



# Earnings Release FY 2023

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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



FY 2023 Key  
Performance  
Indicators

**01**



Macro Economic  
review

**02**



Industry & Market  
Container board  
review

**03**



Industry & Market  
Tissue review

**04**



Exports and Local  
Sales Container  
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**05**



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Outlook

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# 01

**FY 2023**

**Key Performance Indicators**

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# FY 2023 Performance



SALES REVENUES SAR 867 M

**- 27 % YoY**



GROSS PROFIT SAR 85 M

**- 83 % YoY**



EBITDA SAR 52 M

**- 87 % YoY**



NET LOSS TO PARENT SAR (80) M

**- 130 % YoY**



COST OF SALES SAR 782 M

**+ 14 % YoY**



GROSS PROFIT MARGIN 10 %

**- 3255 bps YoY**



EBITDA MARGIN 6 %

**- 2810 bps YoY**



NET INCOME MARGIN - 9 %

**- 3198 bps YoY**

\* Consolidated financial statement for FY 2023



# 02

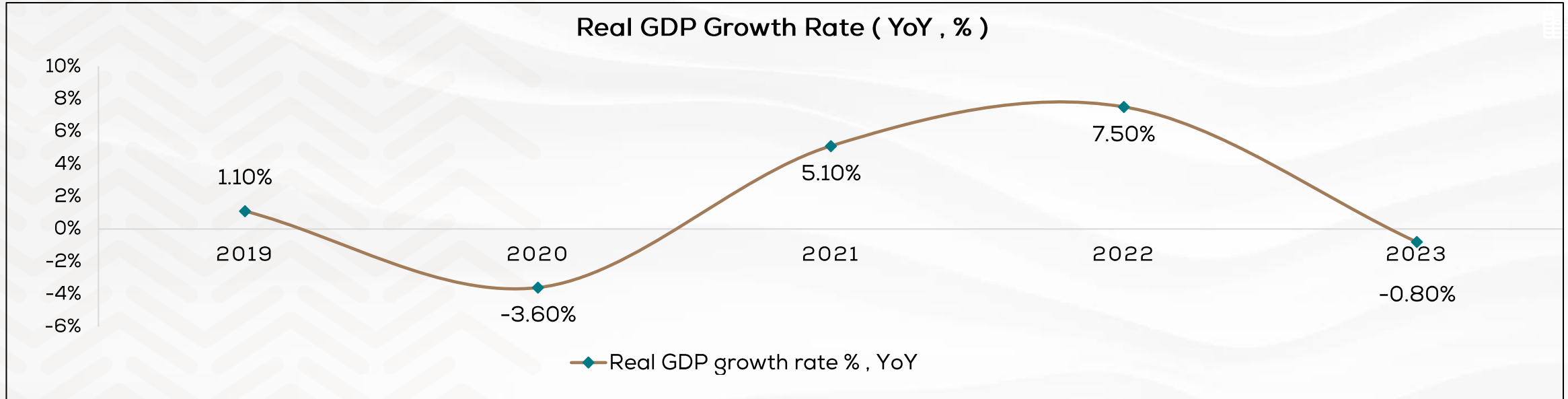
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## Macro Economic Review

[www.mepco.biz](http://www.mepco.biz)

# Economic Review

Saudi Arabia Economy is still growing in the nonoil activities



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

According to estimates by the General Authority for Statistics, real GDP decreased by 0.8% during the year 2023 compared to the previous year 2022, as oil activities decreased by 9.0%, while non-oil activities achieved a growth of 4.4%, and government activities achieved an increase of 2.1%.

According to the world bank estimates the world economy is projected to grow by 2.4% in 2024 , while emerging markets excluding China , growth in emerging market and developing economies is decelerated from 3.1% in 2022 to 2.9 % in 2023.



# 03

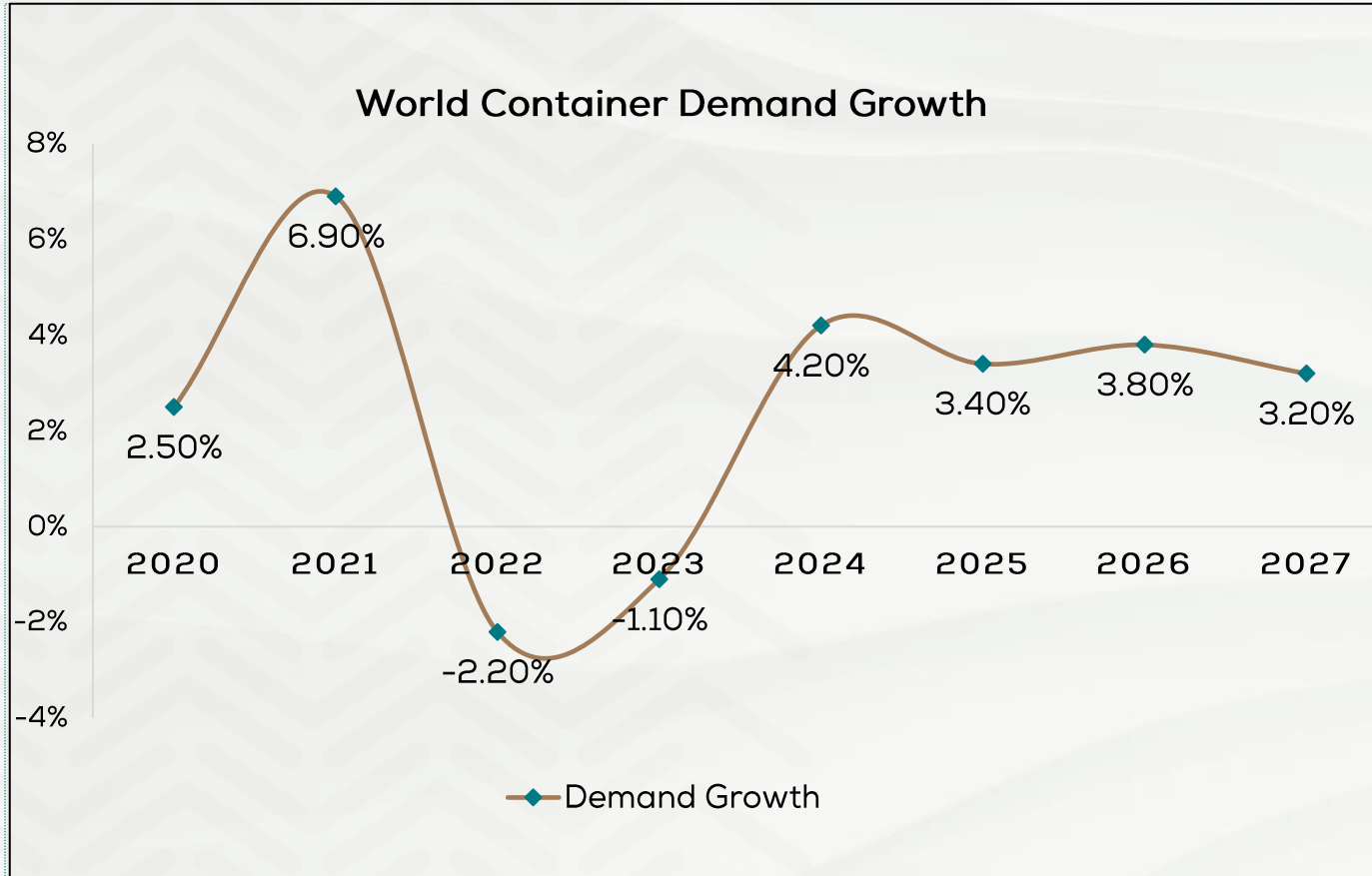
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## Industry & Market Containerboard Review

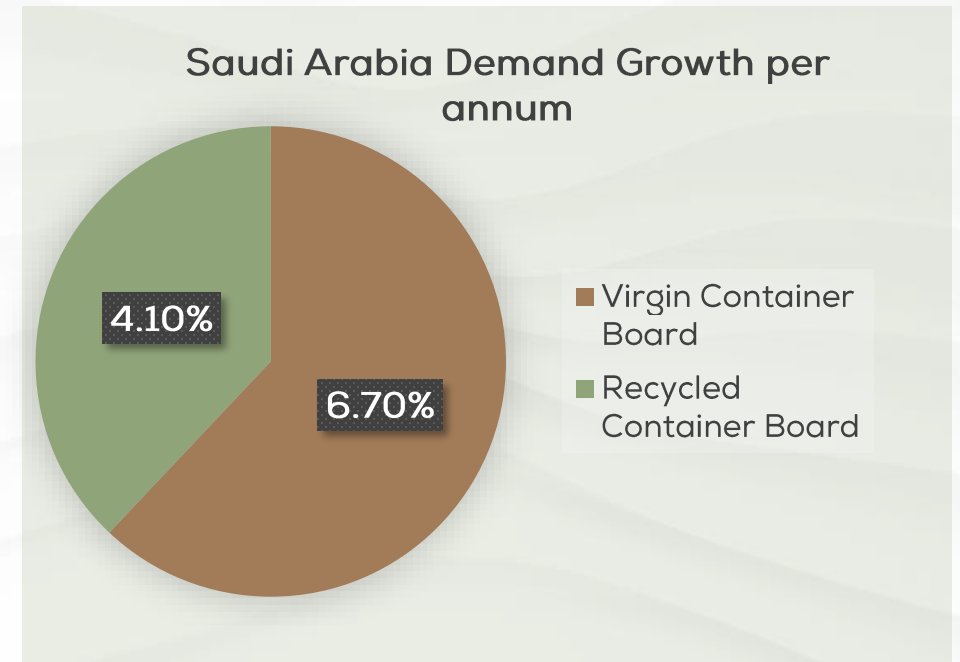
[www.mepco.biz](http://www.mepco.biz)

