



Earnings Release

Q3 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

Outline



9M 2024 Key
Performance
Indicators

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Macro Economic
review

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Industry & Market
Containerboard
review

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Industry & Market
Tissue review

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Exports and Local
Sales

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Management
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9M 2024

Key Performance Indicators

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9M 2024 Performance



SALES REVENUES SAR 775.4 M

+ 21 % YoY



GROSS PROFIT SAR 136.6 M

+ 66 % YoY



EBITDA SAR 64.6 M

+ 19 % YoY



NET LOSS TO PARENT SAR (32.8) M

- 26% YoY



COST OF SALES SAR 638.8 M

+14 % YoY



GROSS PROFIT MARGIN 18 %

+ 484 bps YoY



EBITDA MARGIN 8%

- 12 bps YoY



NET LOSS MARGIN - 4 %

- 270 bps YoY



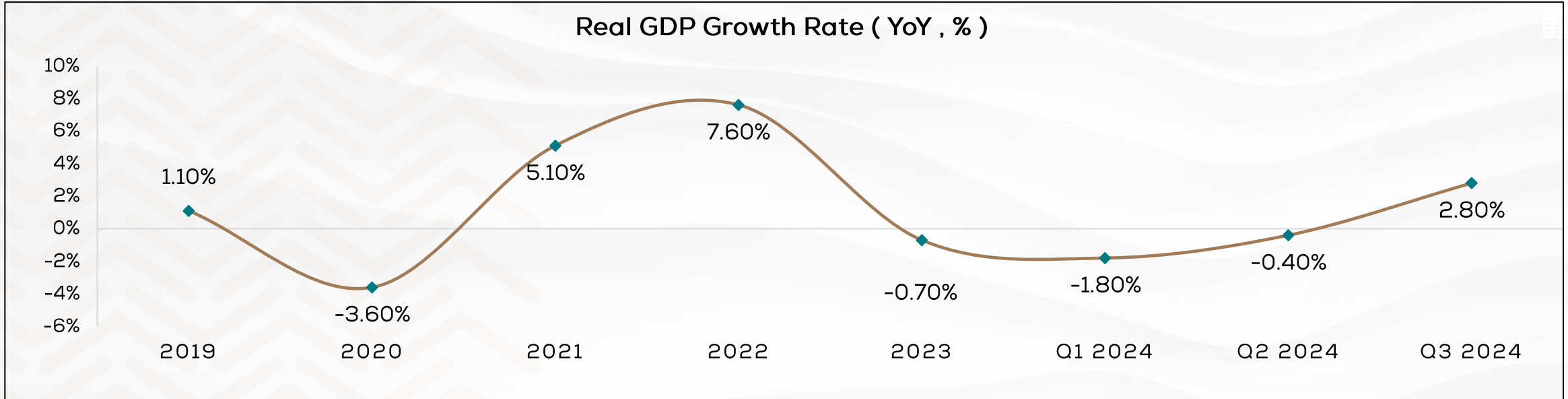
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Macro Economic Review

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Economic Review - Local

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



According to the General Authority for Statistics (GASTAT), Saudi Arabia's real GDP growth rate for Q3 2024 was 2.8%. This is compared to the same period in the previous year.

This growth is attributed to:

- Non-oil activities: These saw a strong growth of 4.2%.
- Government activities: Showed a positive growth rate of 3.1%.
- Oil activities: Recorded a more modest growth of 0.3%

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"



