry & Market Containerboard Review

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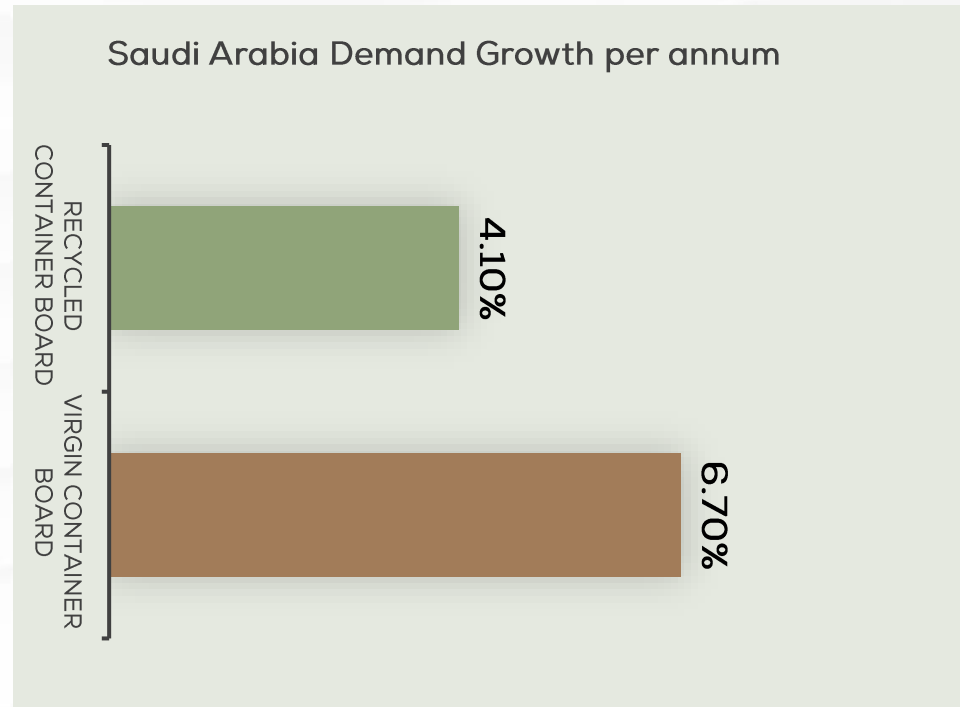
Industry & Market Review For Containerboard

Saudi Arabia Demand for Container Board backed by healthy economy



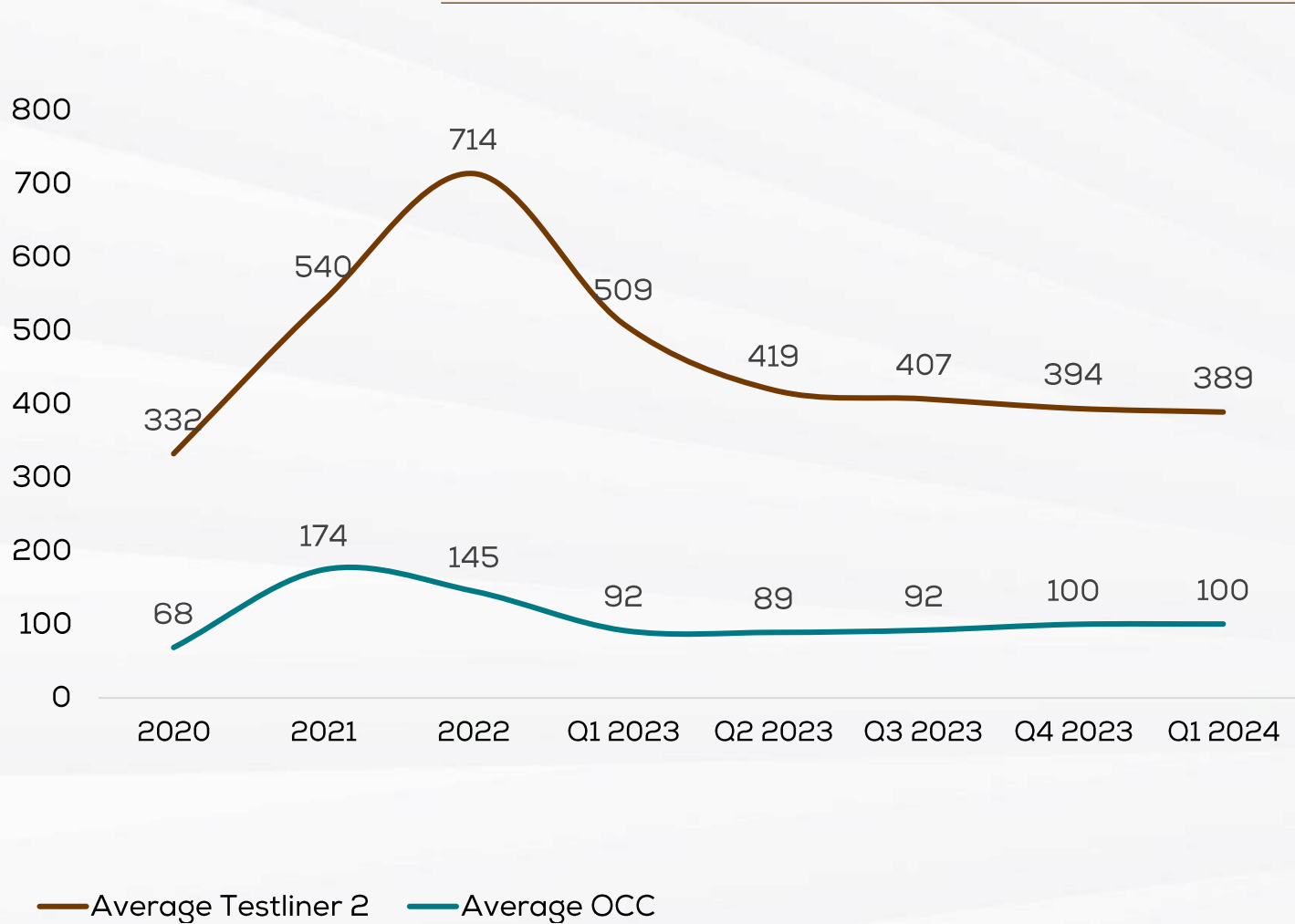
- Global Container board is c. 188 million tonnes
- MENA is c. 3.4 million tonnes
- Saudi Arabia is c. 1.2 million tonnes

