



Earnings Release

H1 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



ROB JAN RENDERS

ACTING GROUP PRESIDENT

- 30+ years in the paper and packaging industry
- Served as President of SCA Packaging (previously headed SCA Packaging's containerboard operations)
- Held leadership positions at Duropack (Austria) and Otor (France).
- Served as a consultant to major PE firms like Carlyle, Blackstone, One Equity Partners Europe, and 3i Netherlands.
- Currently serves as independent director of South African wood fiber group Sappi



AMR MASRY

EVP of Finance

- 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

EVP of Commercial

- 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

VP of 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



H1 2024 Key
Performance
Indicators

01



Macro Economic
review

02



Industry & Market
Containerboard
review

03



Industry & Market
Tissue review

04



Exports and Local
Sales

05



Financial Review

06



Management
Outlook

07

01

H1 2024

Key Performance Indicators

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H1 2024 Performance



SALES REVENUES SAR 498.5 M

+ 21 % YoY



GROSS PROFIT SAR 86.7 M

+ 49 % YoY



EBITDA SAR 49.7 M

+ 31 % YoY



NET LOSS TO PARENT SAR (15.2) M

- 49 % YoY



COST OF SALES SAR 411.7 M

+16 % YoY



GROSS PROFIT MARGIN 17 %

+ 334 bps YoY



EBITDA MARGIN 10 %

+ 80 bps YoY



NET INCOME MARGIN - 3 %

+ 417 bps YoY

MEPCO Utilization Rate 92%

Juthor Utilization Rate 80%

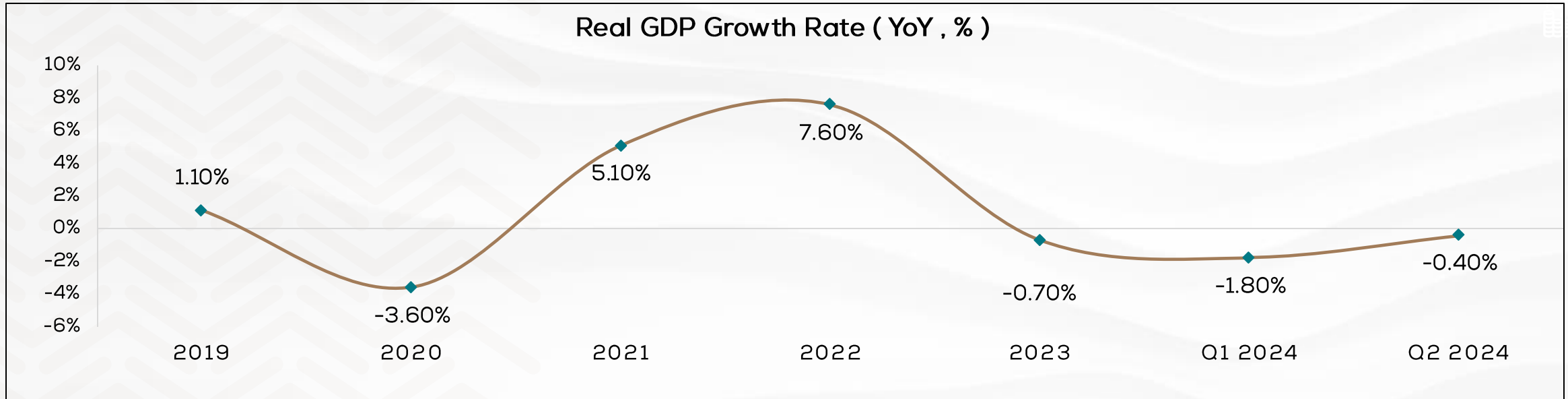
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Macro Economic Review

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Economic Review - Local

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



According to the General Authority for Statistics, real Gross Domestic Product (GDP) decreased by 0.4% in Q2/2024 compared to Q2/2023. This decrease was primarily driven by a 8.5% decline in oil activities. While non-oil activities increased by 4.4%, and government activities grew by 3.6 % on an annual basis.

According to the World Bank “Following the contraction witnessed in 2023, real GDP is expected to grow by 2.5 percent in 2024, driven primarily by robust non-oil private activities”

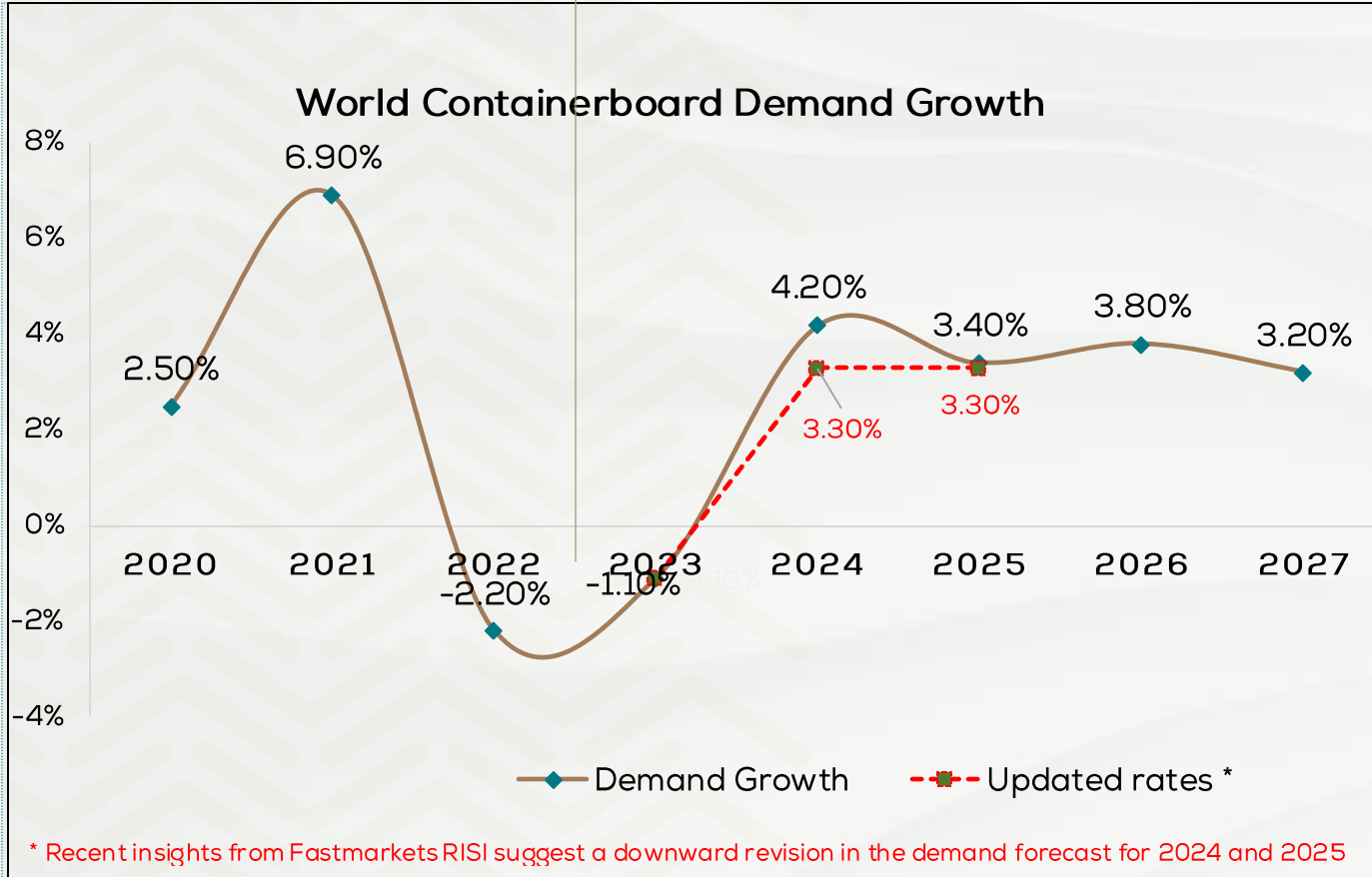
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Industry & Market Containerboard Review