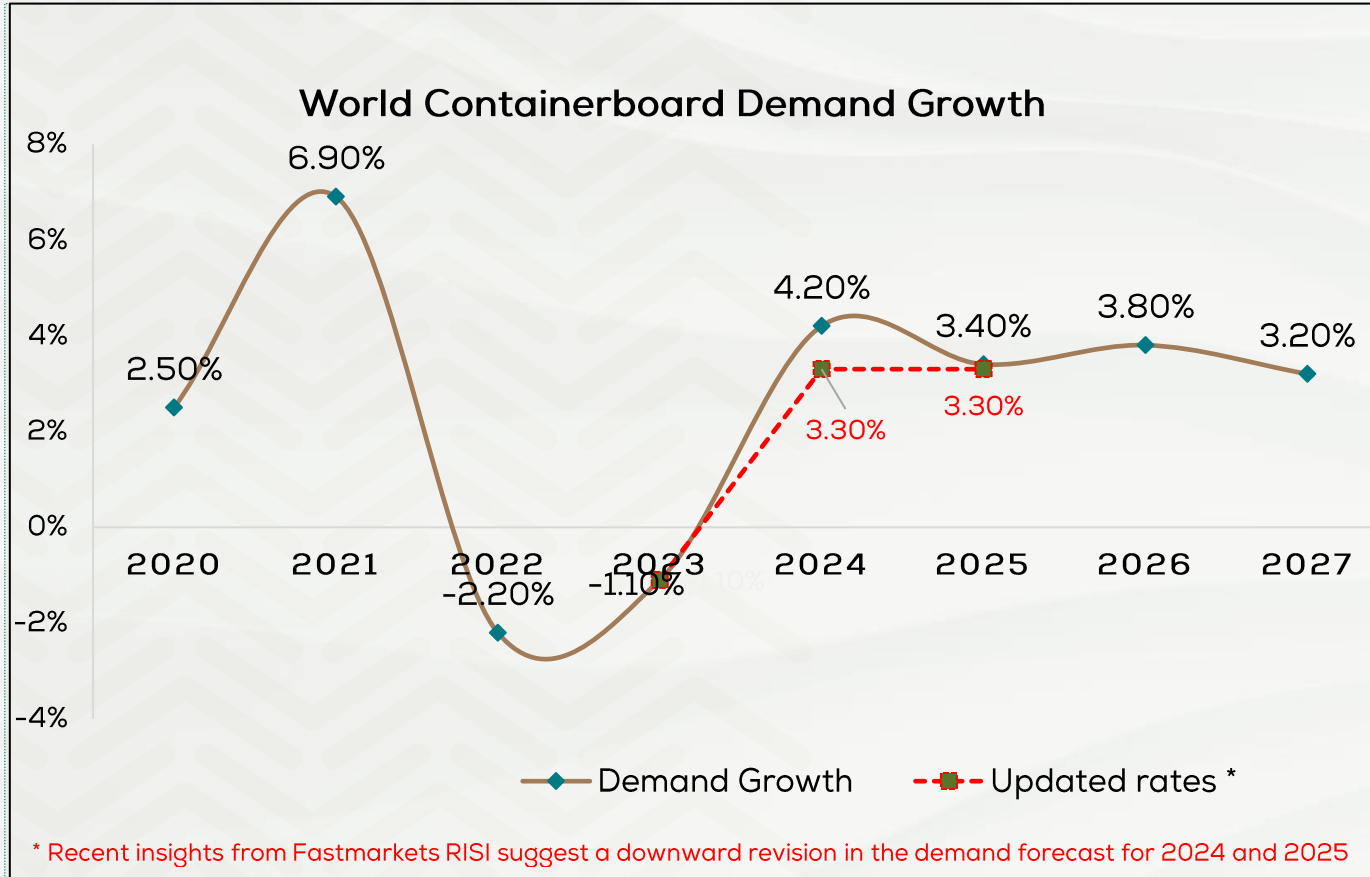
03

Industry & Market Containerboard Review

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Industry & Market Review For Containerboard

Economic Growth and Containerboard Demand: A Saudi Arabian Perspective



2024 Containerboard Estimates:

- Global: 190 millions tons
- Middle East: 3.25 million tons
- Saudi Arabia: 1.5 million tons



Current production capacity: 450,000 tons
MEPCO's current market share: 30%

Expected containerboard is expected to grow at an average of 3.4% YoY until 2027, reaching 3.7 million tons

MEPCO will be taking advantage of this increase in TAM by expanding its production line with the new plant (PM5) designed to double containerboard production capacity to 900,000 tons

Updates on PM5:

MEPCO has partnered with Voith and is currently finalizing the design phase, with groundbreaking expected to commence before the end of 2024. Funding exceeding 1 billion SAR has been secured.

International Prices For OCC

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



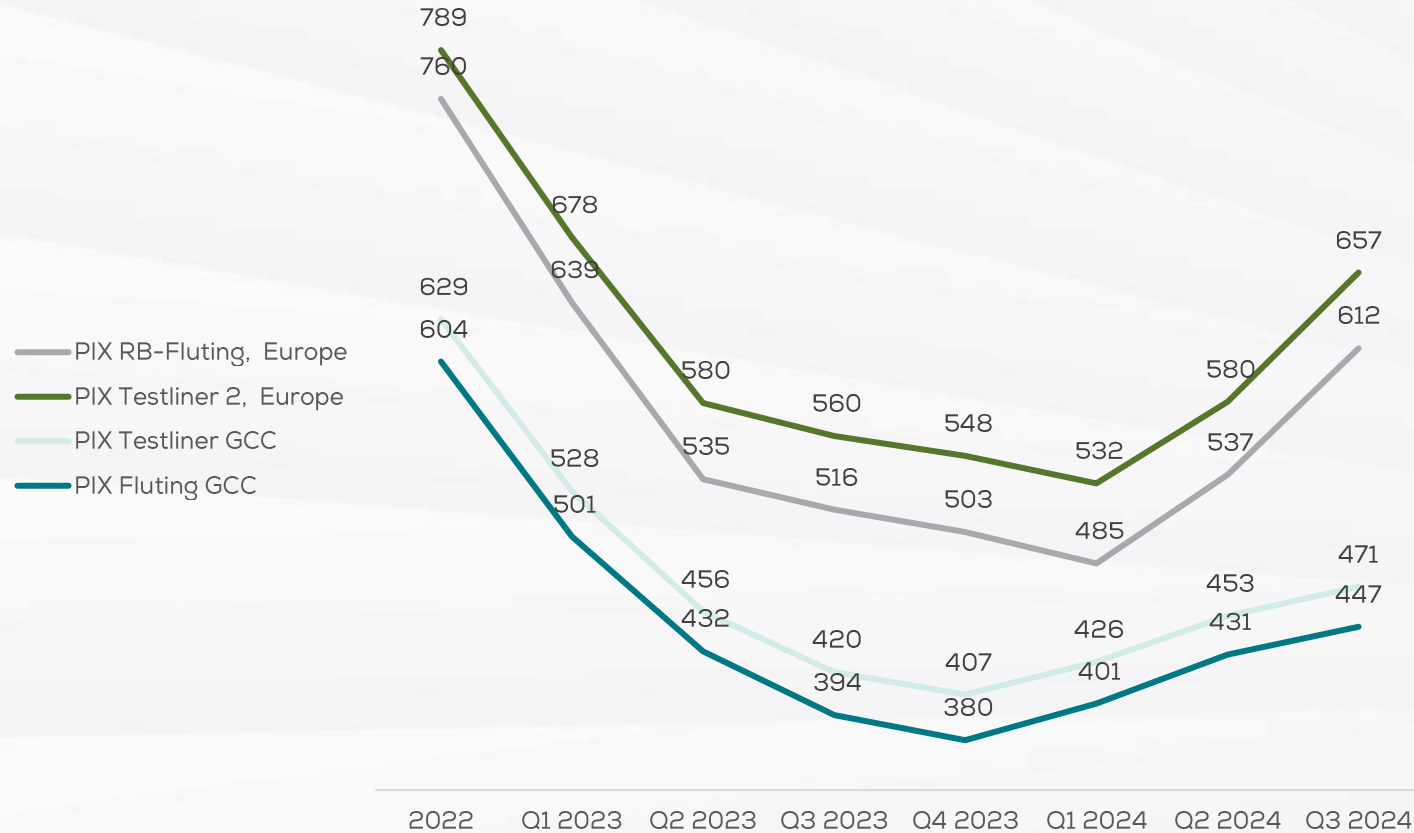
Growing e-commerce sector and increasing focus on sustainable packaging are some of the reasons for an increase in demand for containerboard:

- **US OCC export prices to India** fluctuated throughout 2024, starting at 204, peaking at 229 in Q2, and stabilizing at 230 in Q3, indicating an overall upward trend.
- **The European PIX OCC index** showed a more consistent rise, climbing from 109 in Q1 to 177 in Q3 2024



Rebounding Containerboard Prices in Europe and GCC

Navigating a Dynamic Market: 2022 – Q3 2024



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

Test liner & Fluting present c.61 % of the total sales volume.

- Strong average price growth since Q4 2023: All paper categories show significant average price increases during 2024, with PIX Fluting Europe leading the way with a 22% increase, followed by PIX Testliner 2 Europe (20%), PIX Fluting GCC (18%), and PIX Testliner GCC (16%).
- While both regions follow a similar downward and then upward trend, Europe generally maintains higher prices for both RB-Fluting and Testliner grades compared to the GCC.



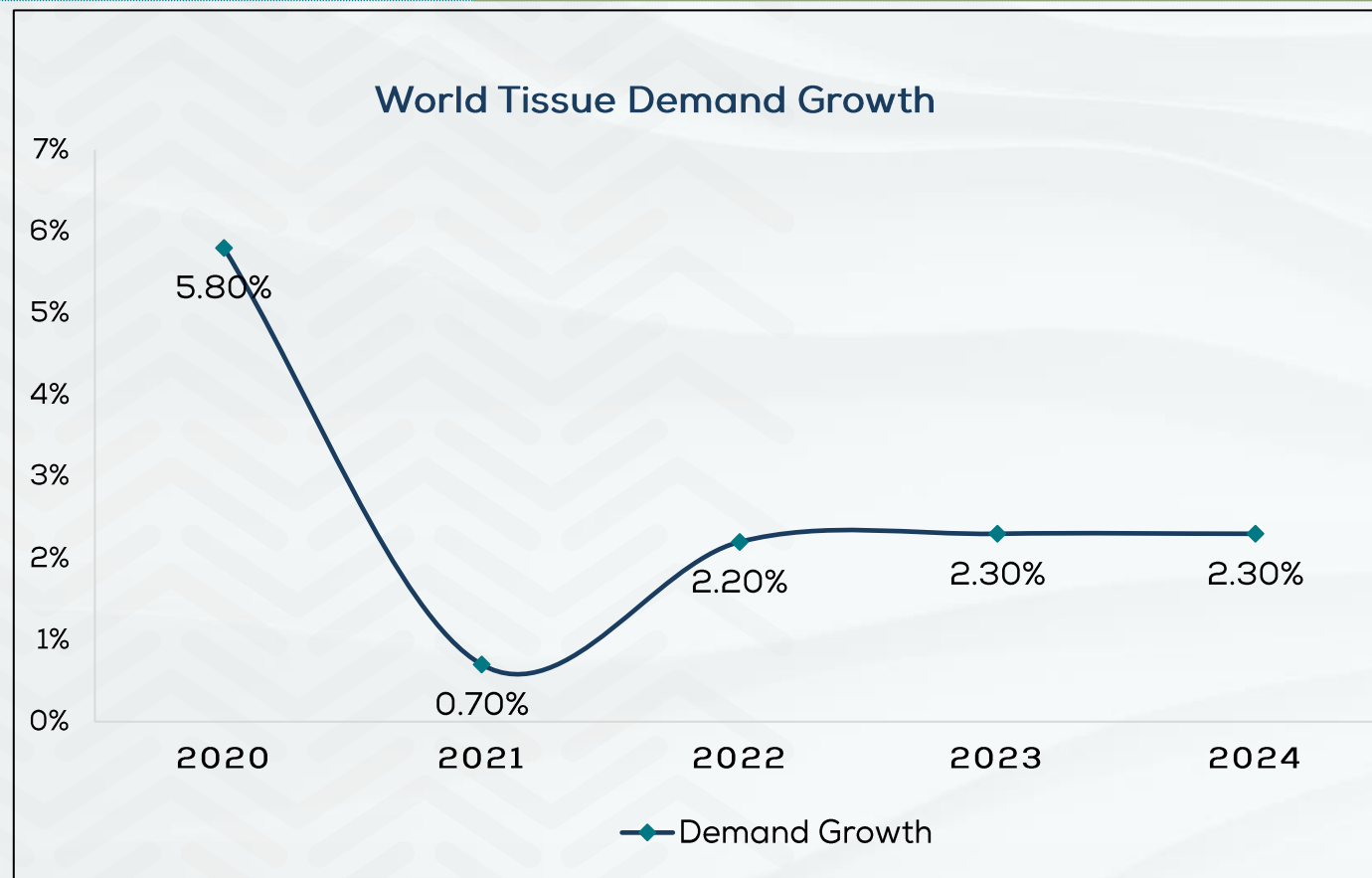
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Industry & Market Tissue review

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Tissue Market Review


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



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

- Global Tissue consumption c.44 M ton
- Saudi Arabia is c. 250 thousands tonnes

MEPCO’s current production capacity: 60,000 tonnes
MEPCO’s current market share: 24%



- Expected demand growth for Saudi is c. 3.5% YoY, reaching 300 thousand tons by 2027
- MEPCO plans to capture this TAM by doubling its current tissue capacity to 120,000 tons, hence catering for 40% of the tissue market