MEPCO 's current Market Share 30 % in KSA



International Prices For Containerboard

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



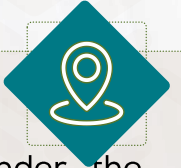
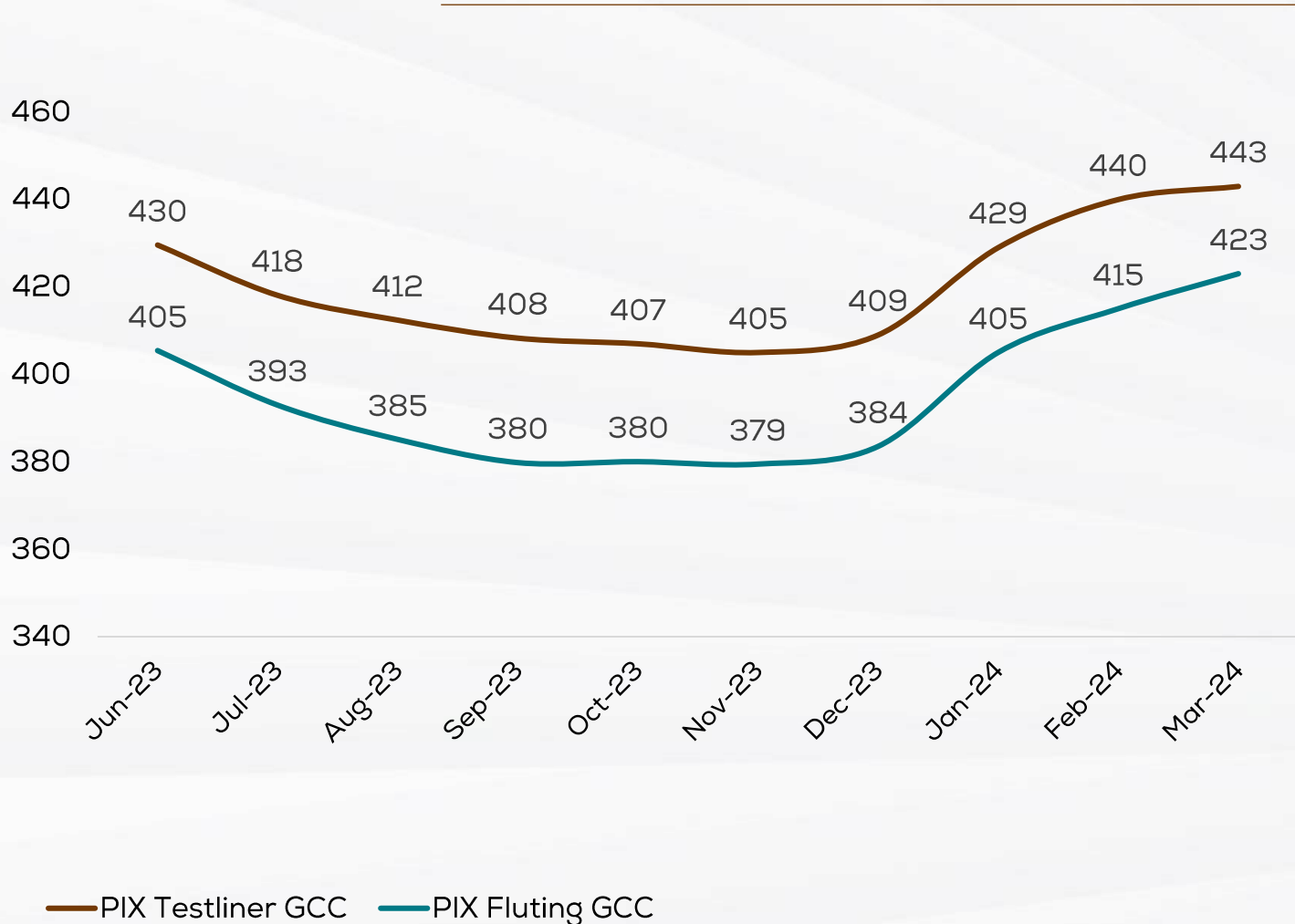
In 2023 , the prevailing global economic conditions amid concerns globally for economic recovery which has impacted a slower demand recovery than anticipated supported by cost inflation which caused sluggish consumer activity and slowness in global destocking.

While Testliner 2 prices have declined from their 2022 peak, the recent stabilization suggests a market correction and potential for future price improvement as demand continues to recover. OCC prices have remained relatively stable in recent quarters.



PIX Packaging GCC Price Indices For Containerboard

Index was launched on 6 June 2023 , we are disclosing the prices on a monthly basis since launch date *, USD/ton



The Test liner and Fluting fall under the category of container board products.

Test liner & Fluting presented in Q1 2024 c.67 % of the total sales volume.

Expected price movement :

After an initial decline due to an economic slowdown, prices for PIX Testliner GCC and PIX Fluting GCC rebounded from December 2023 to March 2024.

Benchmarks have increased by about 35-40 USD/t during the first quarter. This recovery was driven by a combination of renewed economic activity and rising production costs.



04

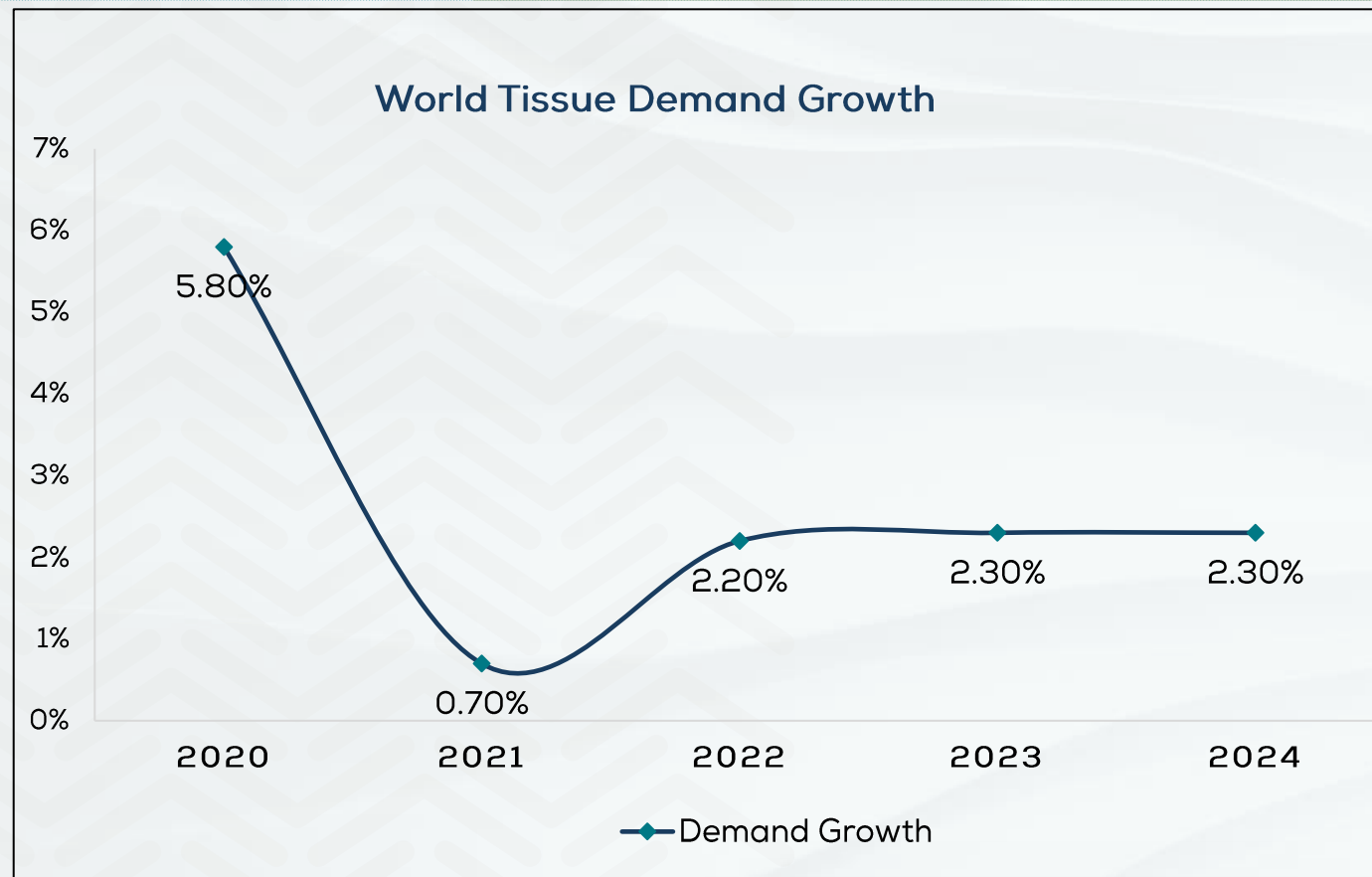
The background features a blurred image of a business meeting. In the foreground, a hand is pointing at a laptop screen displaying various charts, including a bar chart and a line graph. The overall color palette is dark green and teal, with white and yellow accents. A yellow horizontal line is positioned below the number '04'. The text 'Industry & Market Tissue review' is written in a clean, white, sans-serif font. The website address 'www.mepco.biz' is located in the bottom left corner in a smaller white font.