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Industry & Market Review For Containerboard

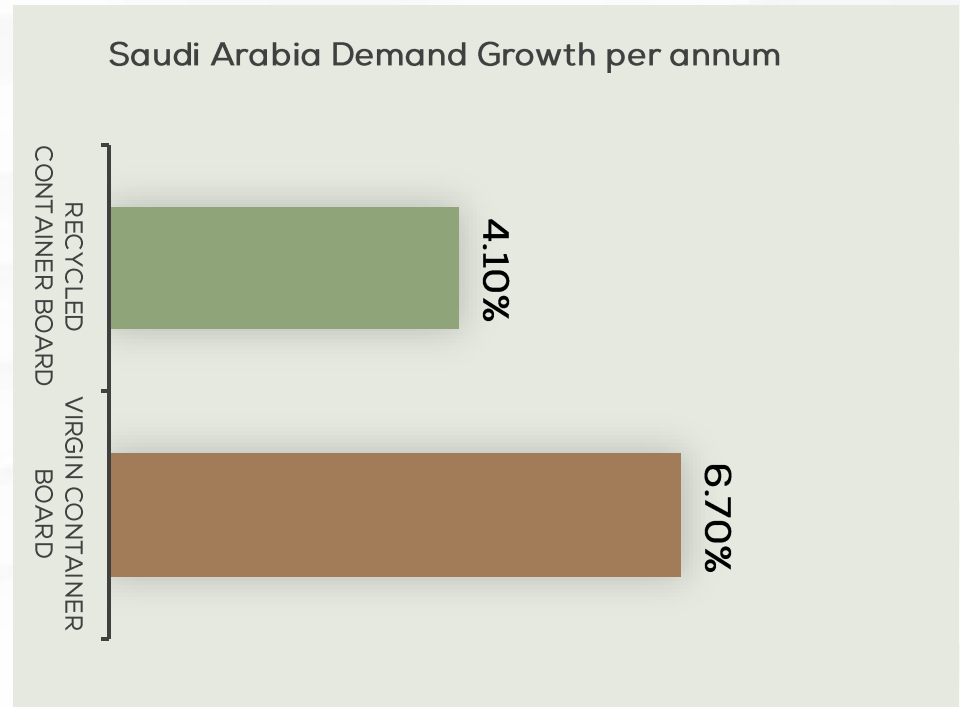
Economic Growth and Containerboard Demand: A Saudi Arabian Perspective



2024 Containerboard GDP Estimates:

- Global: USD 123,024 billion
- MENA: USD 5,406 billion
- Saudi Arabia: USD 1,786 billion

MEPCO 's current Market Share 30 % in KSA



International Prices For Containerboard

Paper prices have fluctuated significantly over the past two years, with a general trend of decline followed by recovery. *, USD/ton



Growing e-commerce sector and increasing focus on sustainable packaging are some of the reasons for an increase in demand for containerboard:

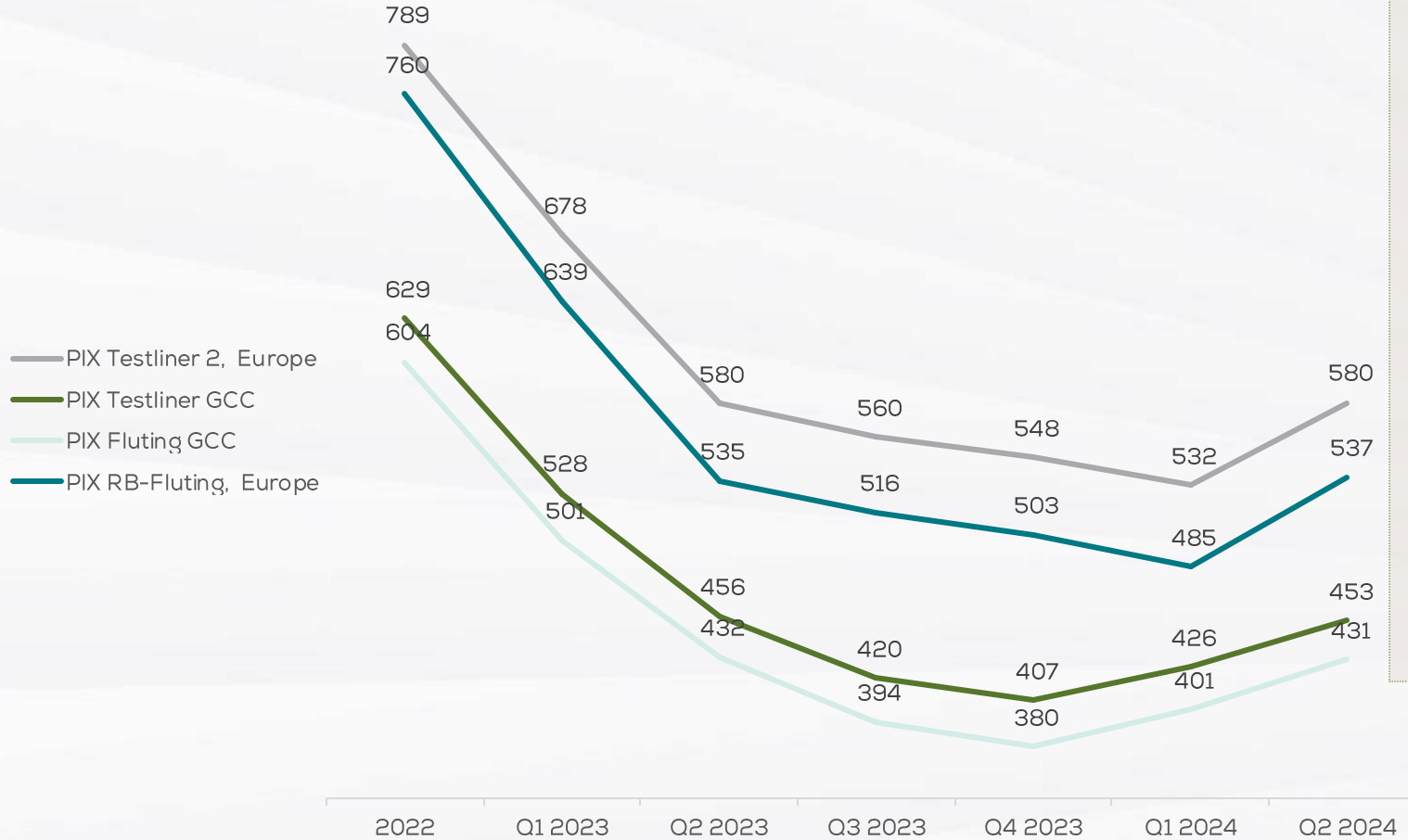
- **End of 2023:** The price index for OCC exports to India continued its upward trajectory, reaching 190 USD/t.
- **Q1 2024:** Prices increased to reach 204 USD/t.
- **Q2 2024:** The upward trend persisted, with prices continuing to climb by roughly 25-50 USD/t.