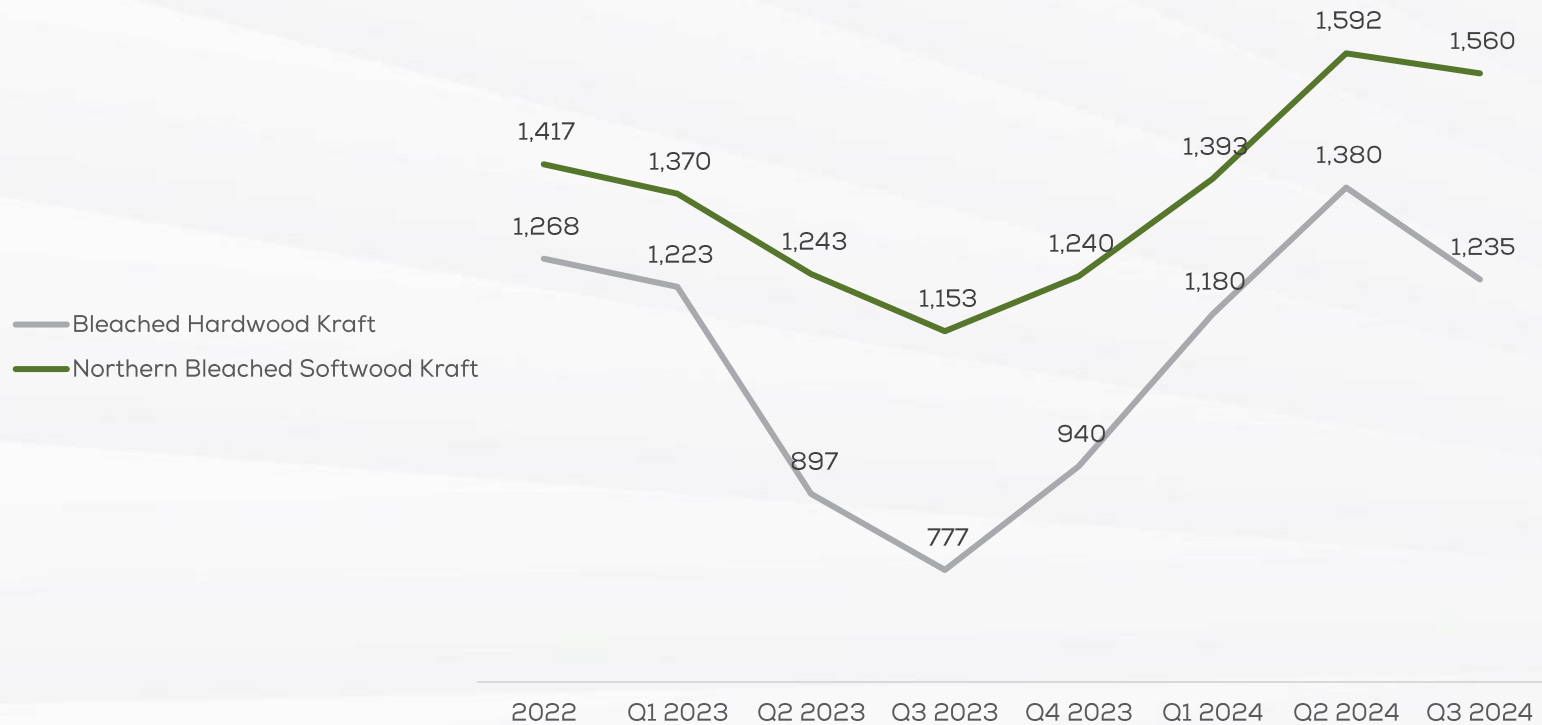
TM6 updates:

- Signed contract with the machine supplier.
- Production is anticipated to begin in Q4 2026, further bolstering MEPCO's presence in the tissue market.



International Prices For Pulp

Bleached Hardwood Kraft and Northern Bleached Softwood Kraft: A Price Comparison (2022-Q3 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).

Despite the steep price drops seen in 2023, the upward trend through 2024 points to a gradual recovery, with BHKP and NBSKP moving toward pre-decline levels.

Q2 2024 saw a peak, with BHK reaching 1,180 USD/ton and NBSK climbing to 1,393 USD/ton. Q3 2024 experienced a slight dip as BHK eased to 1,235 USD/ton and NBSK to 1,560 USD/ton, indicating a minor market correction.

Overall, 2024 is marked by steady recovery and growth in the pulp market, signaling a potential return to balance after significant volatility.

The background features a blurred image of a business meeting. In the foreground, a hand is pointing at a document with various charts, including a bar chart and a line graph. The overall color palette is dark green and teal, with geometric shapes and lines overlaid on the image.