# Industry & Market Review For Containerboard

Saudi Arabia Demand for Container Board backed by healthy economy



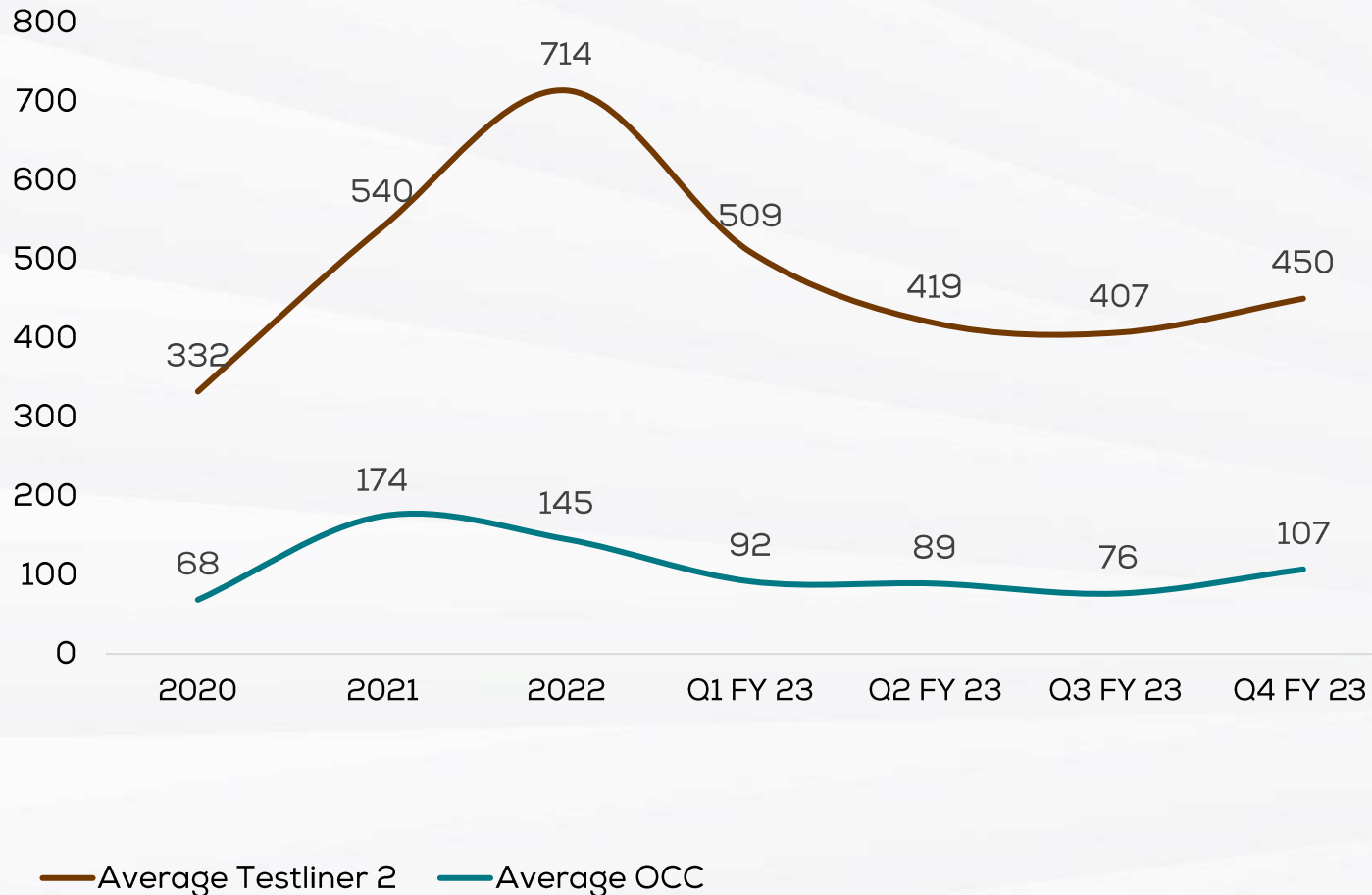
- Global Container board is c. 188 million tonnes
- MENA is c. 3.4 million tonnes
- Saudi Arabia is c. 1.2 million tonnes



**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.

### Expected price movement :

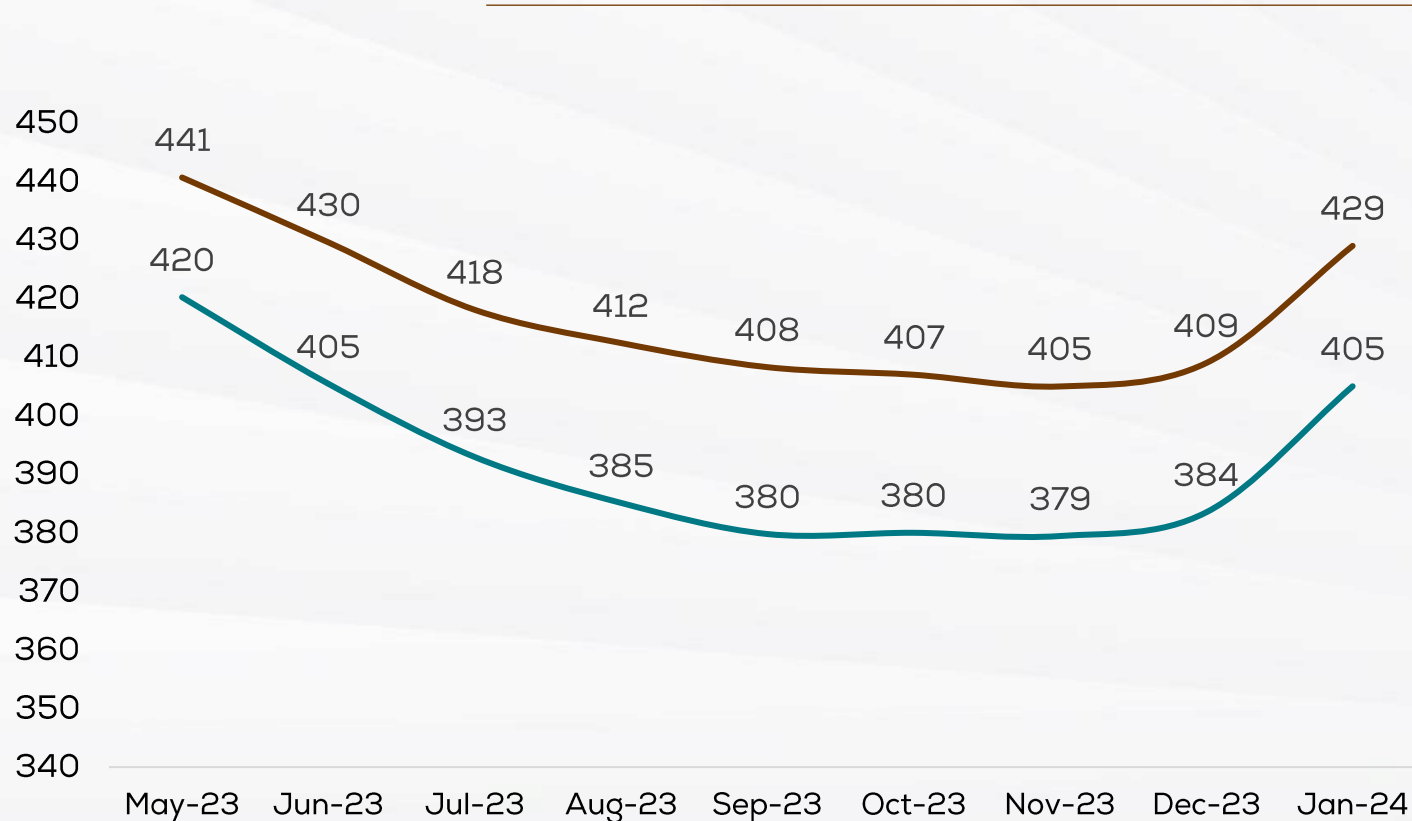

QoQ test liner 2 increased by 10% while OCC by 40%. Yet prices are taking a stabilized movement .

\*To benchmark for relevant OCC prices to the GCC, average shipping cost is \$40 , transportation & Clearance is \$ 25 to be added .



# 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 FY 2023 c.66 % of the total sales volume.

### Expected price movement :

Testliner & Fluting Prices in GCC declined QoQ c.1 % but as the global prices are witnessing stability , the GCC as well is witnessing stability in prices. Resultantly, prices moved up by 5% in Jan 2024.