Industry & Market Tissue review

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Tissue Market Review

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



- **Global Tissue consumption c.44 M ton**
- **Saudi Arabia is c. 250 thousands tonnes**
- **Average Global demand growth for tissue consumption : 3.2%**
- **Saudi demand growth : 3.5 %**



- Management expects net income of SAR 21 M by end of FY24 as demand is growing and Juthor has already penetrated the market.
- Expected Gross profit in 2024 c. 23%-25%

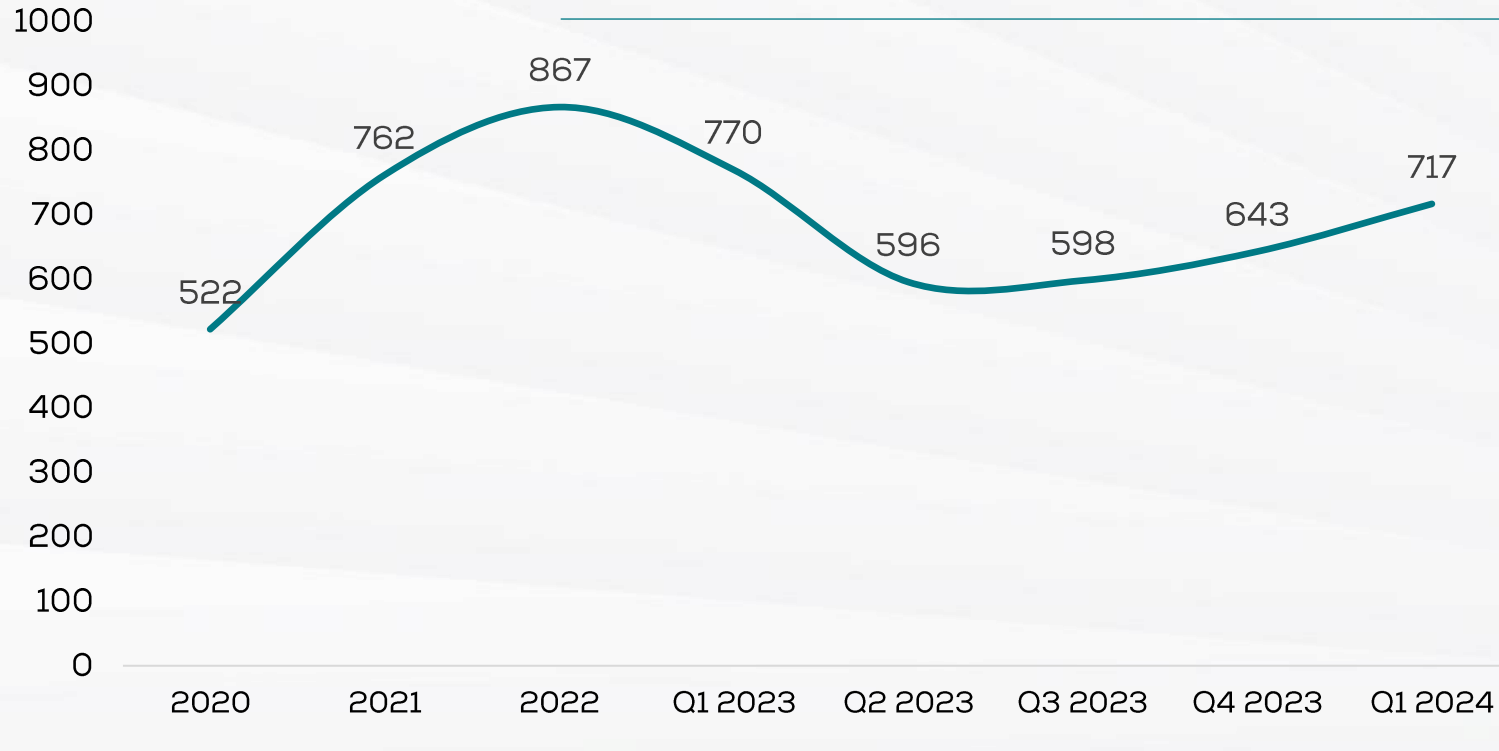


JUTHOR 's Targeted Market Share c.24 % in KSA

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

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 of virgin pulp that are imported from countries such as Scandinavian countries, South America, used to provide strength, purity, superior quality.

Pulp reached in Q4 2023 to 60% of total cost of sales.

Pulp prices is expected to increase slightly, which will have its impact positively on the selling prices

05

The background features a dark green, semi-transparent overlay on a photograph of a business meeting. In the foreground, a hand is seen pointing at a document with various charts and graphs. In the background, another person is holding a pen over a document. The overall aesthetic is professional and data-driven.

Exports & Local Sales Review

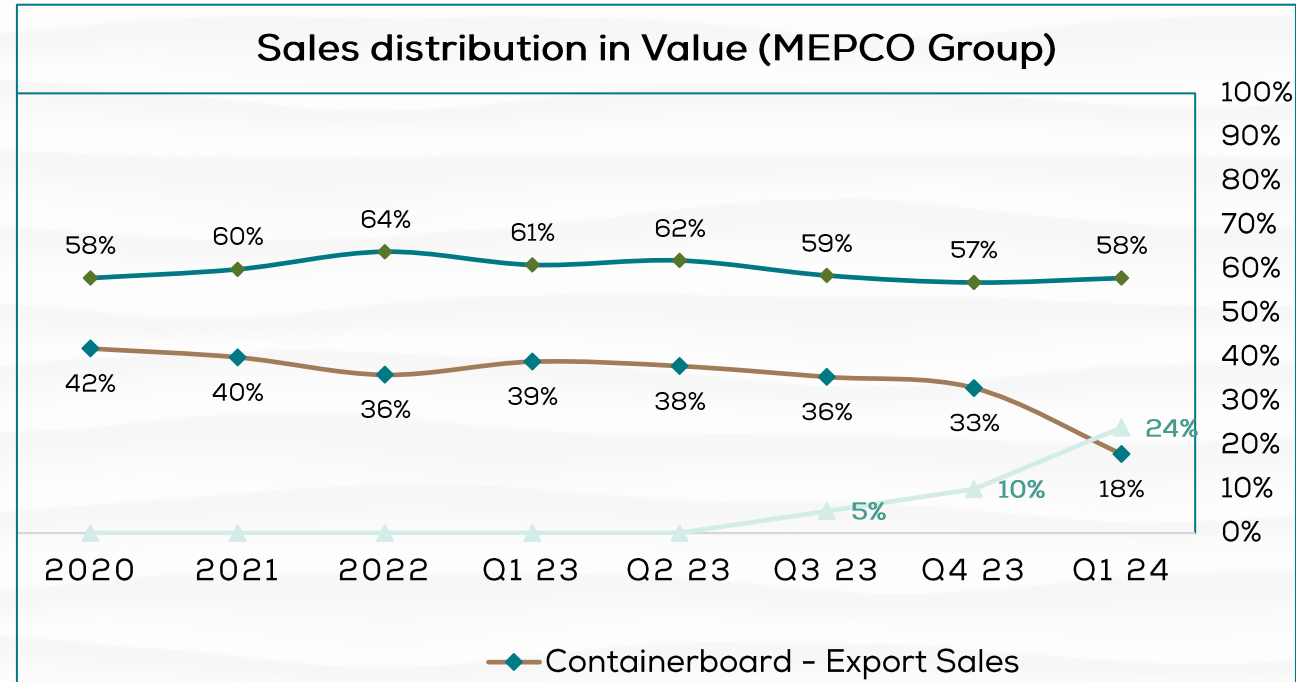
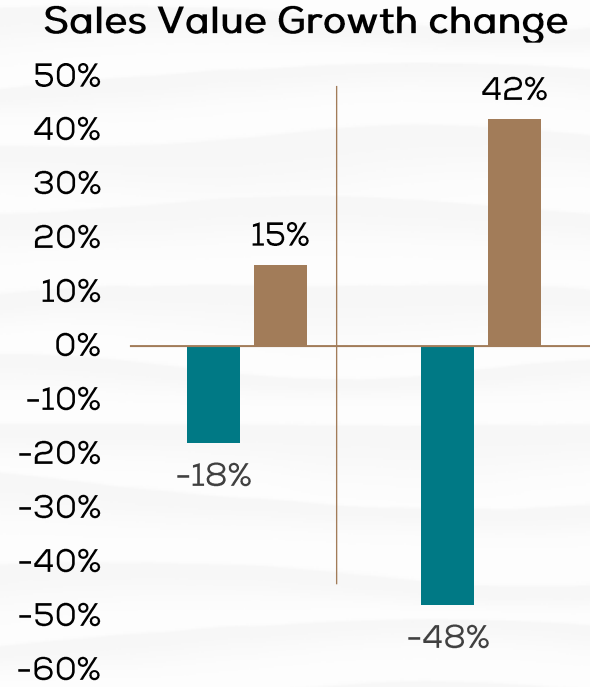
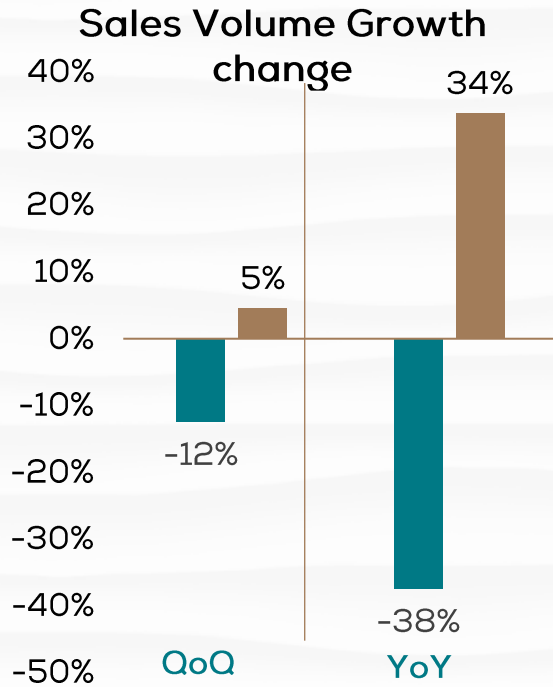
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Exports and Local Sales- Containerboard & Tissues Segment

MEPCO is well-positioned to capitalize on the ongoing recovery in the global containerboard market, as demand and pricing continue to gradually improve

QoQ : Total Sales Volume increased by 7%

YoY : Total Sales Volume increased by 9%



■ Sales Volume Export
■ Sales Volume Local

■ Sales Value Export
■ Sales Value Local

JUTHOR utilization rate has reached in Q4 FY 23 to 80% achieving SAR 58 M
Local sales distribution of tissues for Q1 2024 reached 8,069 MT, while export volumes amounted to 3,970 MT.