05

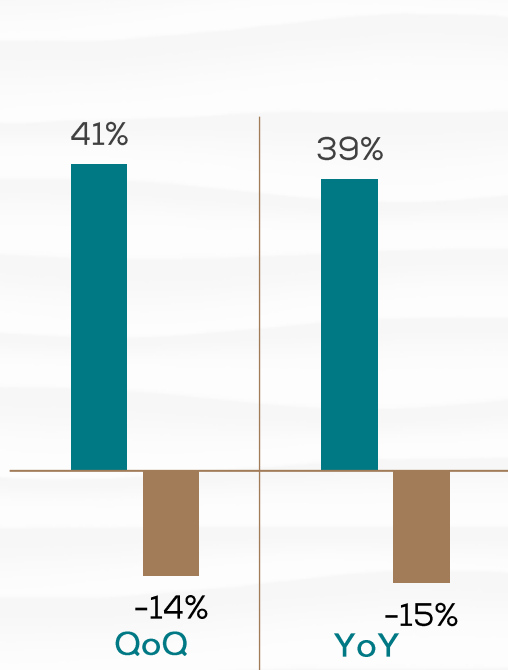
Exports & Local Sales Review

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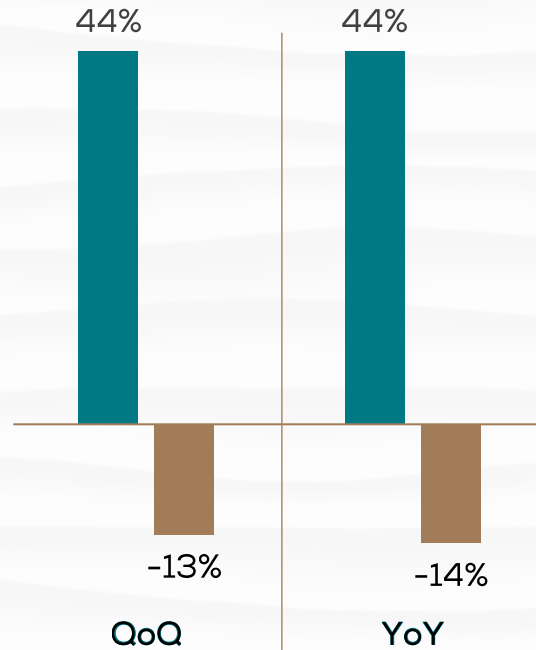
Exports and Local Sales

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

Sales Volume Growth change



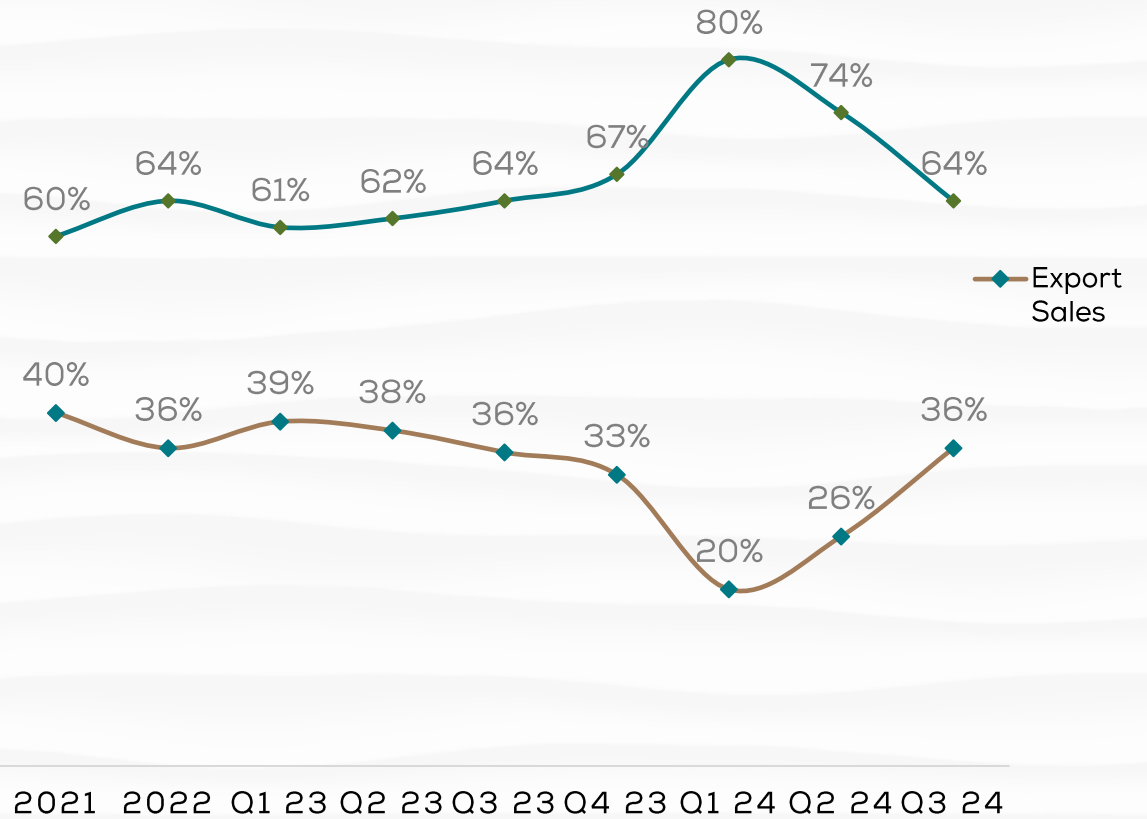
Sales Value Growth change



■ Export Sales Volume
■ Local Sales Volume

■ Export Sales Value
■ Local Sales Value

Sales distribution in Value



The data shows a substantial increase in the volume of exports, up by 41% quarter-on-quarter (QoQ) and 39% year-on-year (YoY). This boost in export volume has led to a higher sales value, which has increased by 44% in both QoQ and YoY comparisons. However, it's important to note that the Red Sea shipping crisis has also raised shipping costs due to higher transportation costs

06

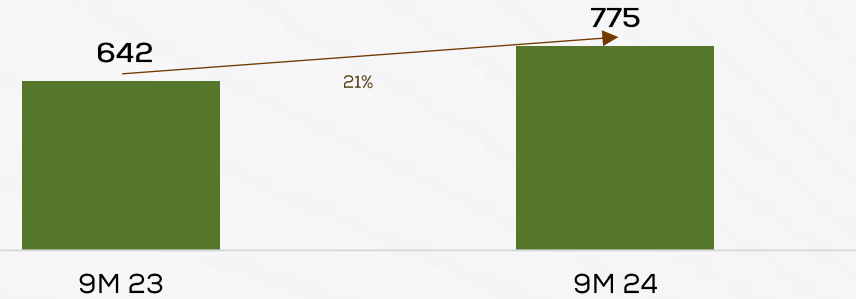
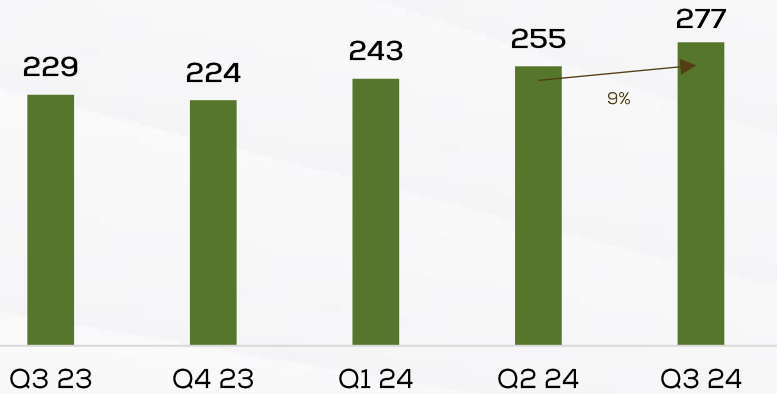
Financial Review