Higher stability in OCC in Europe



Rebounding Paper Prices in Europe and GCC

Navigating a Dynamic Market: 2022 - Q2 2024



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

Test liner & Fluting presented in Q2 2024 c.66 % of the total sales volume.

- **End of 2023:** PIX Testliner GCC and PIX Fluting GCC prices were at a relatively low, averaging around 525 USD/t and 390 USD/t respectively.
- **Q1 2024:** Prices rebounded significantly, for Fluting increasing c. 20 USD/t, however testliner declined also by c. 20 USD/t
- **Q2 2024:** The upward trend persisted, with prices continuing to climb by roughly 30-50 USD/t.





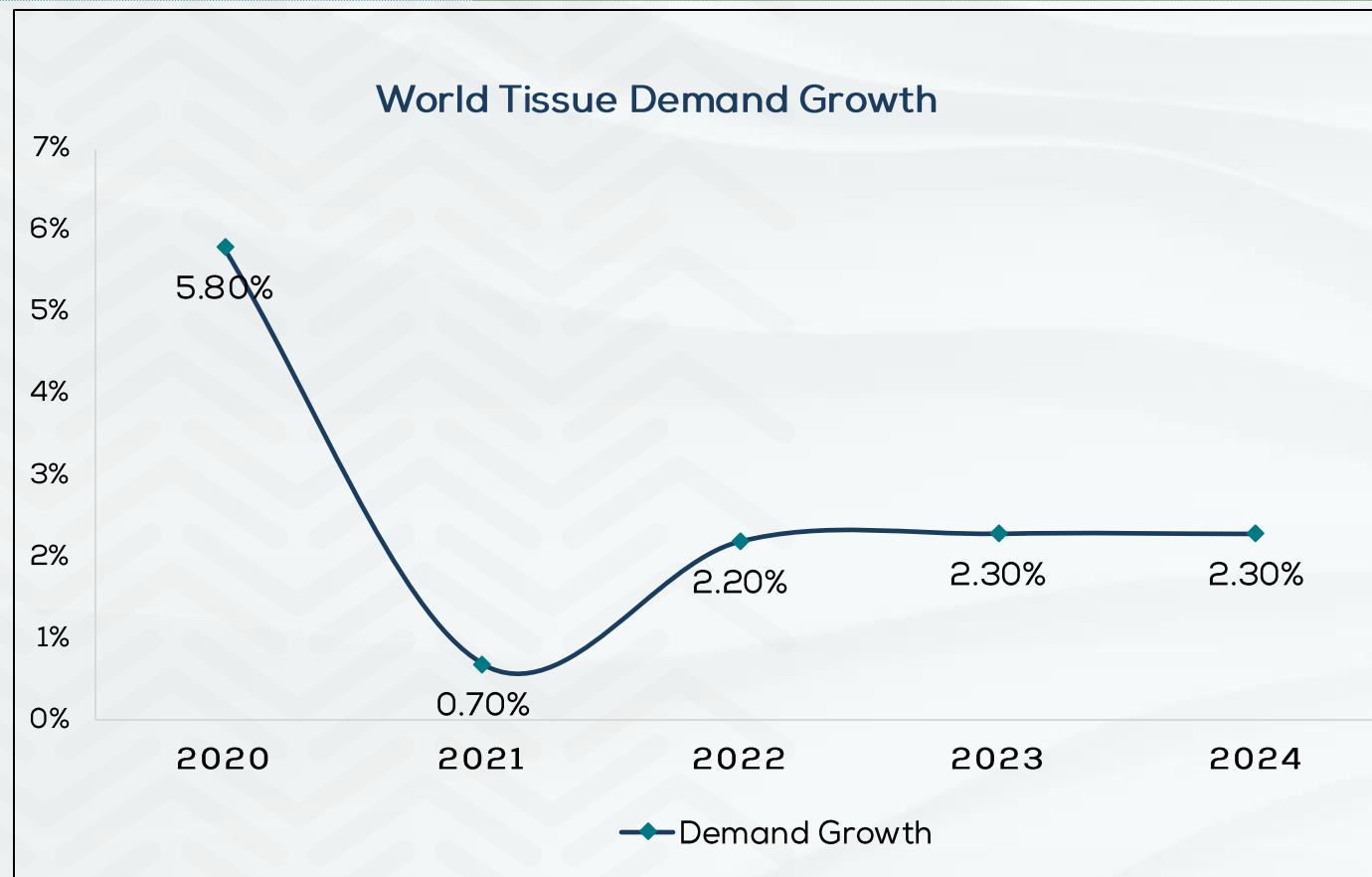
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Industry & Market Tissue review

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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 : 2.3%
- 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 into 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

Bleached Hardwood Kraft and Northern Bleached Softwood Kraft: A Price Comparison (2022-Q2 2024) USD/ton



JUTHOR's product pricing is directly linked to the cost of imported virgin pulp, specifically bleached hardwood kraft pulp (BHKP) and northern bleached softwood kraft pulp (NBSKP).