— PIX Testliner GCC — PIX Fluting GCC



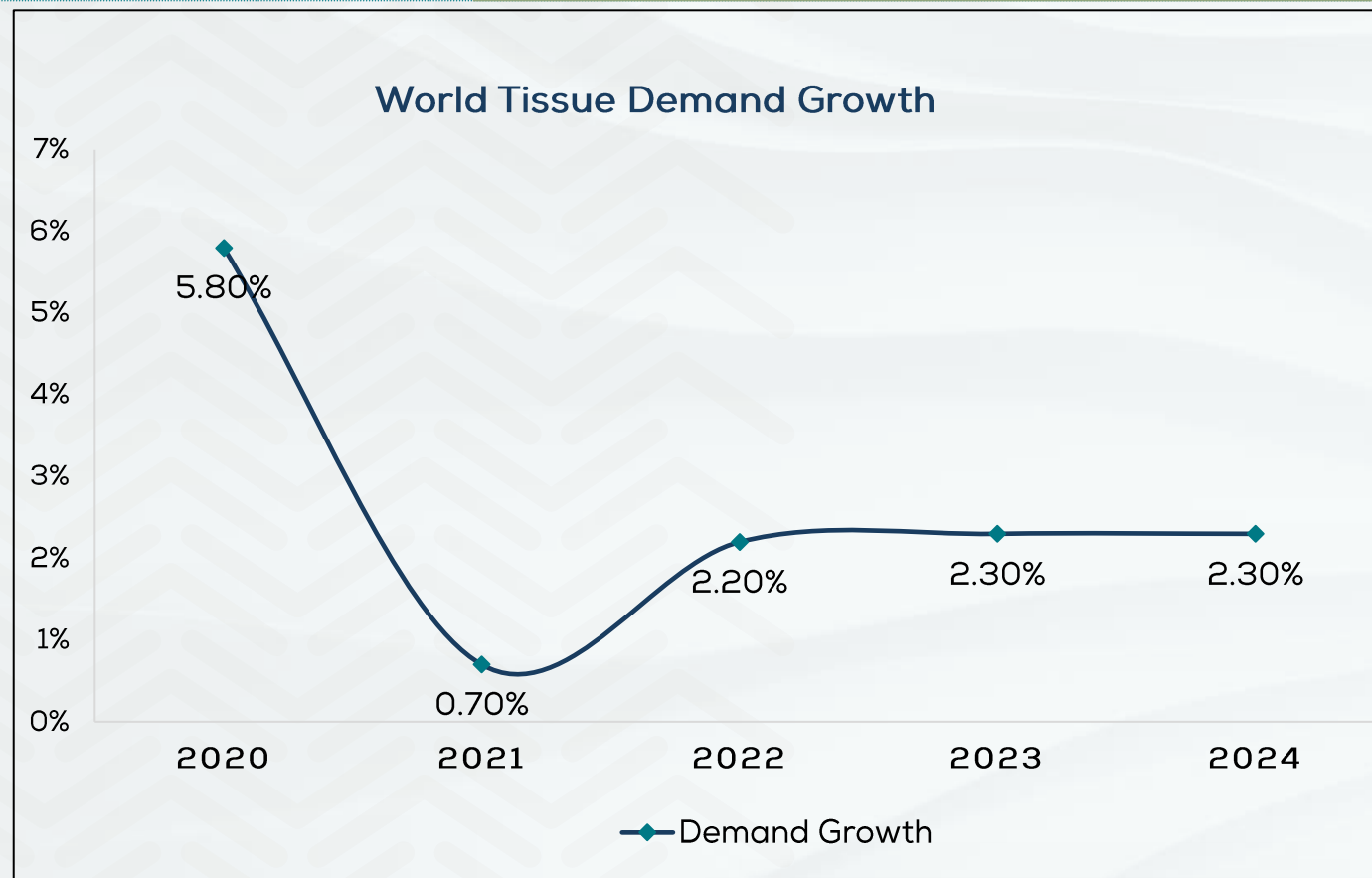
# 04

## 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 into the market.
- Expected Gross profit in 2024 c. 23%-25%

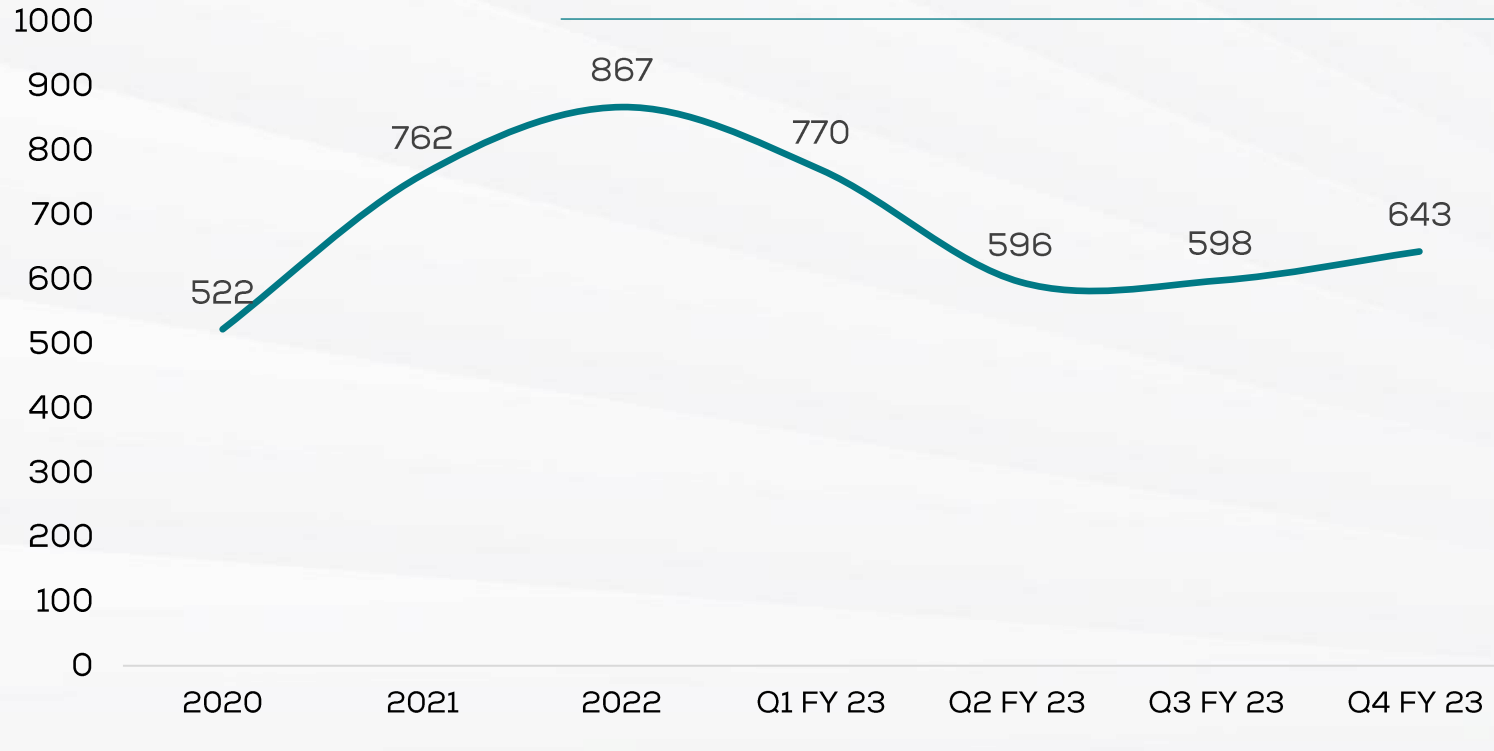


**JUTHOR 's Targeted Market Share c.24 % in KSA**

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

# International Prices For Tissue Paper

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



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## Exports & Local Sales Review