06

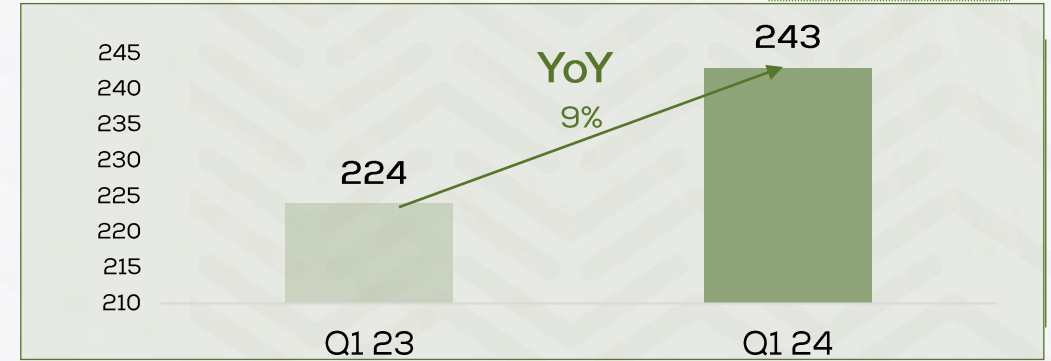
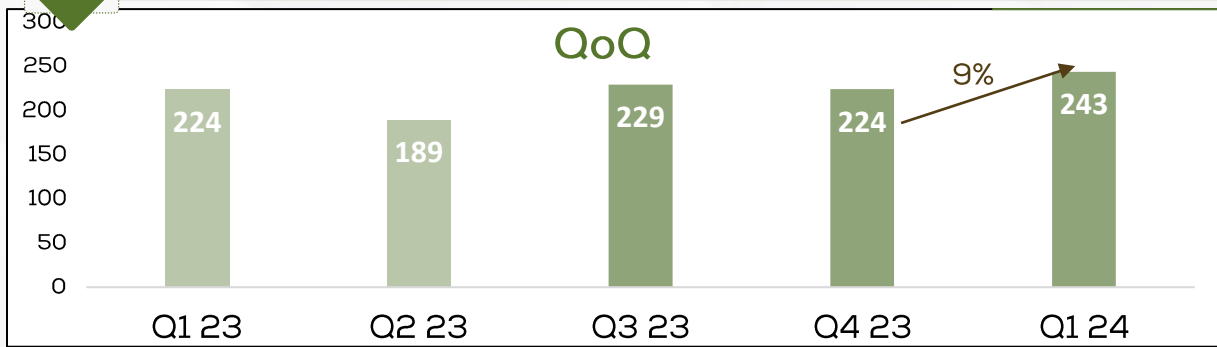
Financial Review

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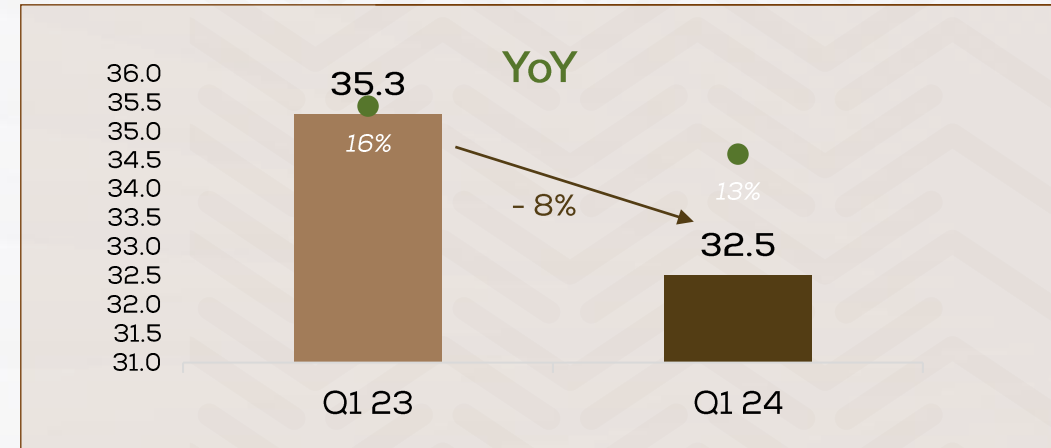
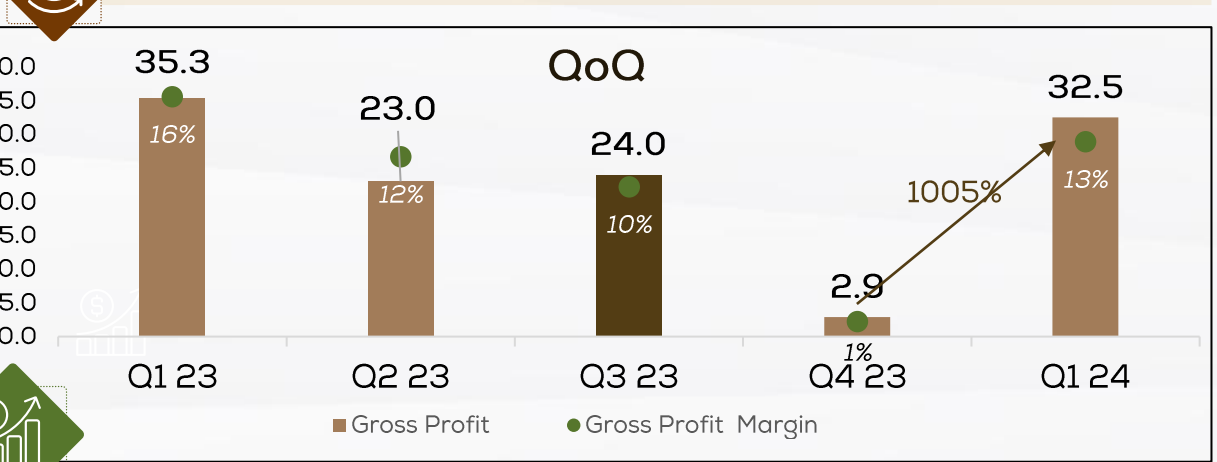