The graph suggests a complex and dynamic market for virgin pulp. While both BHKP and NBSKP faced significant price declines, the recovery trend indicates a potential return to a more balanced market.

Increase of an average of (300-400 USD/t) or 32% since the beginning of the year

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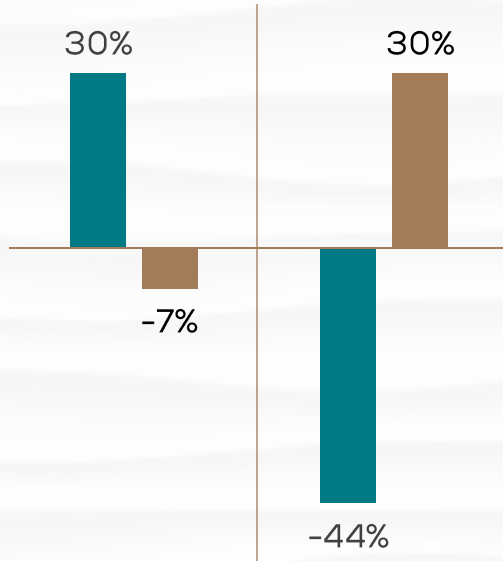
Exports & Local Sales Review

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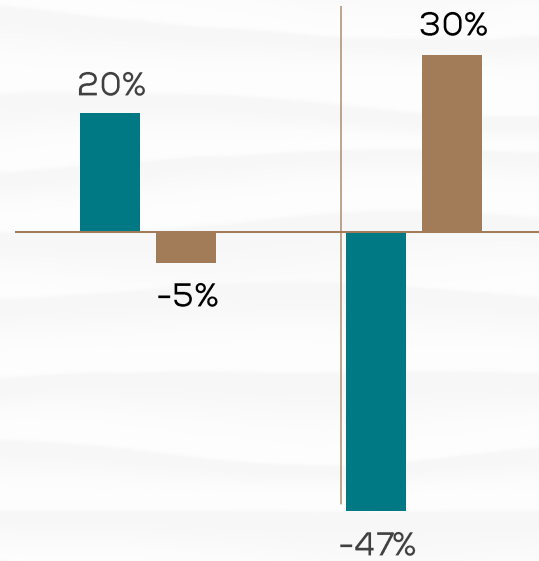
Exports and Local Sales

Numbers beginning Q1 2024 onwards include Containerboard, tissue and Sale of other recyclables

Sales Volume Growth change



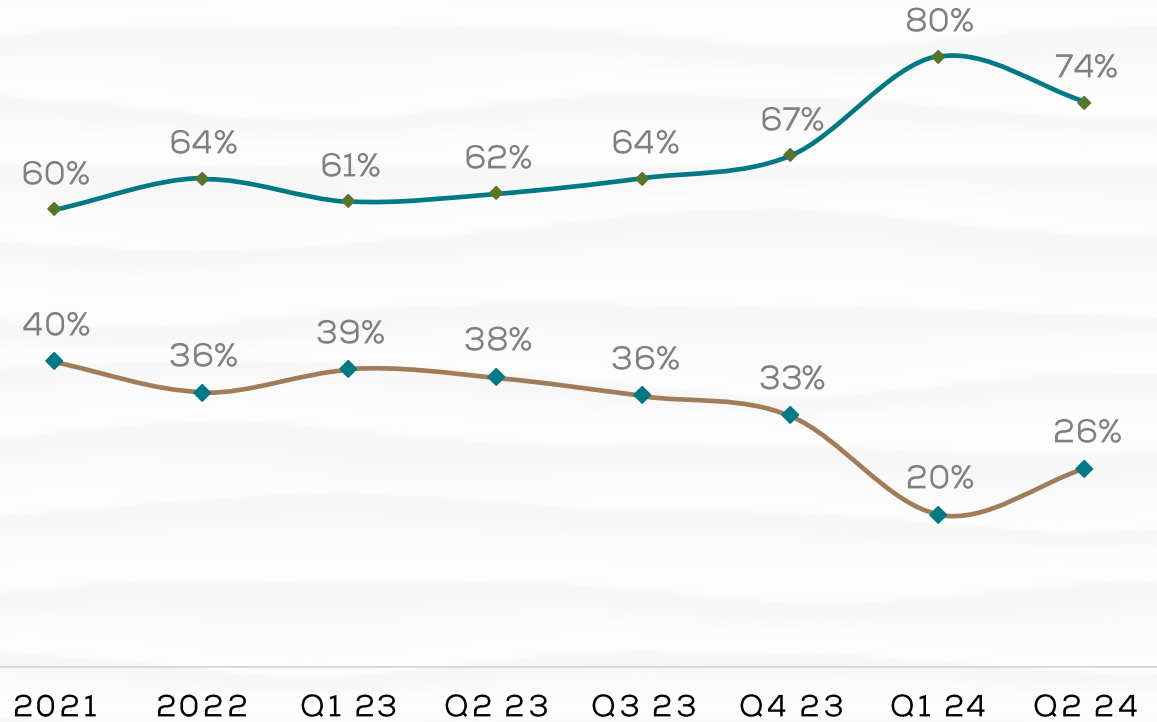
Sales Value Growth change



QoQ YoY
 ■ Export Sales Volume
 ■ Local Sales Volume

QoQ YoY
 ■ Export Sales Value
 ■ Local Sales Value

Sales distribution in Value



◆ Export Sales ◆ Local Sales

The increase in export sales as a percentage of revenue is due to an overall decrease in sales, not an increase in export activity. YoY we reduced export due to rising shipping costs stemming from the Red Sea shipping crisis.