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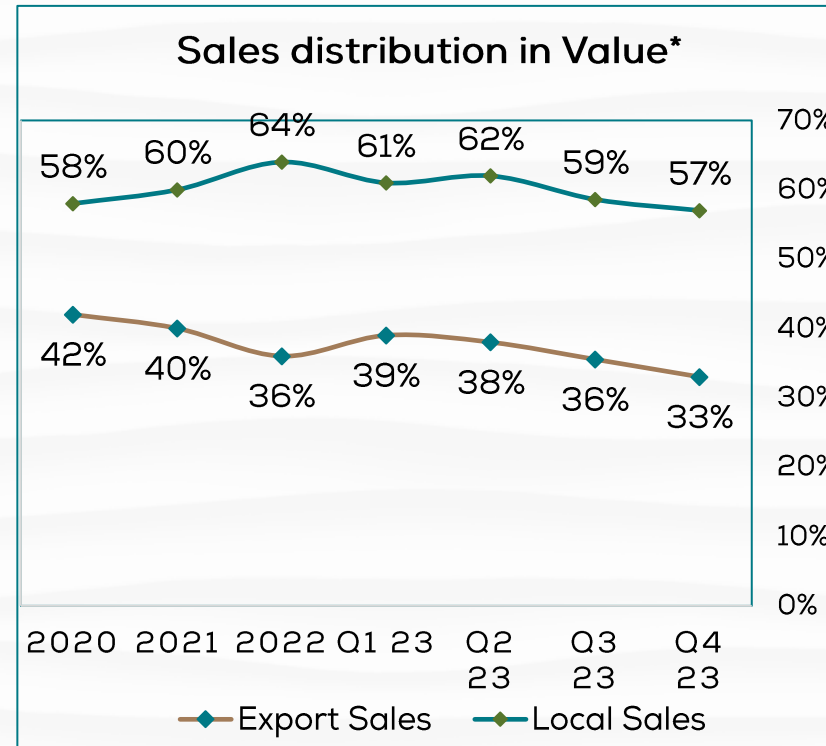
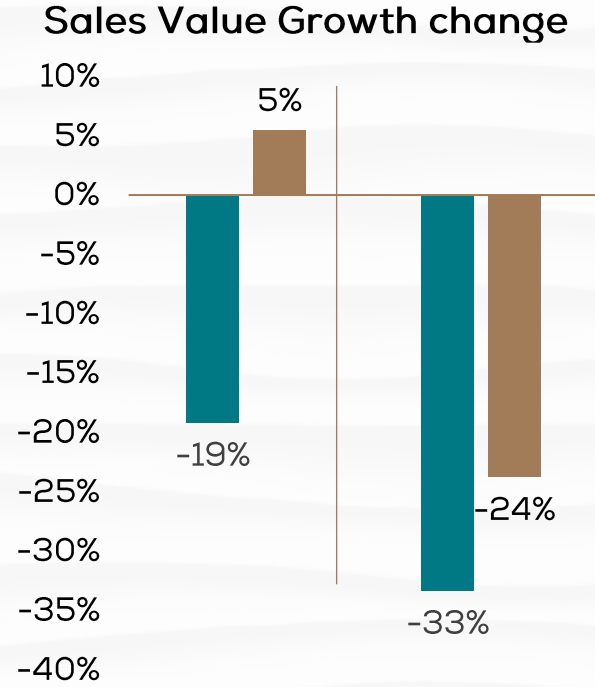
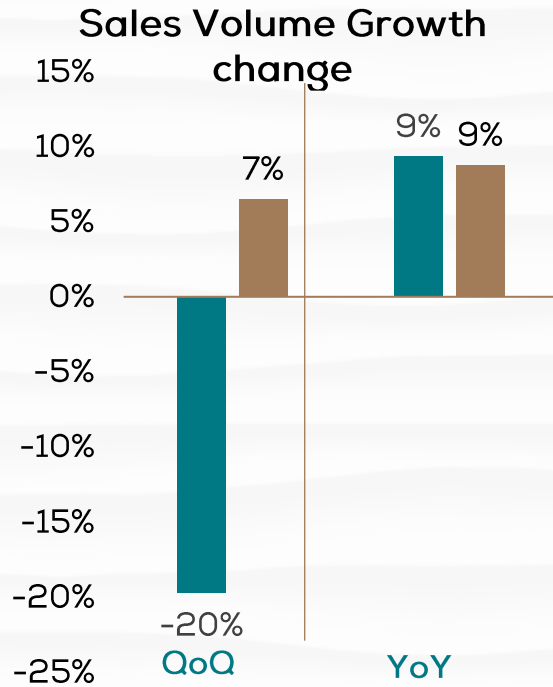


# Exports and Local Sales-Container Board & Tissues Sales Segment

Despite the challenging global containerboard demand, Sales volume witnessed an increase YoY which shows MEPCO's resilience in challenging year

**QoQ** : Total Sales Volume decreased by 3%

**YoY** : Total Sales Volume Increased by 9%



JUTHOR utilization rate has reached in Q4 FY 23 to 65% achieving SAR 90 M

Tissues Local Sales distribution 10 % from total sales revenue

■ Sales Volume Export  
■ Sales Volume Local

■ Sales Value Export  
■ Sales Value Local

\*Sales distribution for the local is including only containerboard sales segment

# 06

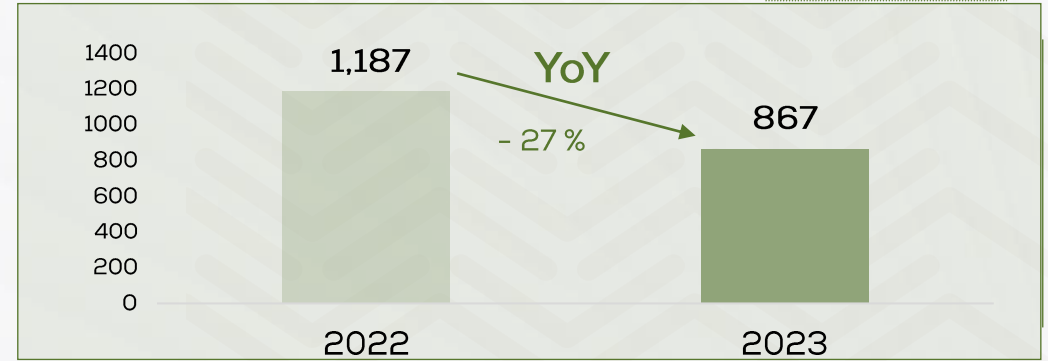
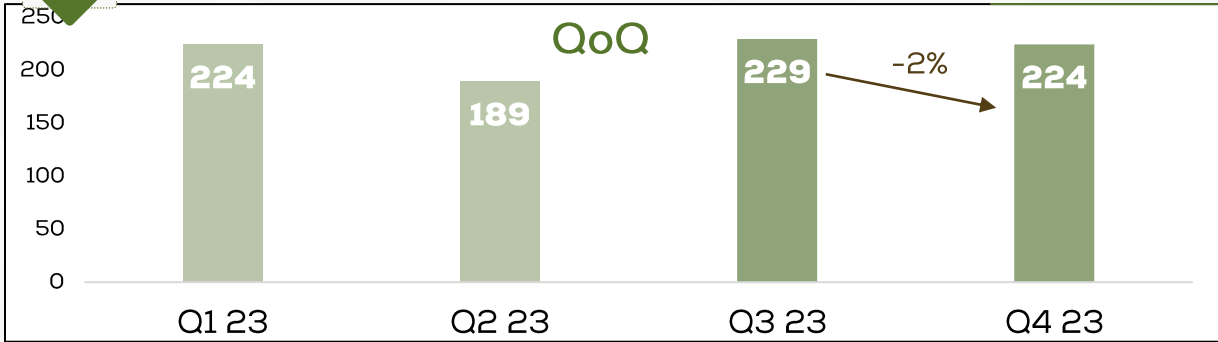
## Financial Review

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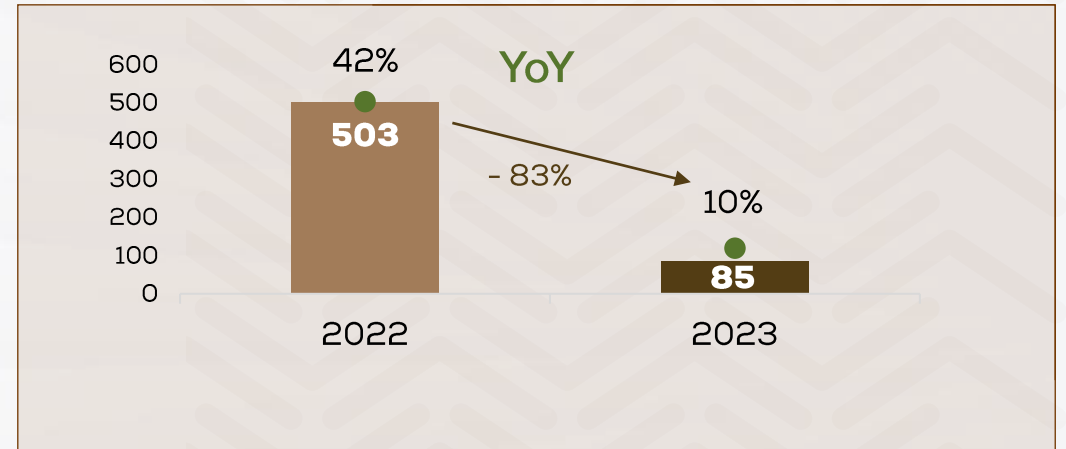
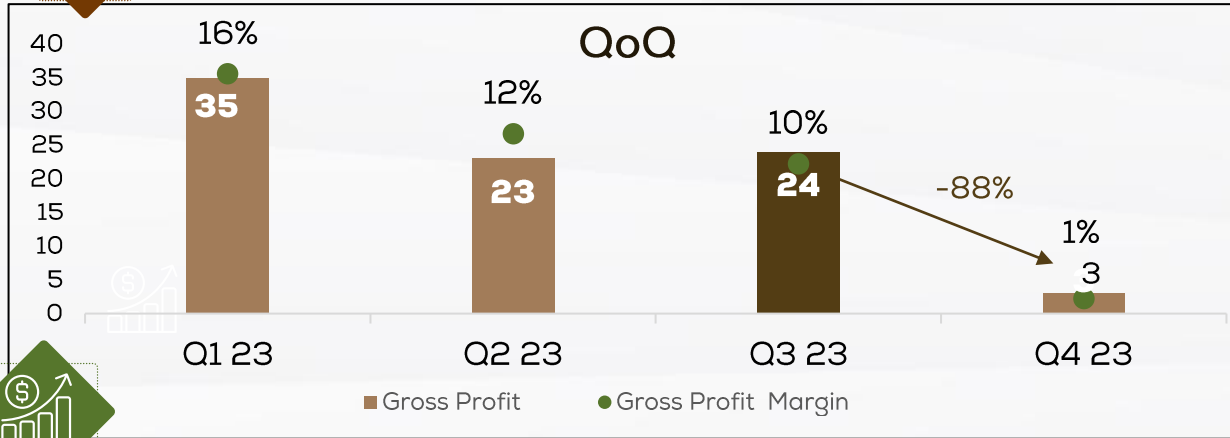