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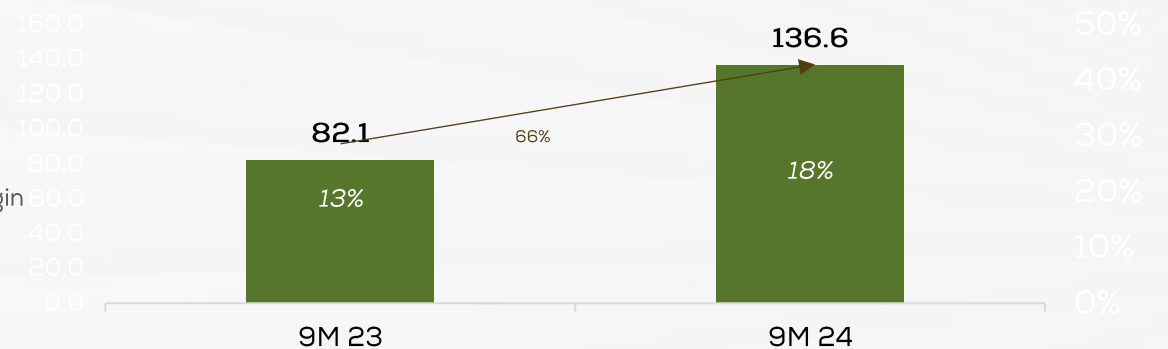
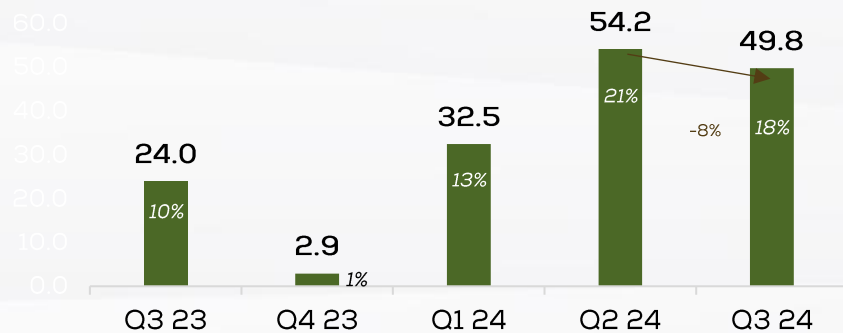


Key Financial Indicators – QoQ and YoY

Sales Revenue (SARm)



Gross Profit & Profit Margin (SARm)



QoQ: Sales Revenue increase of 9% due to an increase in quantity by 8%

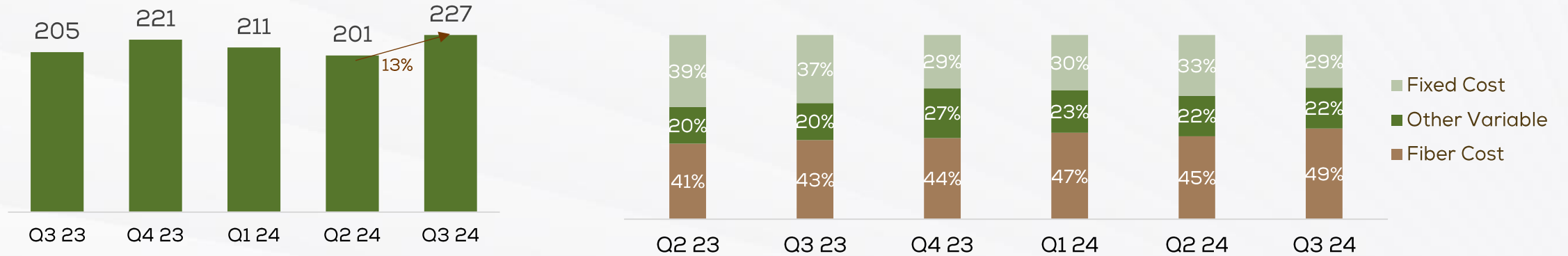
YoY: Sales increased 21% since last year due to an 11% increase in sales quantity and diversification efforts

QoQ: Decrease in GP by 8% due to increase in price of raw materials. The switch from diesel to natural gas from Juthor mitigated some of the price increase impact

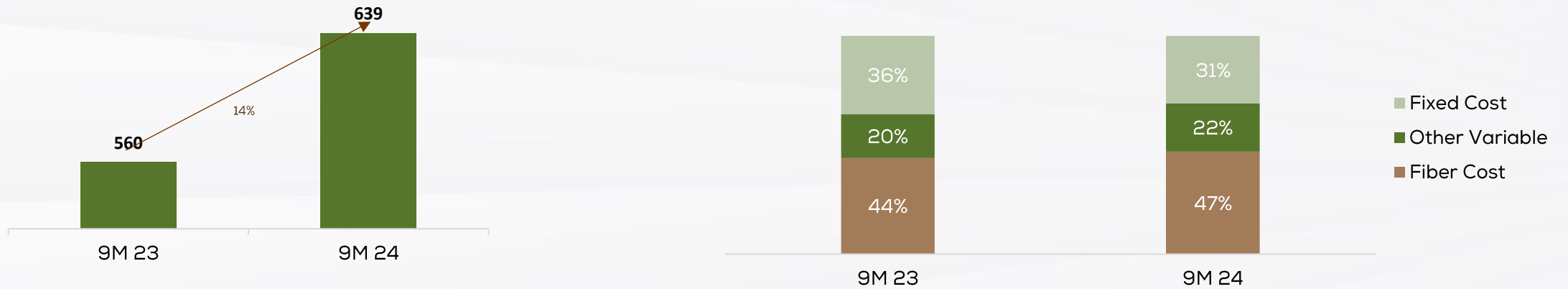
YoY: Increase in GP by 66% due to higher sales volume due diversification initiatives in addition to higher profitability margins in Juthor