06

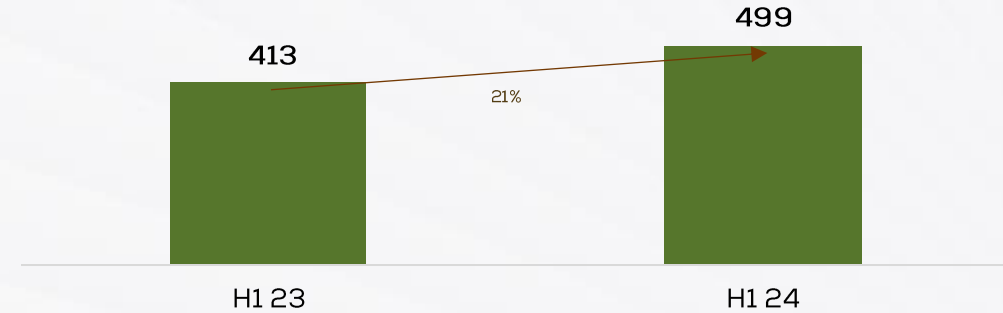
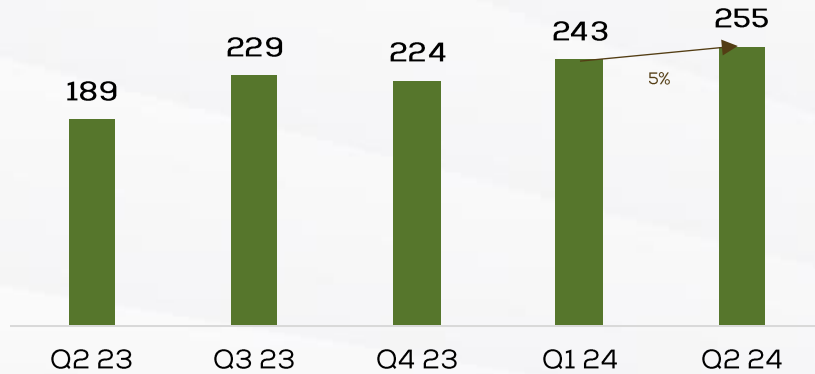
Financial Review

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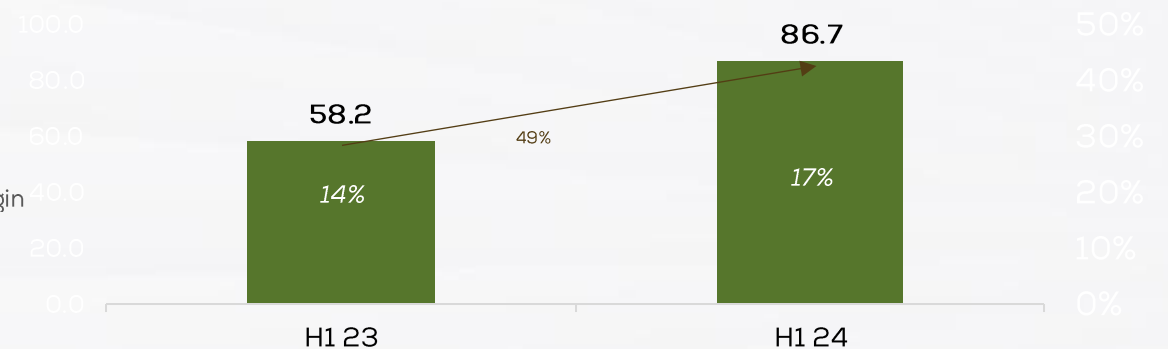
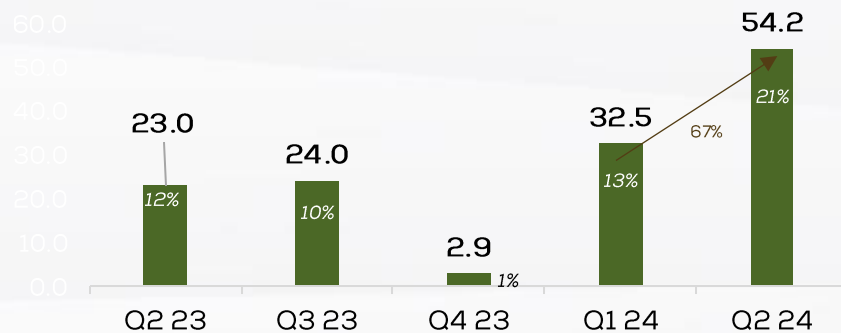


Key Financial Indicators – QoQ and YoY

Sales Revenue (SARm)



Gross Profit & Profit Margin (SARm)



QoQ: Sales Revenue increase of 5% due to:

- Increase in price by 14%
- Decrease in quantity of 8%

YoY: Sales increased 21% since last year, due to 13% increase in sales qty & 6% hike in selling prices.

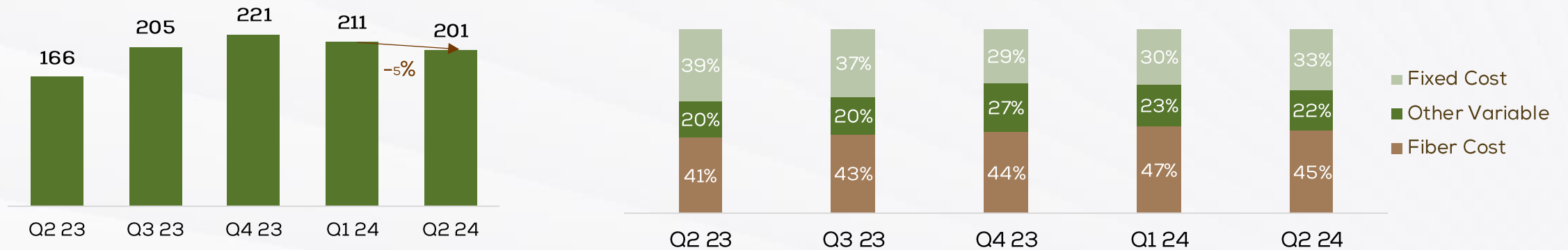
QoQ: Increase in GP by 67% due to:

- Operational efficiencies from switching from Diesel to Natural Gas in Juthor
- Decrease in Fiber cost
- Decrease in production overhead cost