# Key Financial Indicators

## Sales Revenues , SAR M



## Gross Profit & Profit Margin, SAR M.%

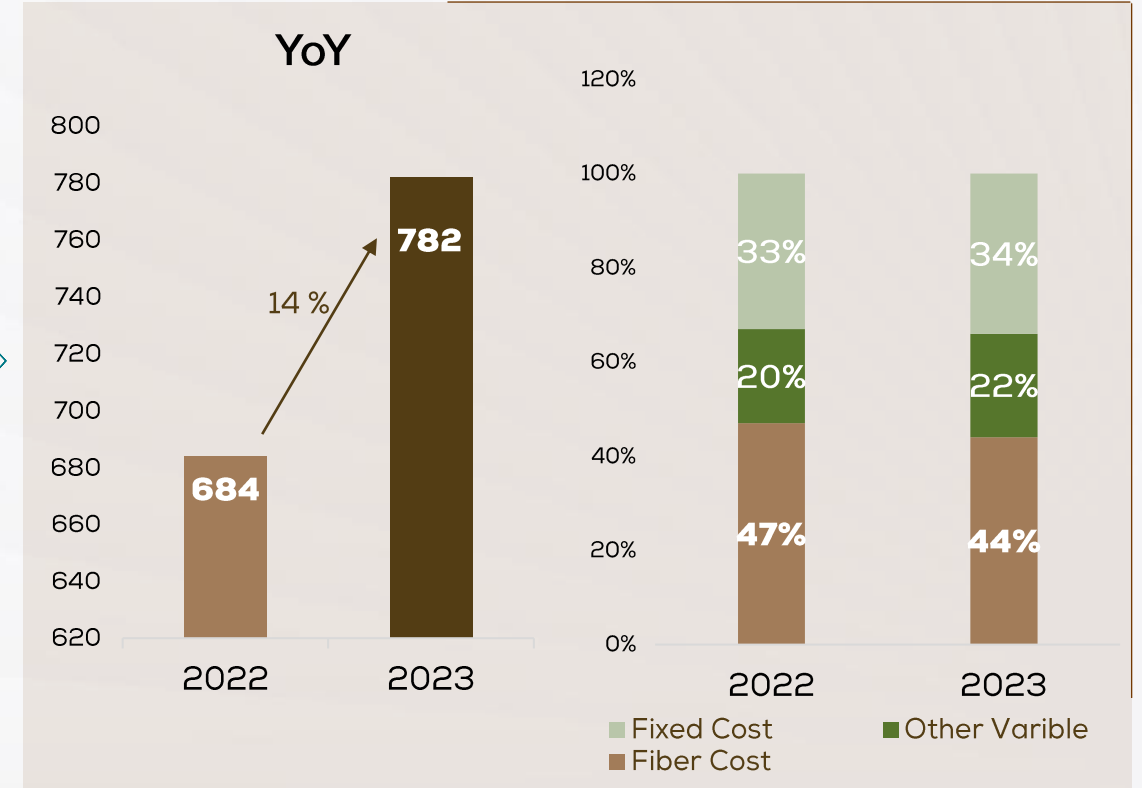
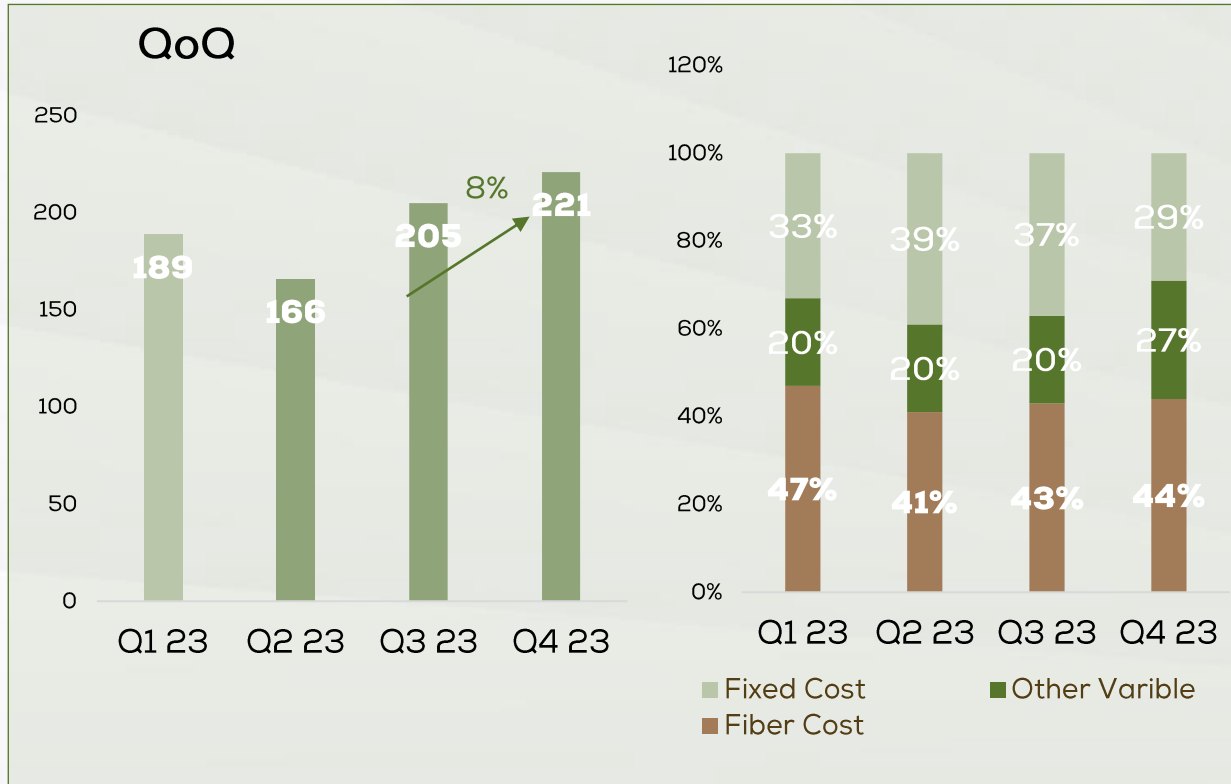


QoQ : Average selling prices ( local & export ) increased by c.2% while average cost of sales per ton increased by c.12 %  
 YoY : Average selling prices ( local & export ) decreased by c.33% while average cost of sales per ton increased by c.5%

# Key Financial Indicators



## Cost of Sales Breakdown , SAR M

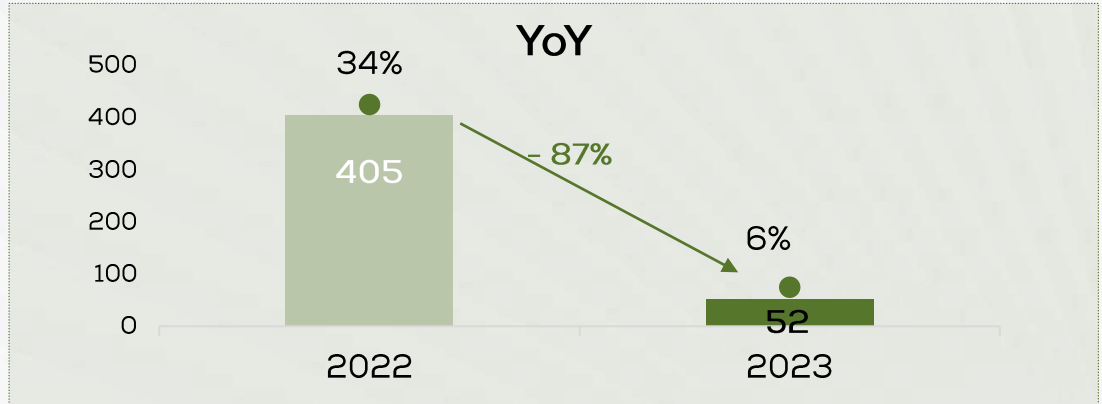
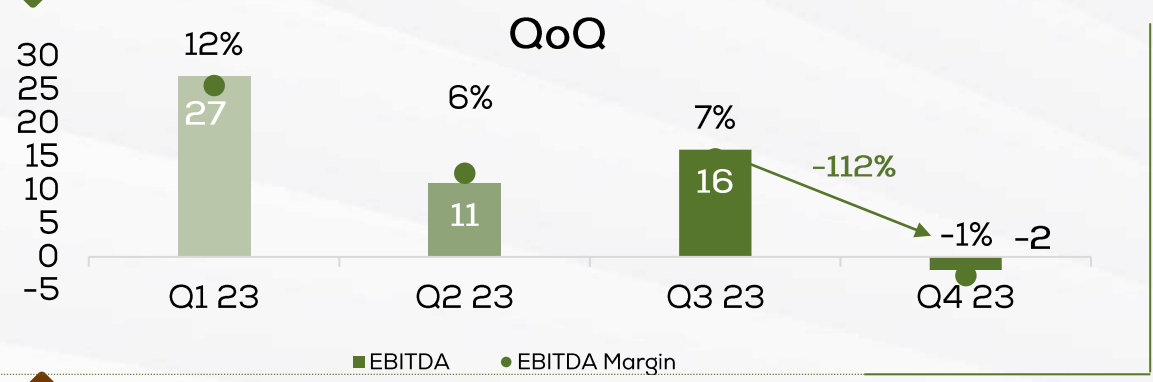


**QoQ** : A relative increase in the fiber cost due to the increase in prices of OCC by c.6 %, however the pulp prices have been reduced by 17%.