Key Financial Indicators – QoQ and YoY

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



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

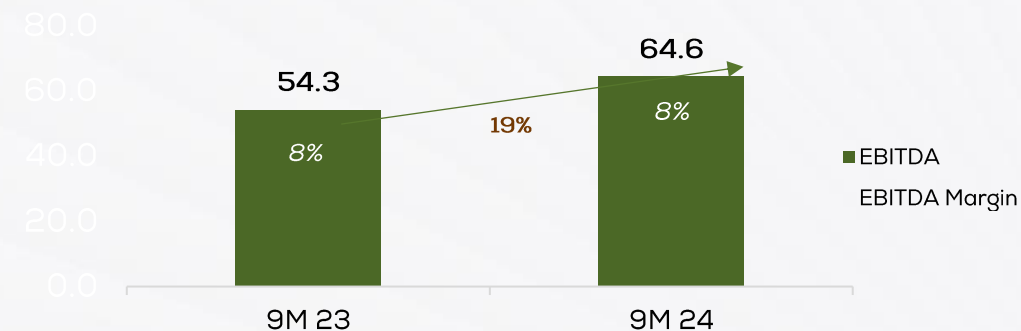
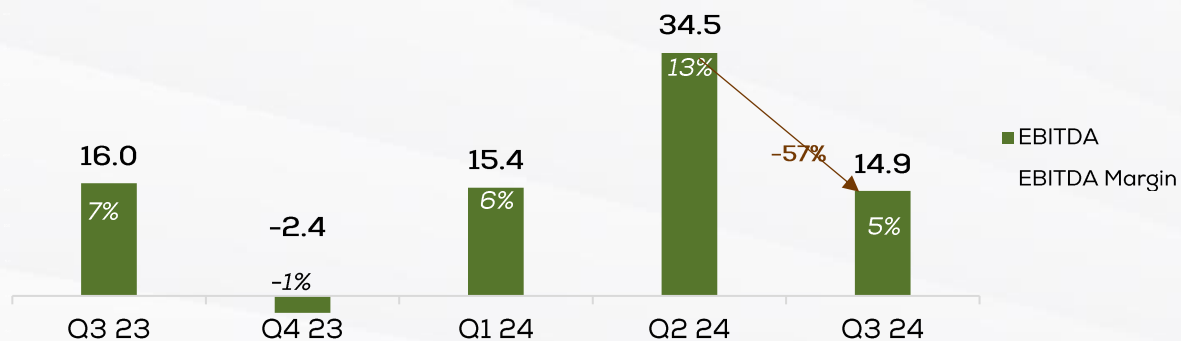


QoQ : Increase of 13% due to an increase of raw materials

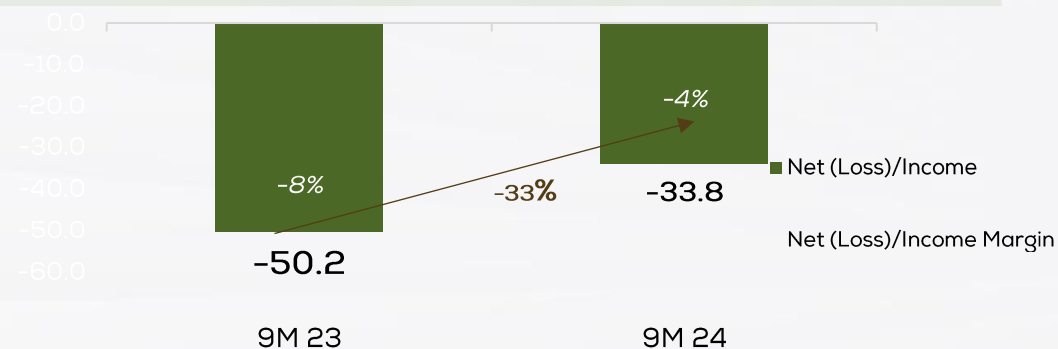
YoY : Cost of sales increased by 14% due to higher sales volume due to launch of Juthor operations. Quantity sold increased by 11% YoY

Key Financial Indicators – QoQ and YoY

EBITDA and EBITDA margin, SAR M



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



QoQ: EBITDA was impacted by non-recurring expenses (c. SAR 16.3m) this quarter, in addition to higher shipping costs due to higher export sales. Adjusted EBITDA excluding the non-recurring expenses decreased by 8%.