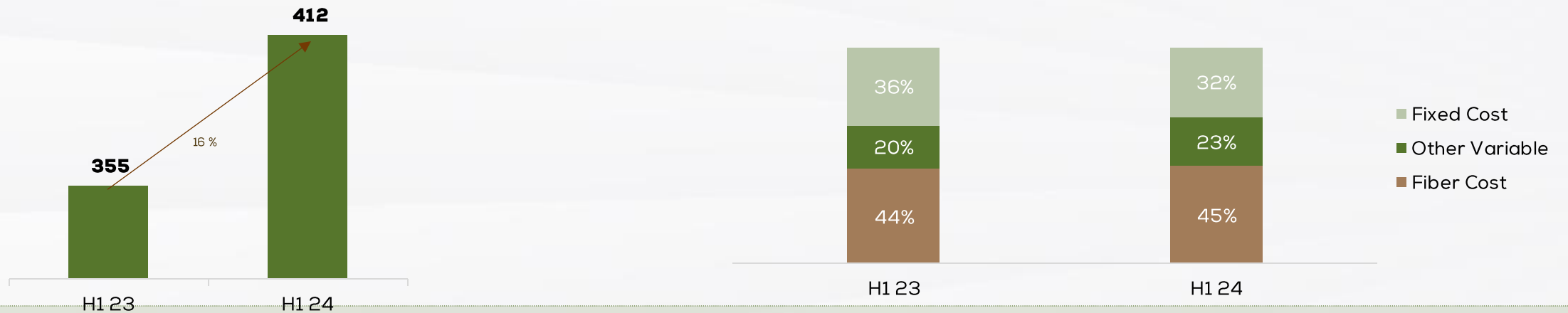
YoY: Increase in GP by 49% due to higher sales volume and higher margins in tissue

Key Financial Indicators – QoQ and YoY

Cost of Sales & Cost of Sales Breakdown (SARm) – QoQ



Cost of Sales & Cost of Sales Breakdown (SARm) – YoY



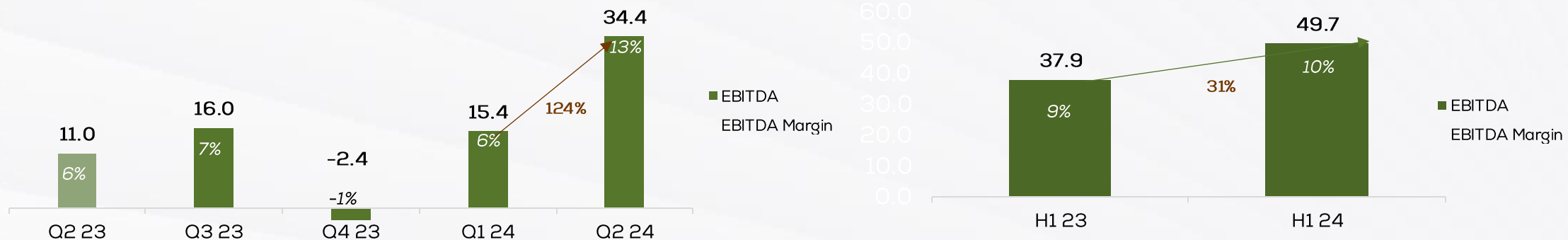
QoQ: Decrease of 5% due to operational efficiencies in utility costs in Juthor.

This switch decreased energy cost per ton by c. 65%

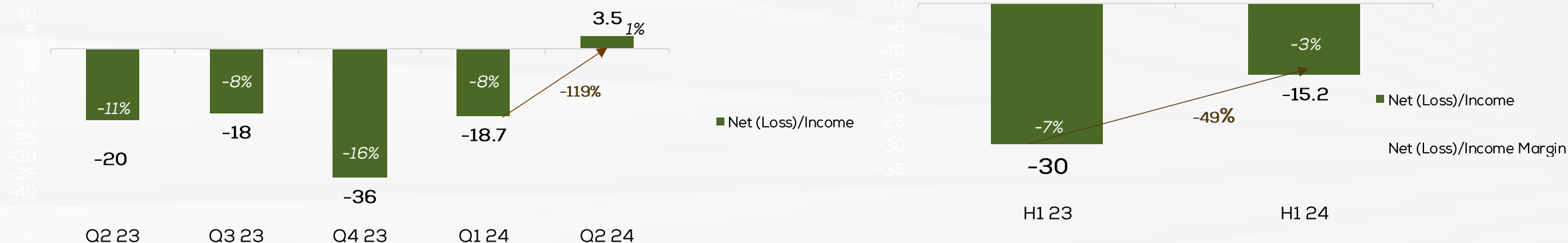
YoY: Cost of sales increased due to higher sales volume due to launch of Juthor operations

Key Financial Indicators – QoQ and YoY

EBITDA and EBITDA margin, SAR M



Net (Loss)/Income and Net (Loss)/Income Margin SAR M



QoQ: EBITDA margin for the group improved from 6% in Q1 2024 to 13% in Q2. The improvement in EBITDA and net loss margin is attributed increase in sales of tissues, other recyclables and cost optimization initiatives.

YOY: EBITDA and EBITDA margins increased by 31%

QoQ: After 5 consecutive quarters, we closed the quarter net positive of SAR 3.5m, an increase of SAR 22m from last quarter.

YOY: Net loss decreased by 49% driven by additional sales and cost optimization initiatives

Key Financial Indicators Q2 24 vs Q1 24 Consolidated

Net Profit Breakdown %



Net Profit Breakdown SAR M



Favorable

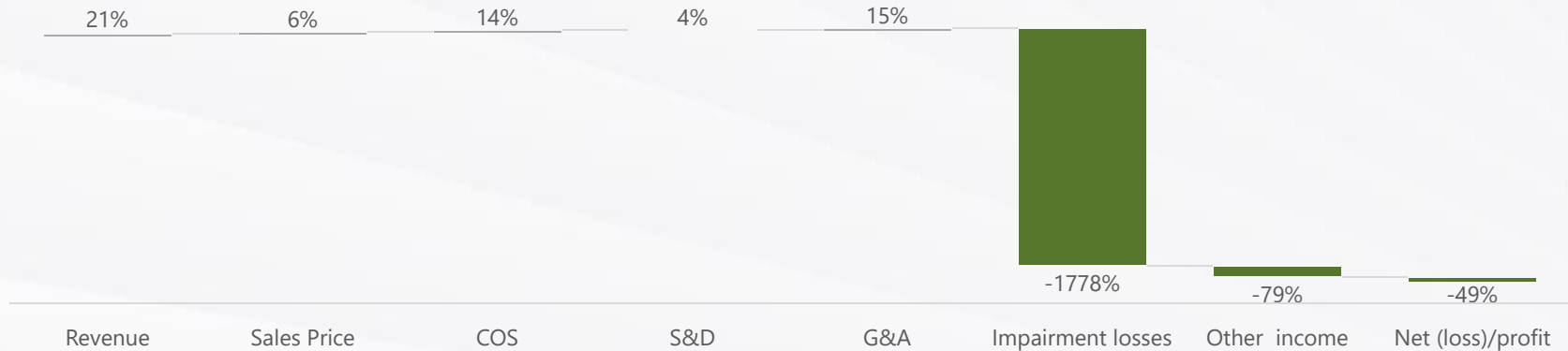
- Sales Revenue increase of 5% due to
 - Increase in prices of 14%
 - Decrease in quantity of 8%
- Cost of Sales decreased by 5% due to switching from diesel to natural gas in Juthor.
- Reversal of impairment of -583% due to ECL model
- Other income increase of 1896% due to profit on fixed deposits
- Net loss decreased by 119%, closing the quarter profitable