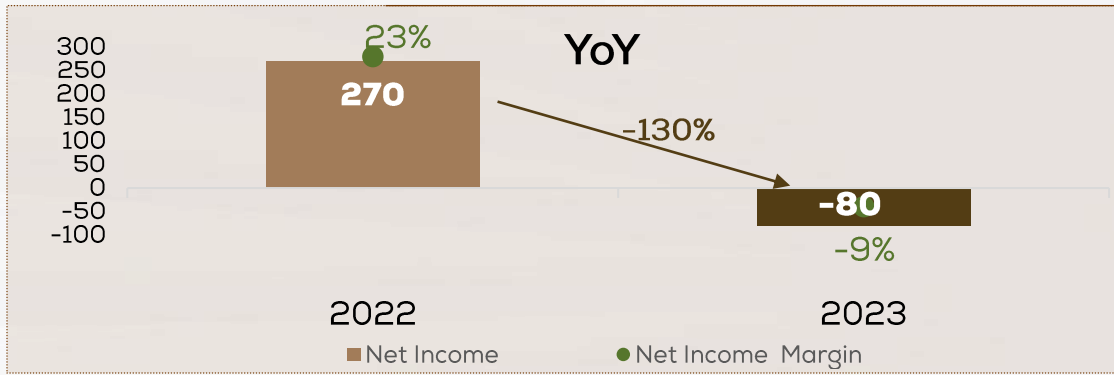
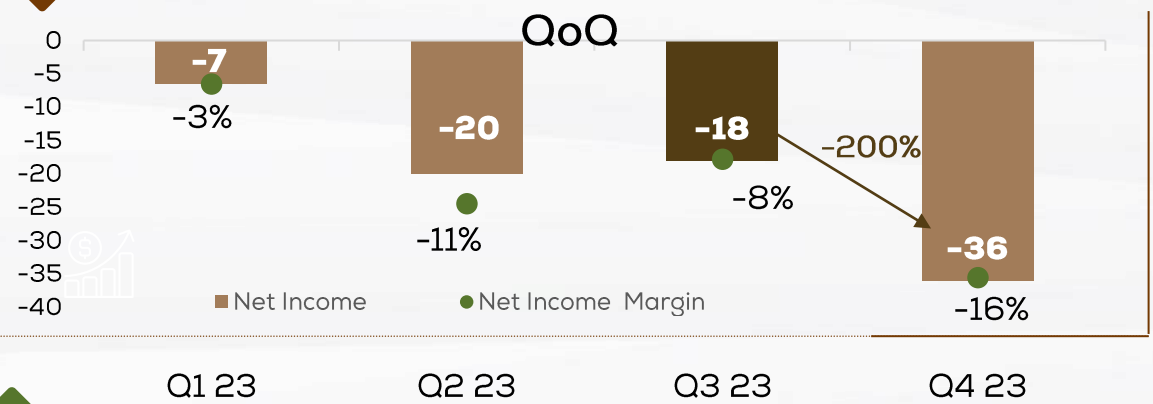
**YoY** : Increase in cost of sales is due to increase in sales volume by 37 KMT (9%) including addition of 19KMT of Juthor starting its operations in 2023. Decrease in the fiber cost is due to the decrease in prices of OCC by c.22% whereas pulp costs in Juthor are of SAR 55M in 2023.

# Key Financial Indicators

## EBITDA and EBITDA margin, SAR M



## Net Income and Net Income Margin SAR M, %



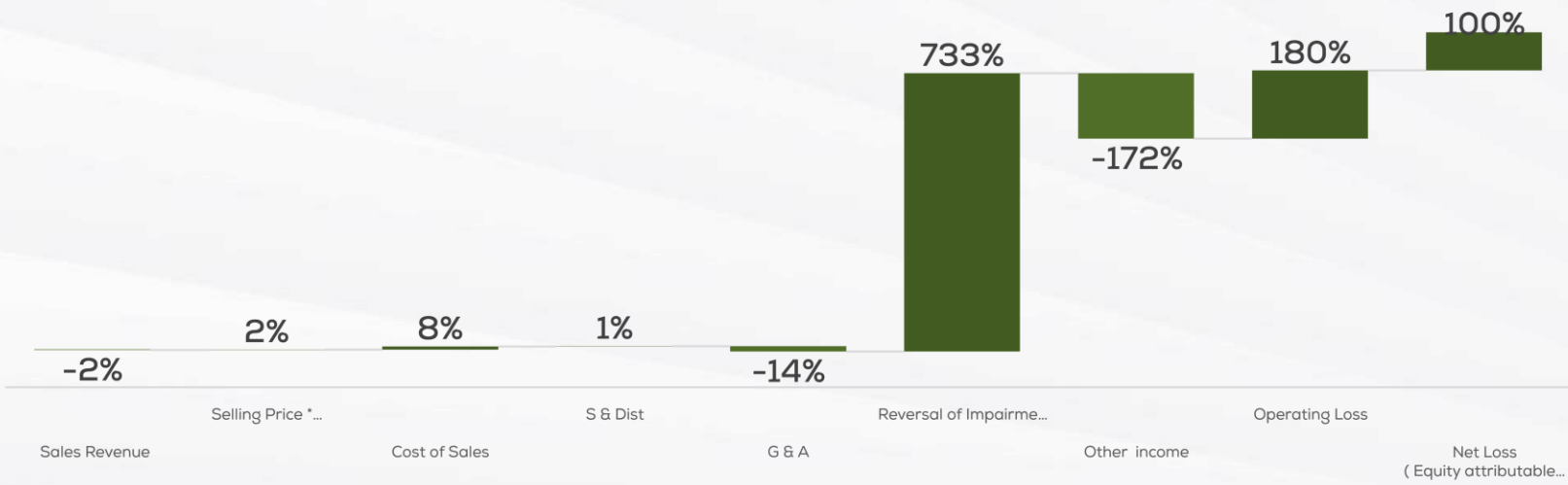
**QoQ:** Decrease in the EBITDA by 112% due to lower sales revenue by 2% and higher cost of sales mainly due to maintenance in Q4 23 due to planned shutdown in MEPCO and higher energy costs

**YoY:** Decline in profitability margins is mainly due to sharp decline in selling prices of 33% due to market downturn and the increase in cost of sales that is due to increase in sales volume along with the increase in energy costs, maintenance and employee costs relating to Juthor as it has started operations in 2023.

# Key Financial Indicators Q4 23 vs Q3 23 Consolidated

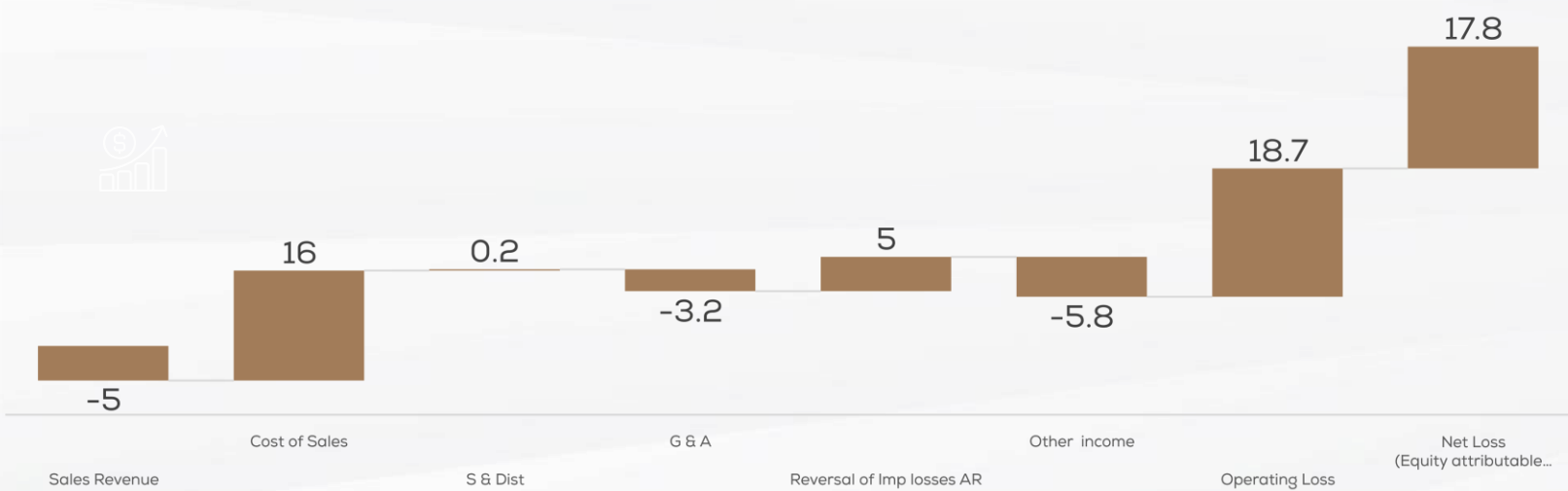


## Net profit break down % SARM



**Favorable**

- G&A decreased by 14% mainly due to WASCO penalty reversal.
- Impairment of AR reversal increased by SR 5Mn due to better collections.
- Finance charges reduced by 36%.
- Avg SP increased by 2%.