Key Financial Indicators

Sales Revenues , SAR M



Gross Profit & Profit Margin, SAR M. %

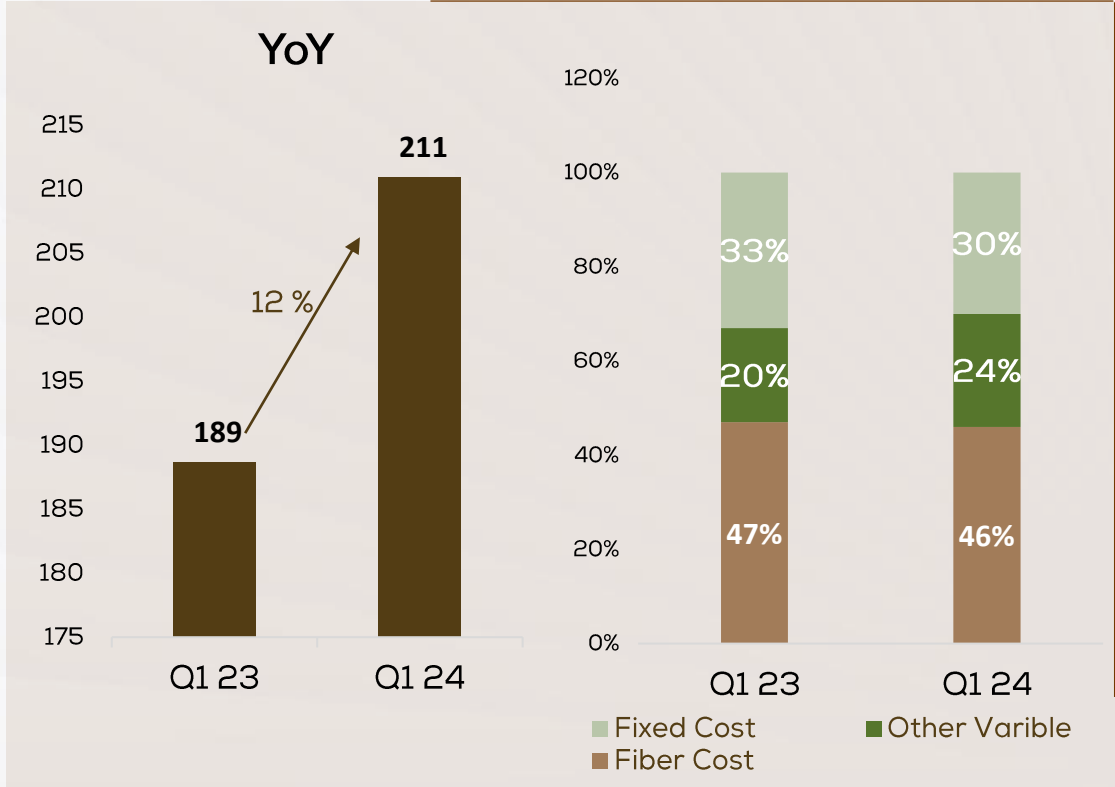
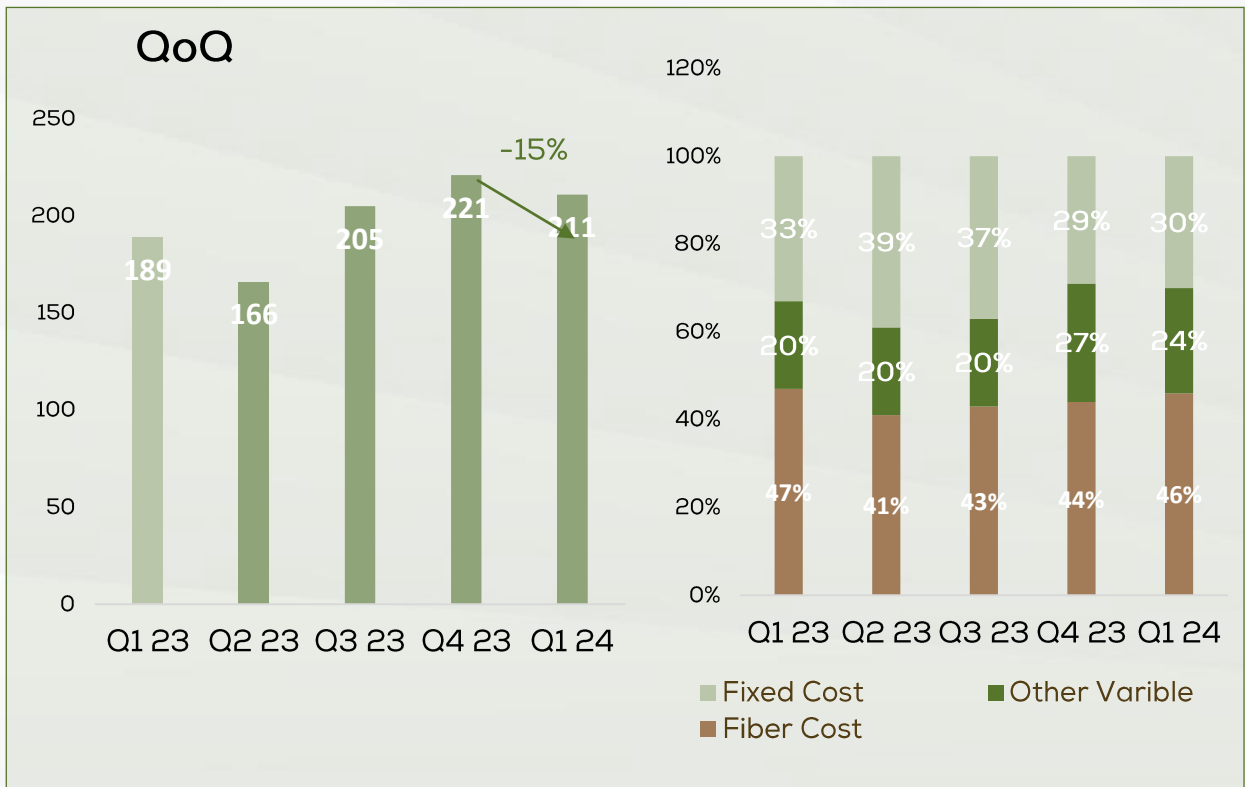


QoQ : Average selling prices (local & export) increased by c. 1% while average cost of sales per ton decreased by c.11%
 YoY : Average selling prices (local & export) decreased by c.3% while average cost of sales per ton decreased by c. 1%

Key Financial Indicators



Cost of Sales Breakdown , SAR M



QoQ : Fiber costs have declined mainly due to OCC price reduction.

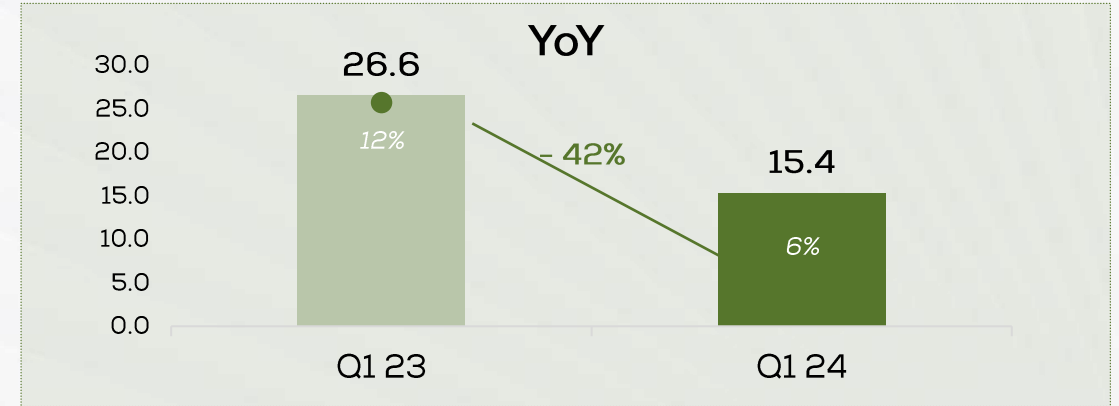
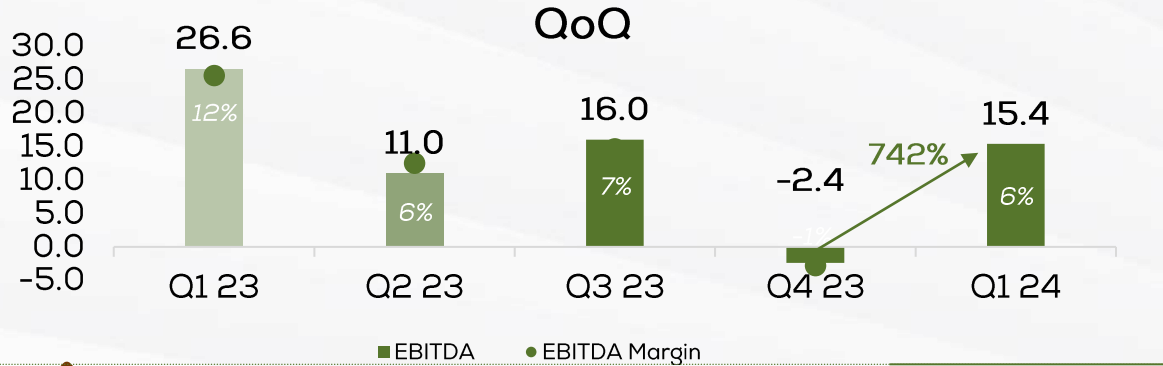
YoY : Cost of sales increased due to higher sales volume and increased operating expenses.

- Utilities expense increased 111% (SR 109 to SR 205 per MT), due to increased energy costs at the Juthor facility.
- Production overhead rose to SR 59/MT, up from SR 28/MT, due to increased costs in materials, external services, insurance, rent, consumables, plant maintenance contracts, and other production-related expenses.
- Depreciation increased by SR 3 million, primarily reflecting the addition of the Juthor facility.