Un Favorable

- Selling and Distribution expenses increased by 10%

Key Financial Indicators H1 2024 vs H1 2023 Consolidated

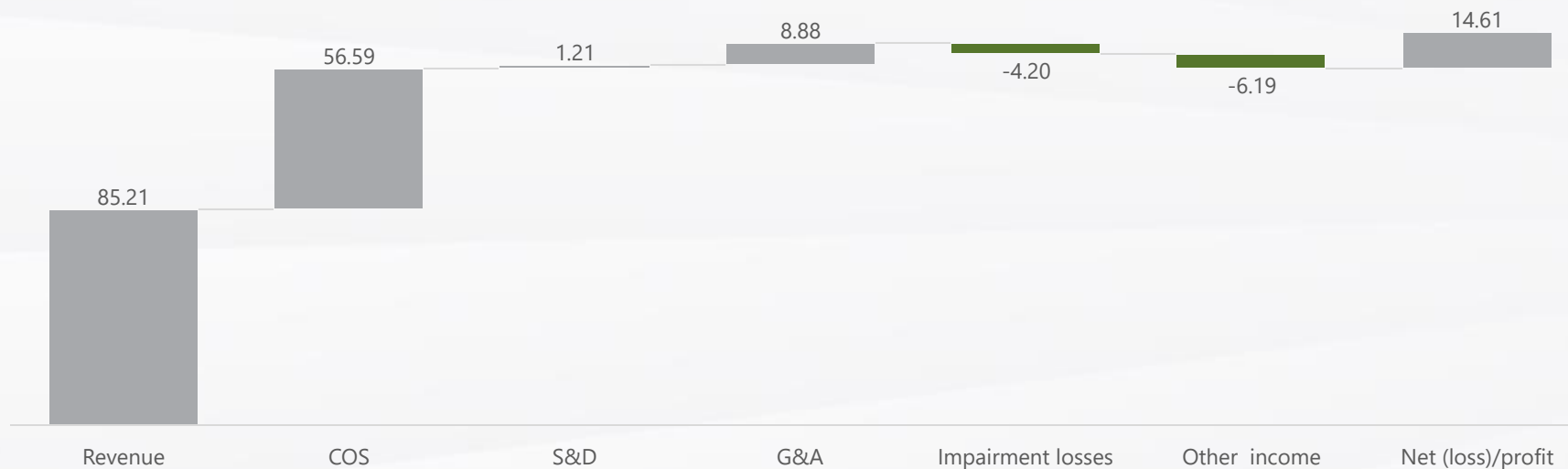
Net Profit Breakdown %



Favorable

- Sales increased 21% since last year, due to 13% increase in sales qty & 6% hike in selling prices.
- Operating Loss decreased by 70%
- Net loss decreased by 49%

Net Profit Breakdown SAR M

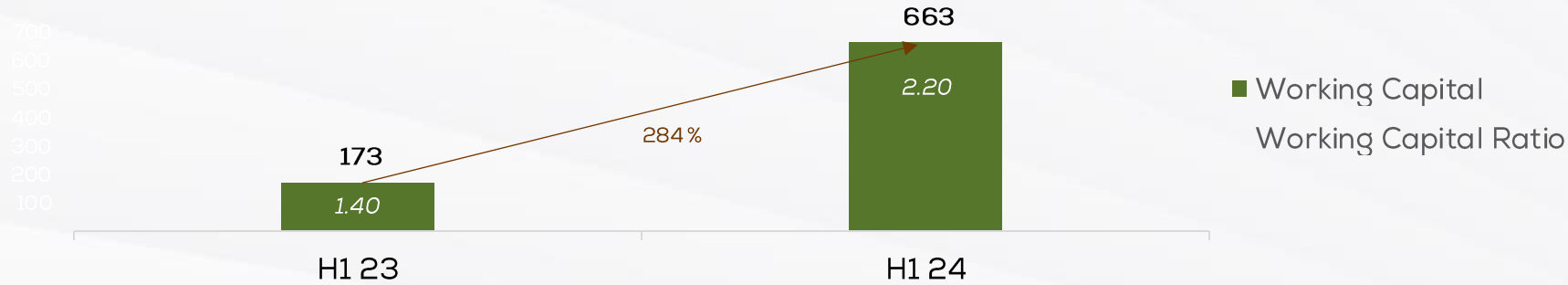


Un Favorable

- Costs of sales increased by 14% due to increase in sales volume & increase in utilities in Juthor & fiber costs.
- Selling & Distribution expenses increased by 4% due to red sea shipping crisis and increase in prices
- G&A expenses increased by 15% due to an increase in employee costs and admin related expenses for Juthor
- Impairment of -4.2m due to increase in receivables
- Other income decreased by 79%.

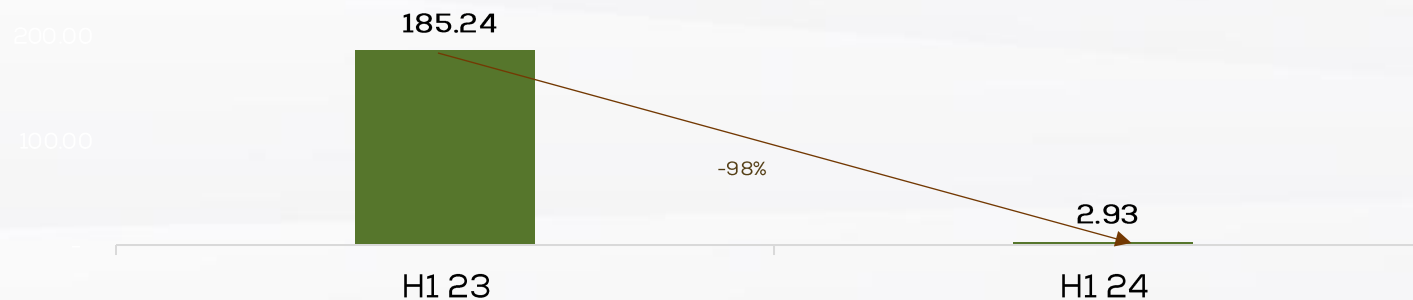
Key Financial Indicators

Working Capital And Working Capital Ratio SAR M



The 284% increase in working capital is due the proceeds of cash (SAR 576m) from PIF investment in Q1 24