**Un Favorable**

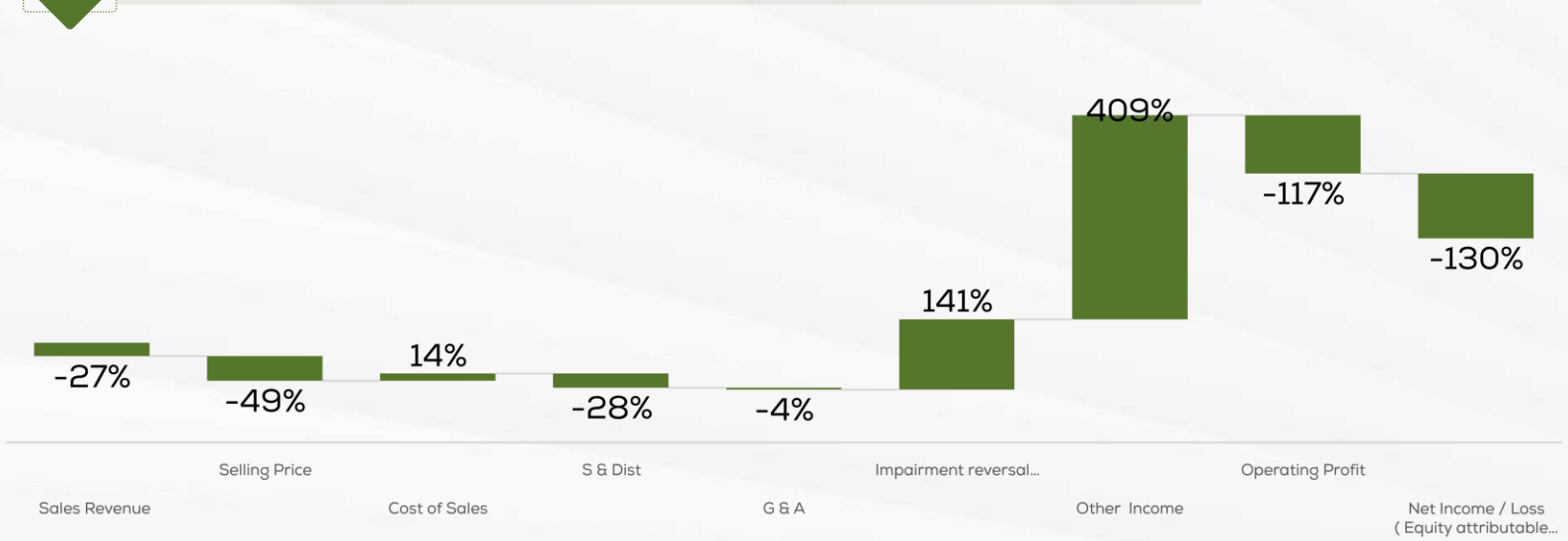
- Decline in revenue by 2% due to decline in sales volume by 4%.
- Increase of cost of sales by 8% due to increase in OCC prices, maintenance costs and energy costs.
- Selling & distribution slightly increased by 1%.
- Other income decreased by 172% due to SR 2.6 Mn loss on disposal and impairment of PPE, forex loss of SR 0.7 Mn.

\* Consolidated financial statement for FY 2023

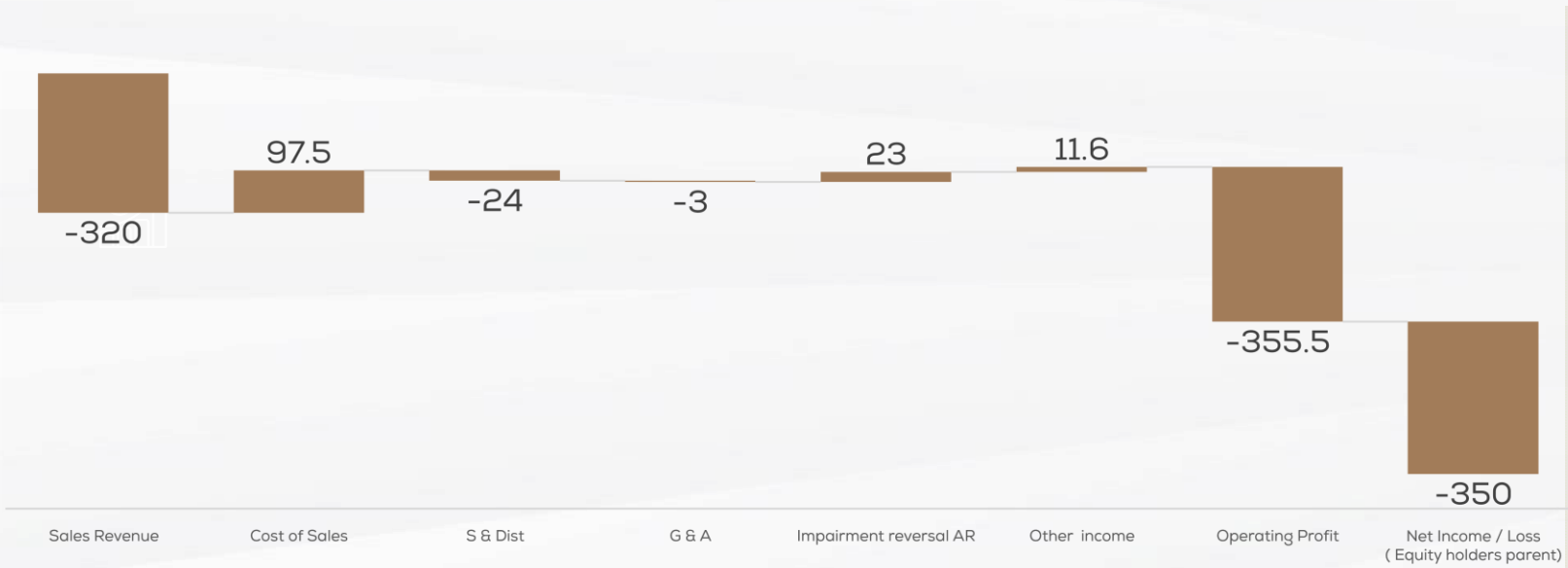
# Key Financial Indicators 2023 vs 2022 Consolidated



## Net profit break down % SARM



- ### Favorable
- Selling & distribution decrease by 28 % due to reduction in transportation and shipping
  - G&A decreased by 4% due to WASCO penalty reversal partially netted with increases in consultancy & IT expenses.
  - Impairment reversal on financial assets backed by increased collection from customers.
  - Other income backed up by Foreign exchange gain SAR vs Euro of SAR 3.2 M
  - Insurance claim recovery by SAR 1.8 M
  - Shared service income from related party of SAR 4M
  - Increase in other sales of pallets and other scraps by SAR 1.7 M



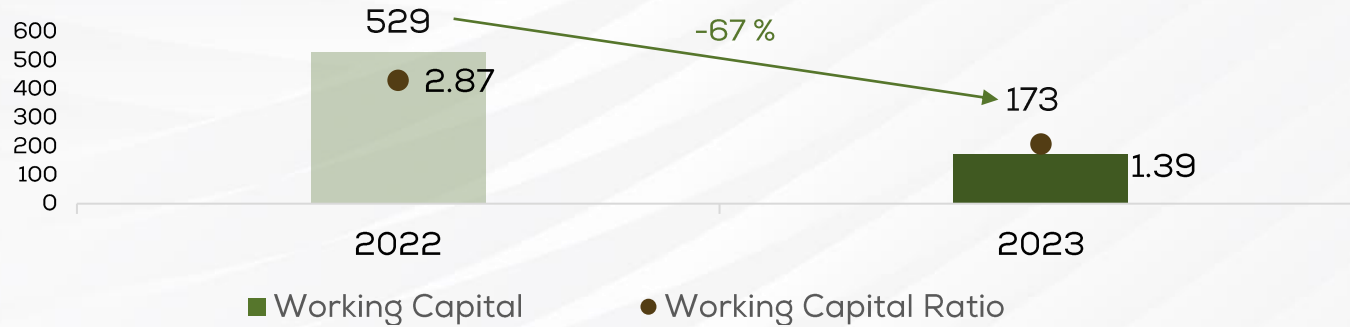
- ### Un Favorable
- A decrease in Sales price YoY by 33 %
  - Increase in Cost of sales by 14% mainly due to:
    - Increase in sales volume
    - Increase in maintenance costs
    - Increase in energy costs
    - Increase in other prod OHs e.g. insurance.
    - Additional employee costs in Juthor & Estidama as Juthor become operational in 2023 and Estidama started its operations independently using its resources.
  - Finance charges increased by 44% due to increase in SAIBOR