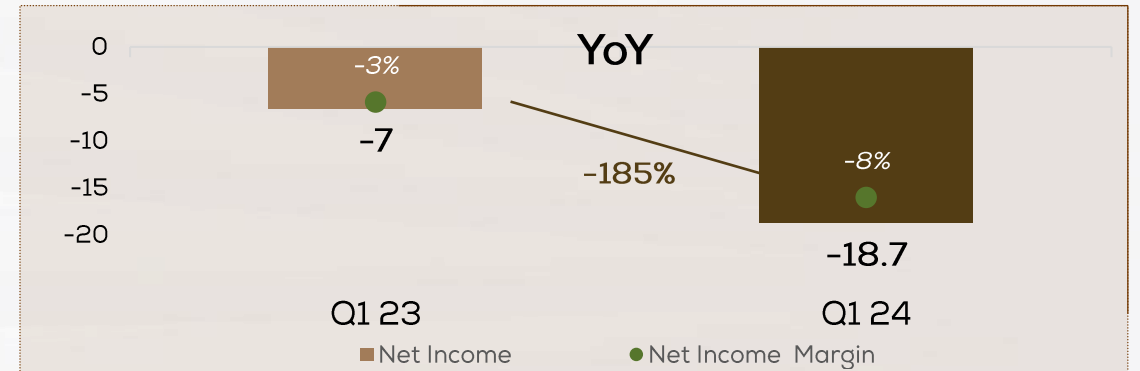
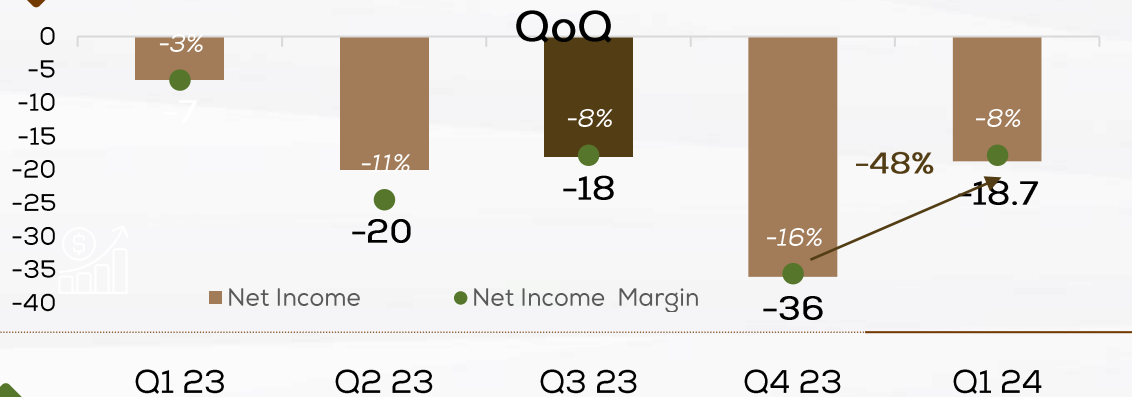
Key Financial Indicators



EBITDA and EBITDA margin, SAR M



Net Income and Net Income Margin SAR M, %



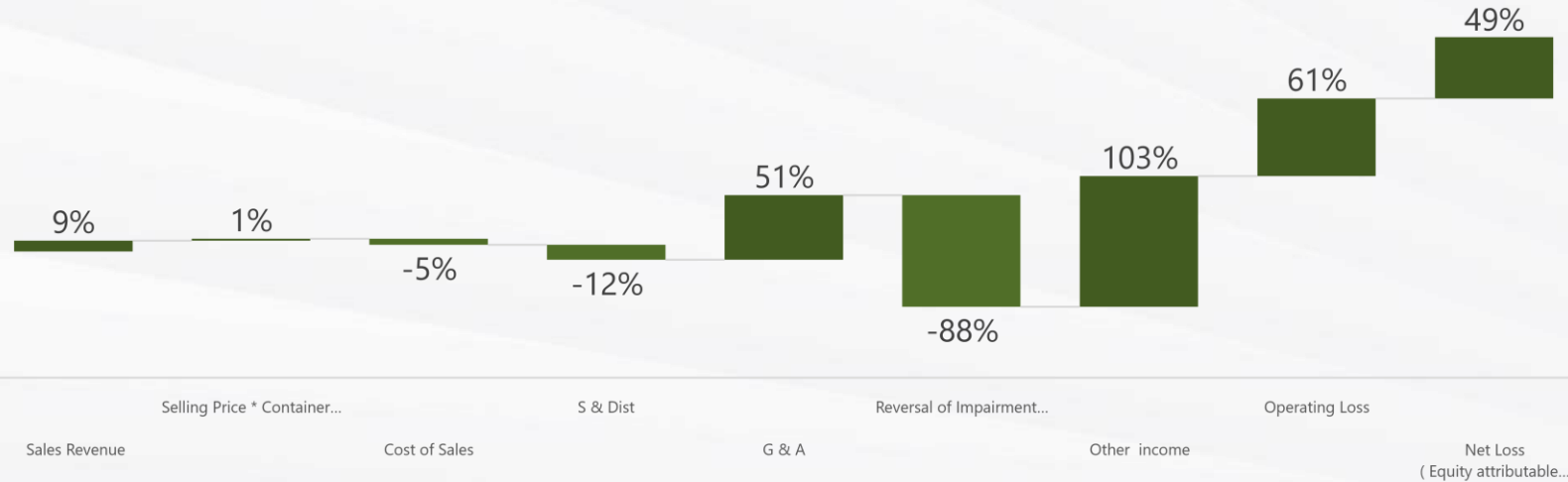
QoQ: EBITDA margin for the group improved from -1% in Q4 2023 to 6% in Q1 2024, while net losses margins dropped from -16% to -8% in Q1 2024. The improvement in EBITDA and net loss margin is attributed increase in sales prices, and operational costs optimization.

YOY: EBITDA and net loss declined compared to the same period last year by 42% and 185% respectively driven by lower prices compared to Q1 2023

Key Financial Indicators Q1 24 vs Q4 23 Consolidated

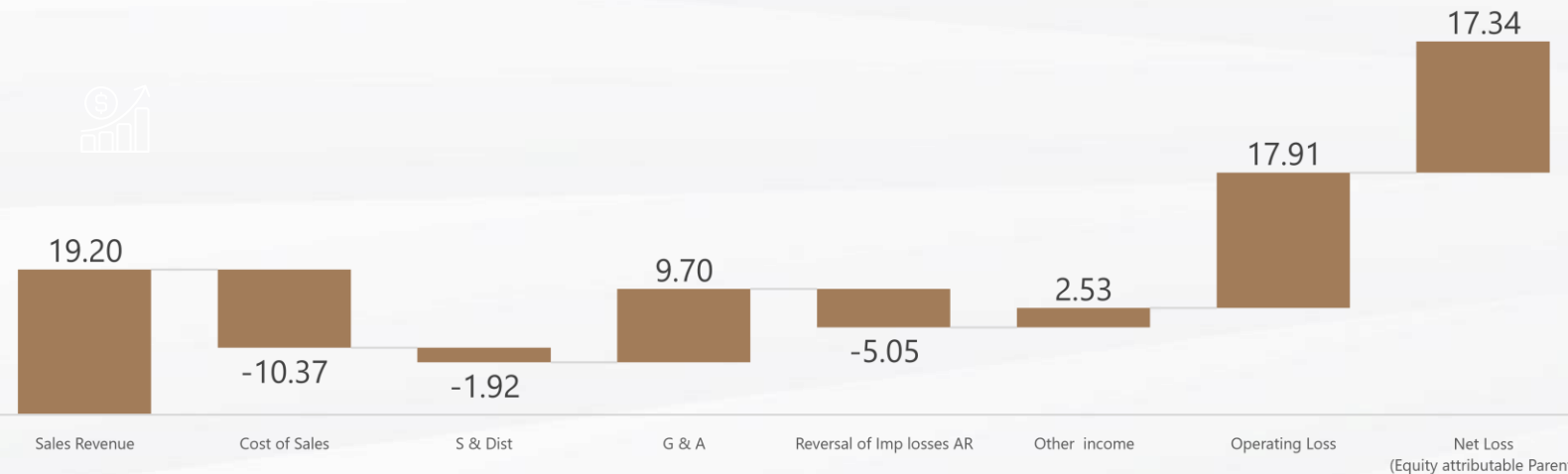


Net profit break down % SARM



Favorable

- Sales revenue increased by 9%, mainly due to an increase in quantity and increase in price
- Cost of sales have decreased mainly due to lower maintenance costs and decline in Fiber costs
- Selling & distribution costs decreased by SR 2 Mn due to lower shipping costs.
- Other income in Q1 2024 is due to profit on fixed deposits