Cash Flow From Operations SAR M



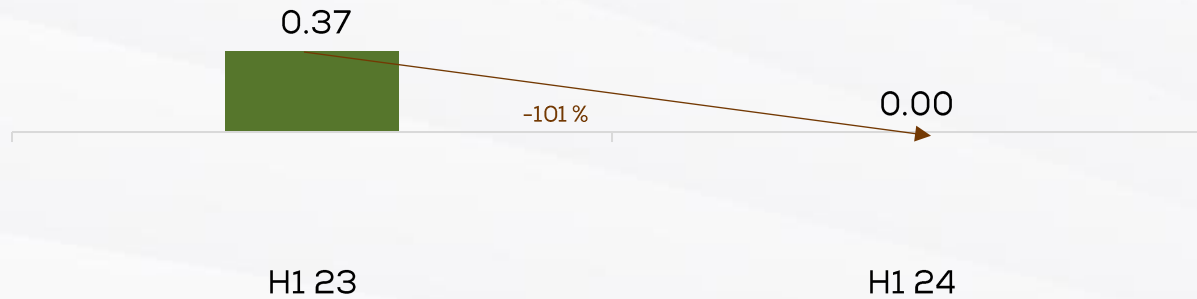
Cash from operations has decreased by 98%
Due to negative working capital changes

- Increase in Account Receivables
- Increase in Inventory
- Increase in Payables

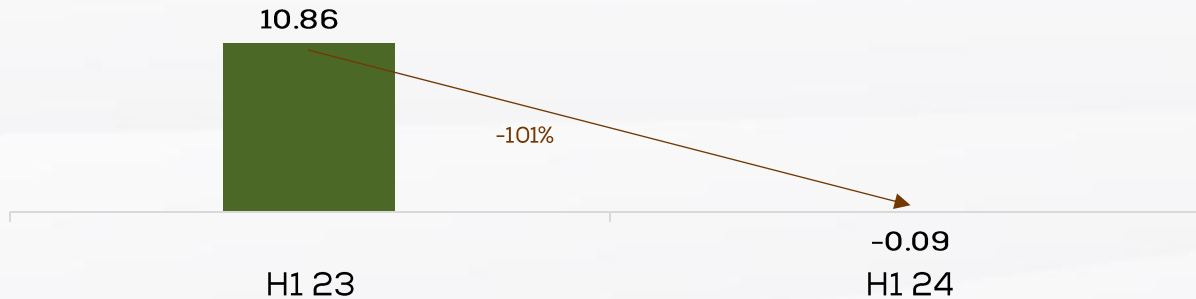
This resulted in lower operating cash flows despite the improved profitability.

Key Financial Indicators

Net Debt to Equity SAR M



Net Debt to EBITDA



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

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

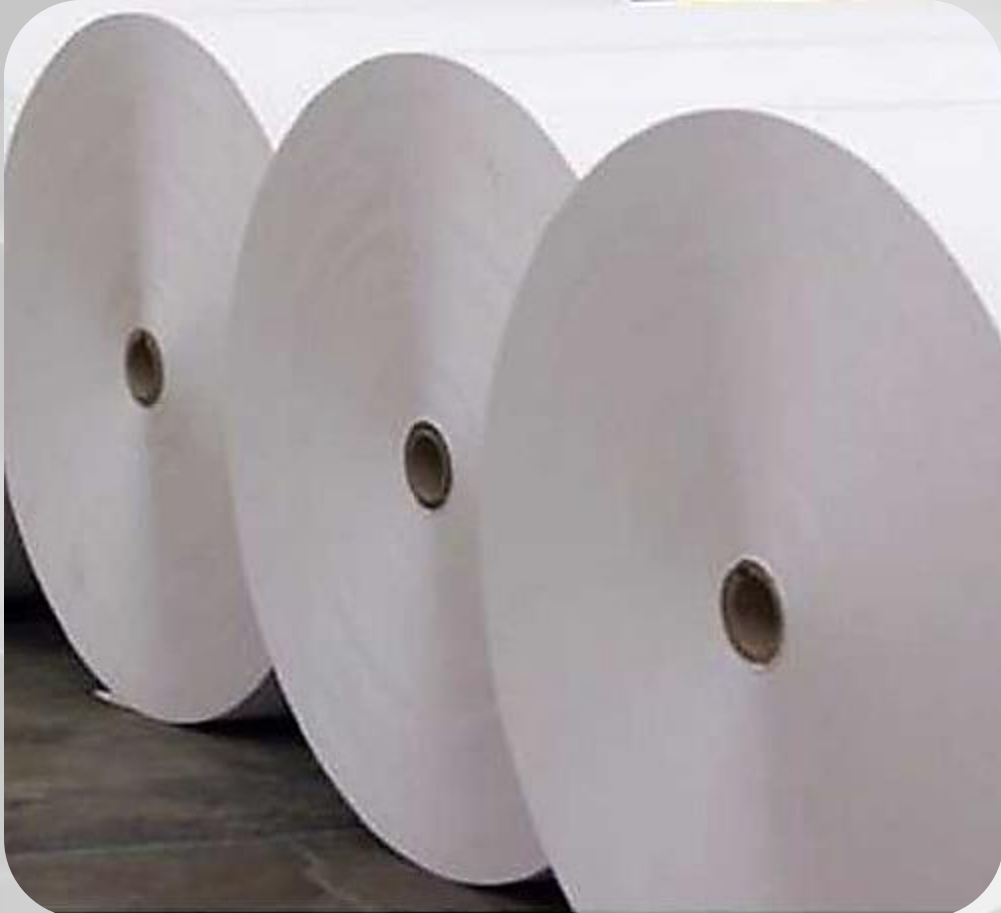
- Increased cash reserves
- Reduced long-term debt

07

Management Outlook

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- Strengthening vertical integration: MEPCO is pursuing the acquisition of a corrugator to further enhance its vertical integration strategy.
- Reach 100% production capacity for Juthor: Ramp up Juthor's utilization rate to 100% to maximize output and efficiency.
- Expand Wasco Sales to others: Grow sales of recyclable materials to external customers
- Secure materials for the latest containerboard machine announced: MEPCO is securing the necessary material sourcing to support the launch and operation of its latest containerboard machine.
- Diversify Product Portfolio: Refine the product mix to cater to a wider range of customer needs and market segments.



Middle East Paper Company
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