\* Consolidated financial statement for FY 2023

# Key Financial Indicators



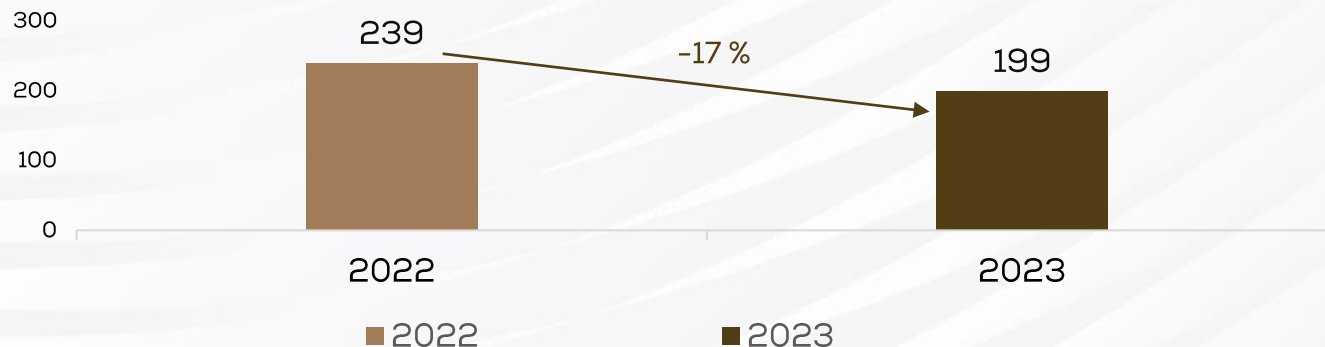
## Working Capital And Working Capital Ratio SAR M



Due to the losses in 2023, the cash generation has gone down and liabilities have gone up mainly short-term bank borrowings by SR 76 M & trade and others payable by SR 65 M.



## Cash Flow From Operations SAR M



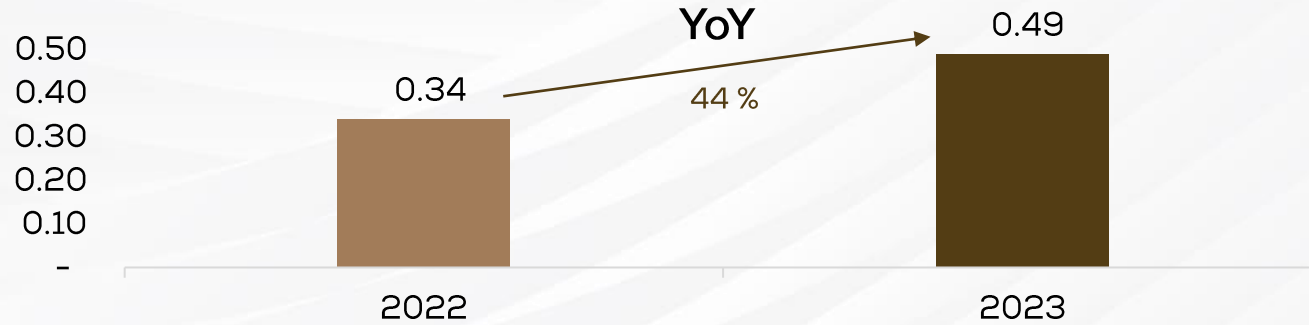
Despite of significant downturn in financial performance by 132%, the Company has been able to manage the working capital better and the decline in cash form operations only resulted in SR 40 M.



# Key Financial Indicators



## Net Debt to Equity SAR M

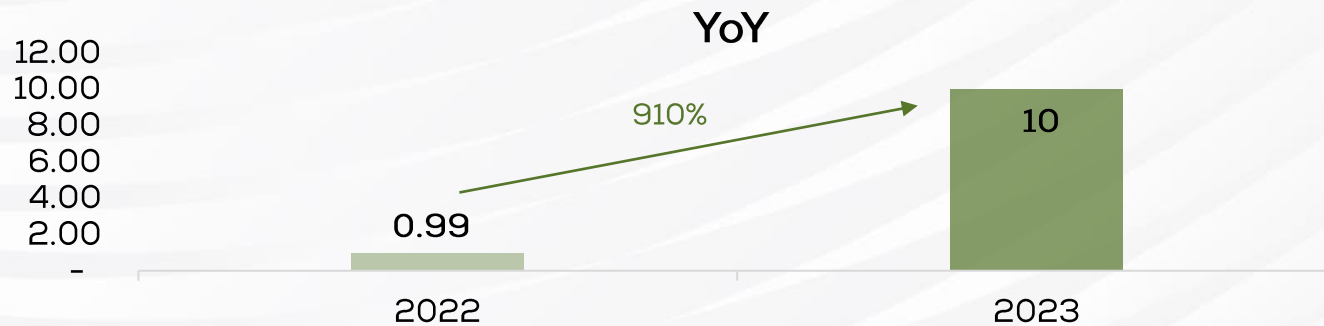


Increase in D/E ratio is due to following:

- Decrease in equity on account of losses and 2022 dividend of SR 33 M.
- Increase in loan portfolio by SR 30 M on closing balance due to additional short-term borrowings.
- Reduction in cash balance by SR 89 M.



## Net Debt to EBITDA



Net Debt to EBITDA increased by 10 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.



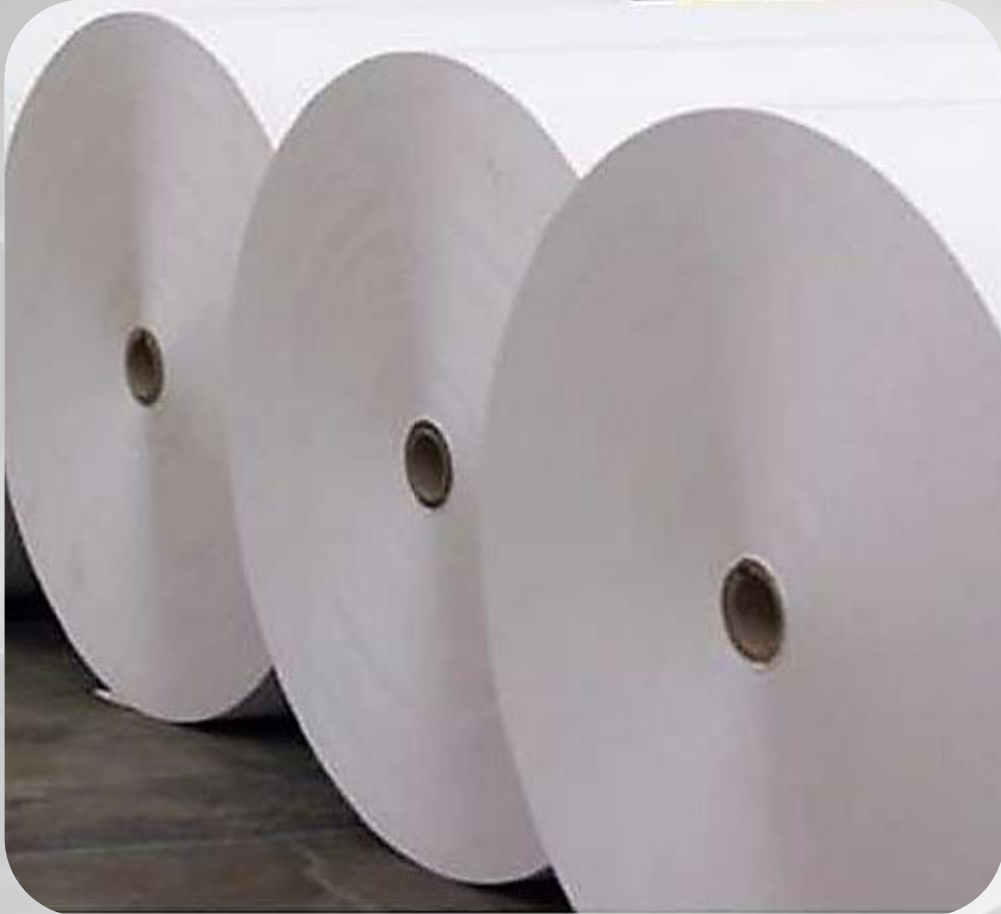
# 07

## Management Outlook

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# Mid Term Outlook



- Abiding to the growth strategy for MEPCO as a group of companies in waste and paper sector.
- JUTHOR continuous market development for tissues.
- Cost Management in an inflationary economy



Middle East Paper Company  
شركة الشرق الأوسط لصناعة وإنتاج الورق

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