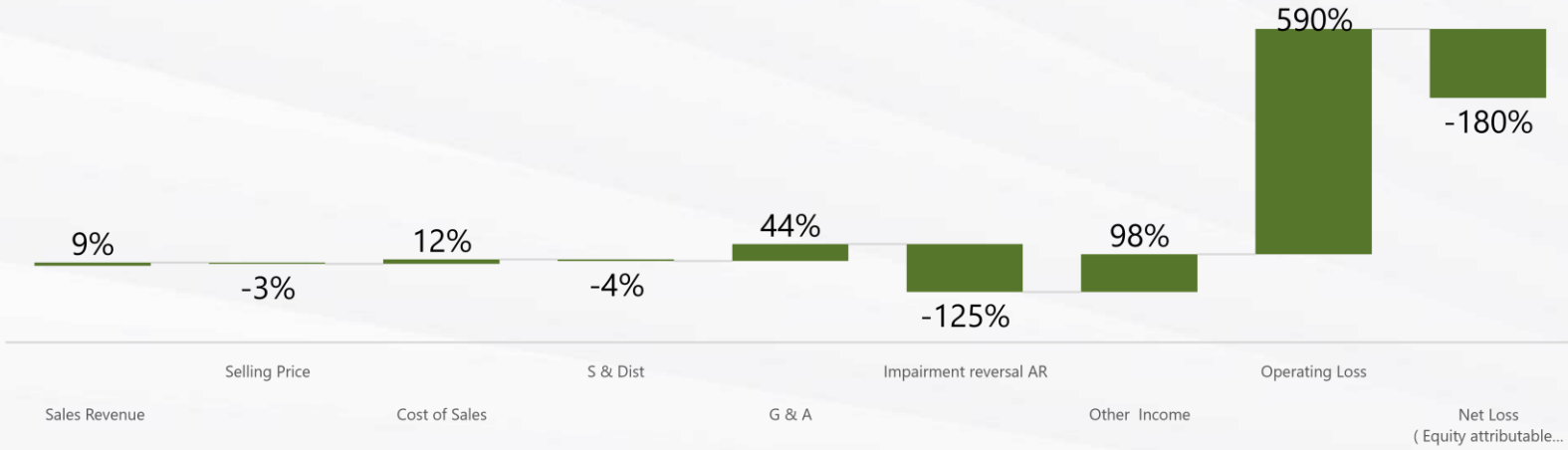
Un Favorable

- G&A expenses increased by SR 10 Mn, primarily due to a reversal of a penalty provision in the previous quarter. Excluding this effect, G&A expenses remained consistent with Q4 2023.
- Impairment of financial assets was SAR 0.7 million, compared to a SAR 5.8 million reversal in the previous quarter, due to Expected Credit Loss Model review

Key Financial Indicators Q1 2024 vs Q1 2023 Consolidated

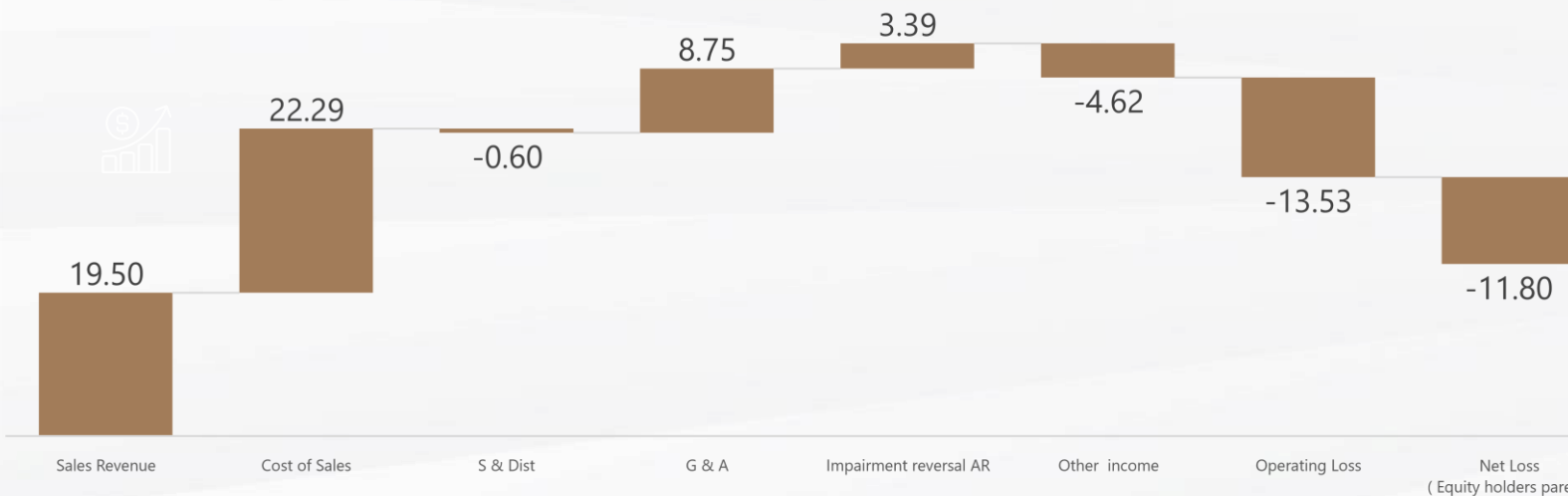


Net profit break down % SARM



Favorable

- Sales increased by SR 19 Mn compared to the same quarter last year, driven by an 8% increase in sales volume
- Selling and Distribution costs decreased by c. 1m



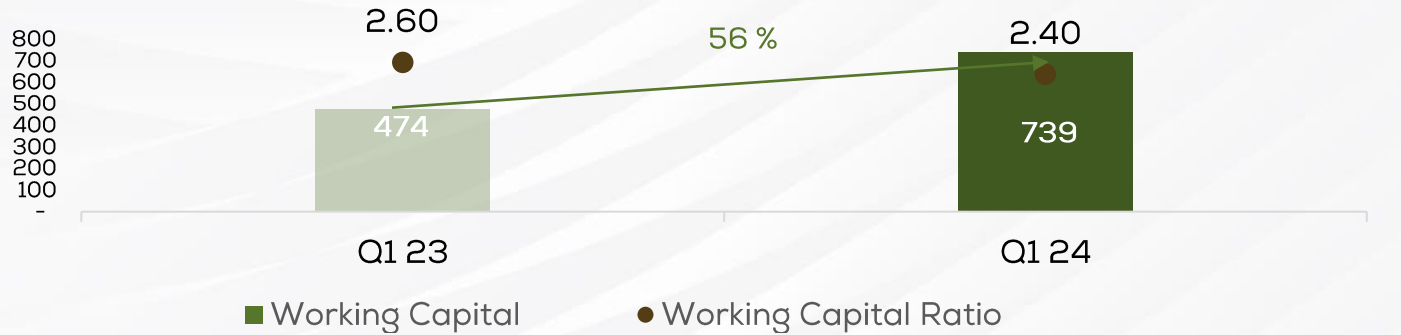
Un Favorable

- Reduced Gross Profit - Lower sales prices and increased cost of sales, mainly driven by Juthor operations, reduced the gross profit margin (from 16% to 13%)
- Increase in G&A is mainly due to increase in employee costs by SR 8Mn. Mainly due to following:
 - increase in Juthor by SR 2 Mn
 - SR 2 Mn relating to 2023 salary adjustments that were affected from Q2 2023.
 - SR 3.5 Mn allocated to production and selling & distribution costs in line with the relevant cost center of employee.
 - ESOP expense of SR 0.5 Mn
- MEPCO experienced a net loss increase of SR 12 Mn compared to the same period last year

Key Financial Indicators



Working Capital And Working Capital Ratio SAR M

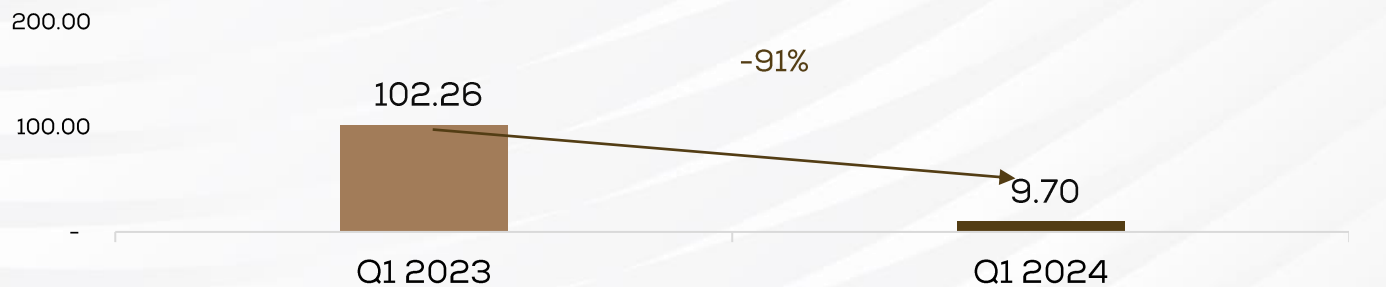


The 56% increase in working capital is driven by the increase in capital after the announced investment in the first quarter of 2024.

Additionally, growth in inventory levels and accounts receivable also contributed to the rise in working capital.



Cash Flow From Operations SAR M



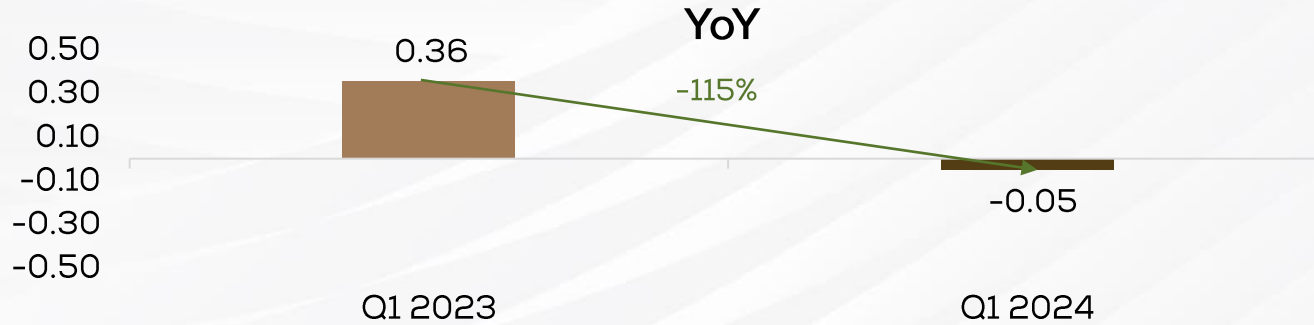
Cash from operations has decreased by 91% Growth Initiatives (Launch of Juthor)

- Increase in inventory
- Increase in trade receivables

Key Financial Indicators



Net Debt to Equity SAR M

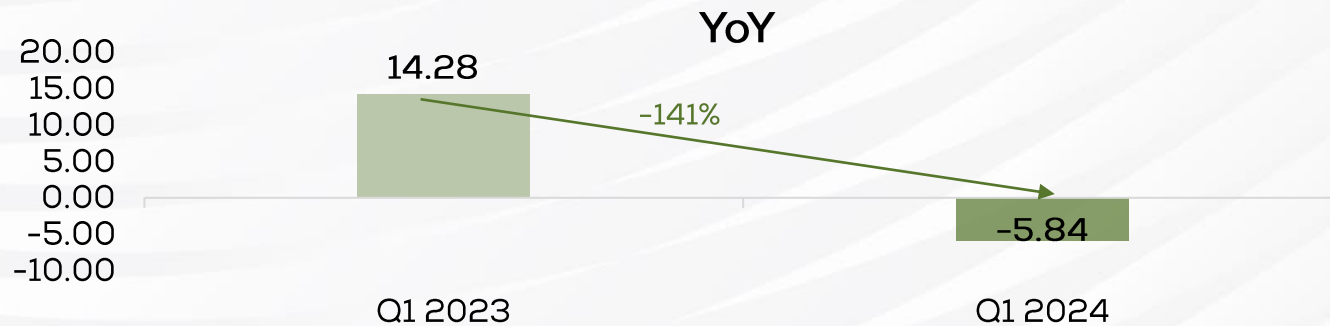


Decrease in D/E ratio is due to following:

- Decrease in long-term loans is due to Repayments of SR 27 Mn in MEPCO netted with the addition of
- SR 30Mn from SIDF for Juthor
- Additional Cash investment announced in Q1 2024
- Following the recent capital injection, the company's net debt position has shifted to a net cash position, as cash and cash equivalents now exceed outstanding debt



Net Debt to EBITDA



Improved net debt to EBITDA ratio is due to the following:

- Increased cash reserves
- Reduced long-term debt

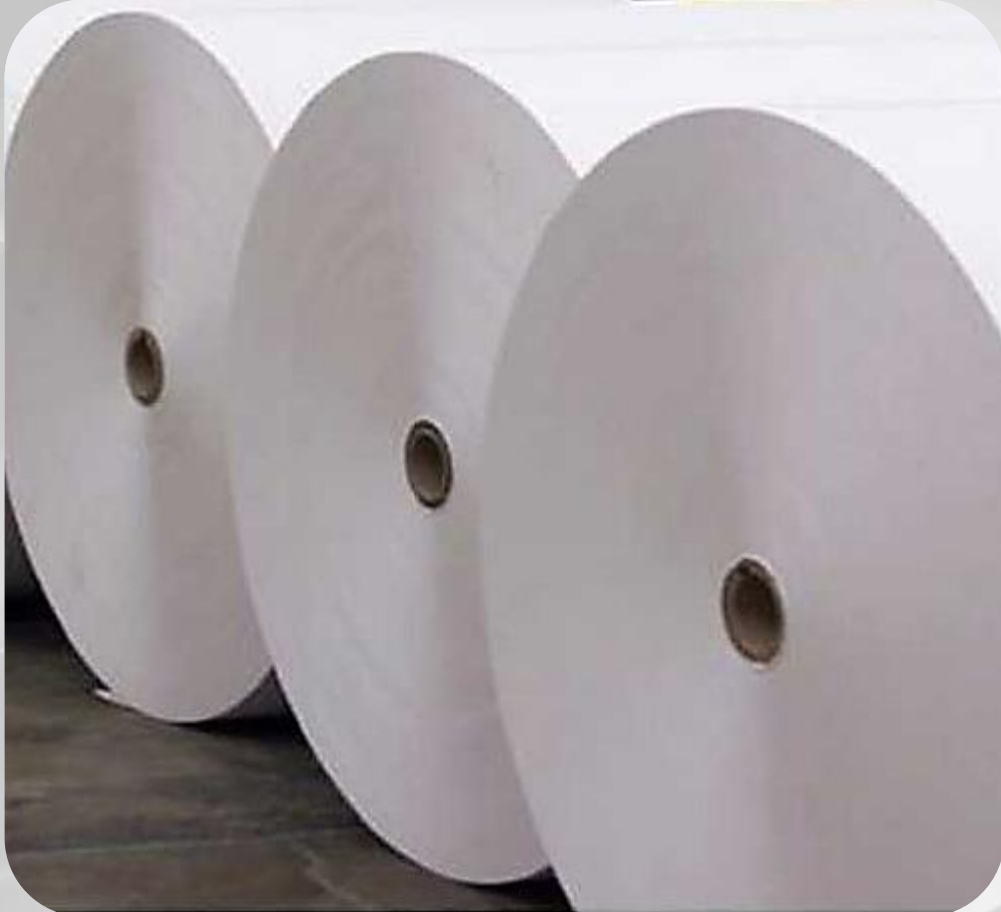
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Management Outlook

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Mid Term Outlook



- **Containerboard Market Dynamics:** The global containerboard market is experiencing a gradual recovery in both demand and pricing.
- **Juthor Facility Performance:** The Juthor facility has ramped up production, exceeding 80% of its total capacity, demonstrating successful market integration.
- **Diversification of Revenue Streams:** MEPCO continues to expand its product portfolio and is actively working to develop sales channels for recycled materials in addition to tissue paper products and recycled paper products.
- **Strategic Growth Initiatives:** MEPCO remains committed to its expansion strategy, which includes the establishment of a fifth production line to increase cardboard production capacity. MEPCO has partnered with J.M. Voith SE & Co. KG to manufacture, install, and equip the factory with the latest technologies, with this line expected to launch in 2027.



Middle East Paper Company
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