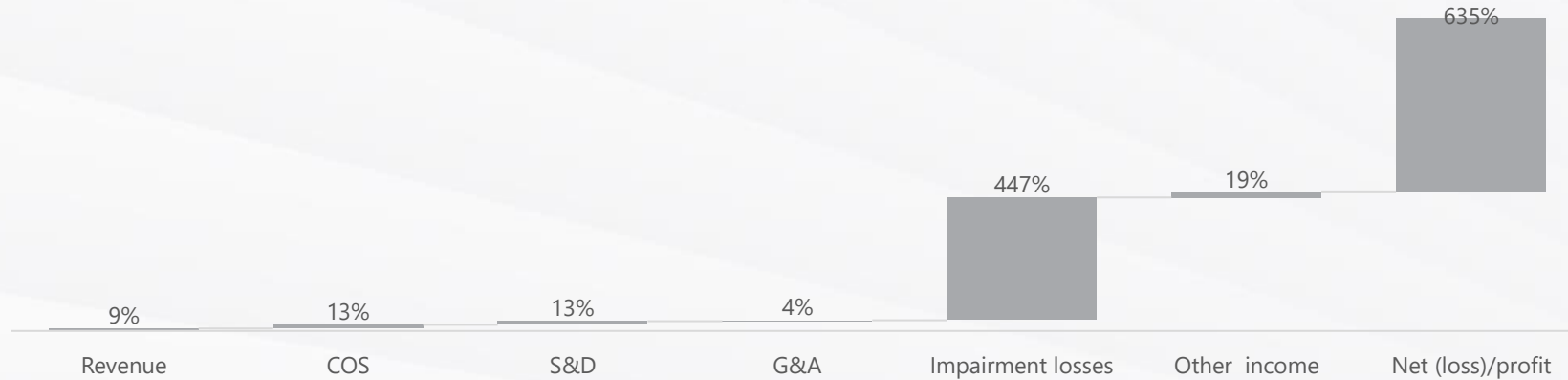
YOY: EBITDA increased by 19% and Adjusted EBITDA (excluding the non-recurring expenses) increased by 49% YoY. Adjusted EBITDA margin for the 9-month period reached 10%

QoQ: Net income decreased to SAR -18.5m, primarily impacted by non-recurring expenses of Sar 16.3m, in addition to higher cost of sales and shipping costs

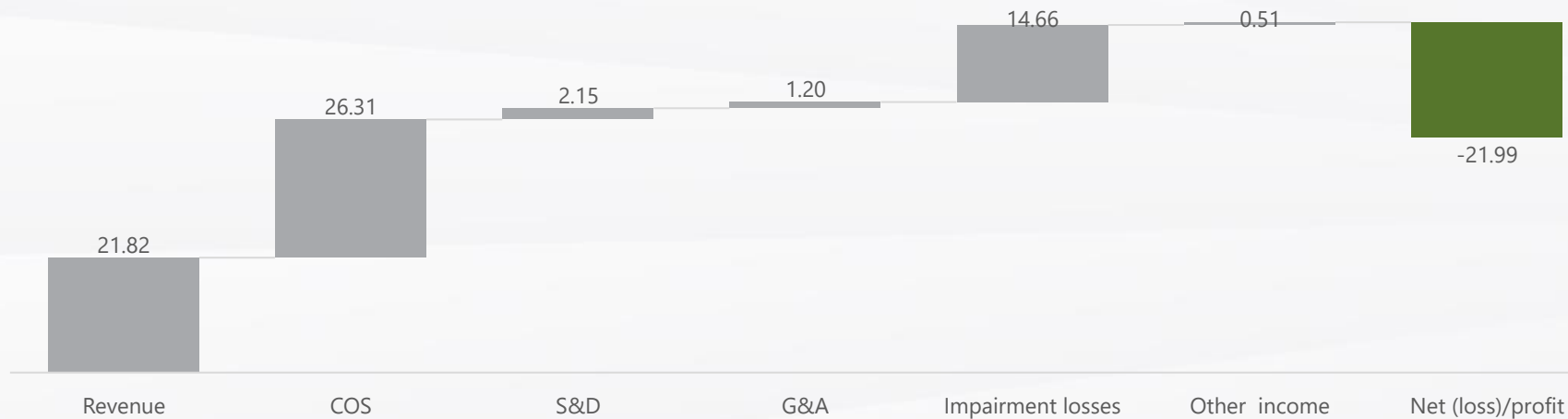
YOY: Net loss decreased by 33%, even taking into consideration the non-recurring expenses. Adjusted net loss is SAR 17.1m

Key Financial Indicators Q3 24 vs Q2 24 Consolidated

Net Profit Breakdown %



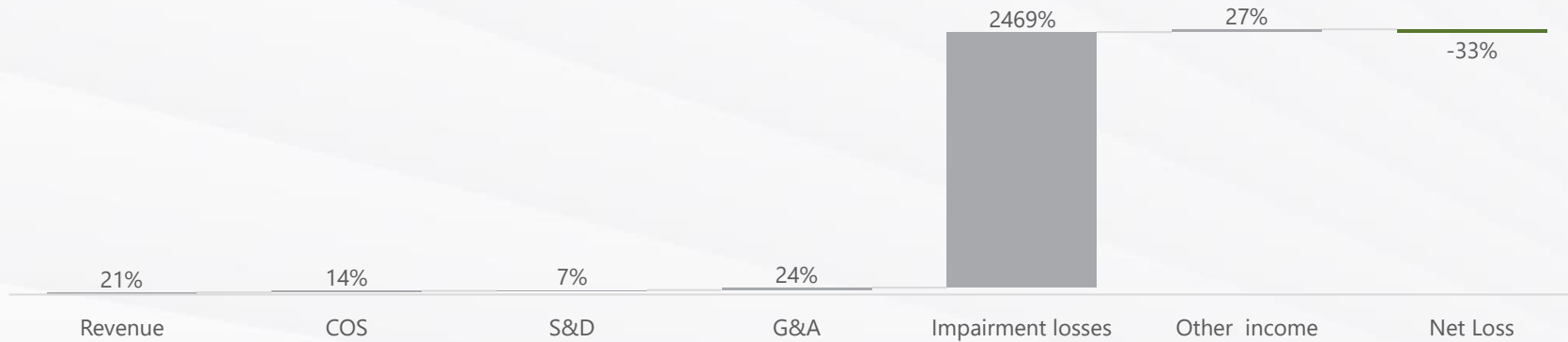
Net Profit Breakdown SAR M



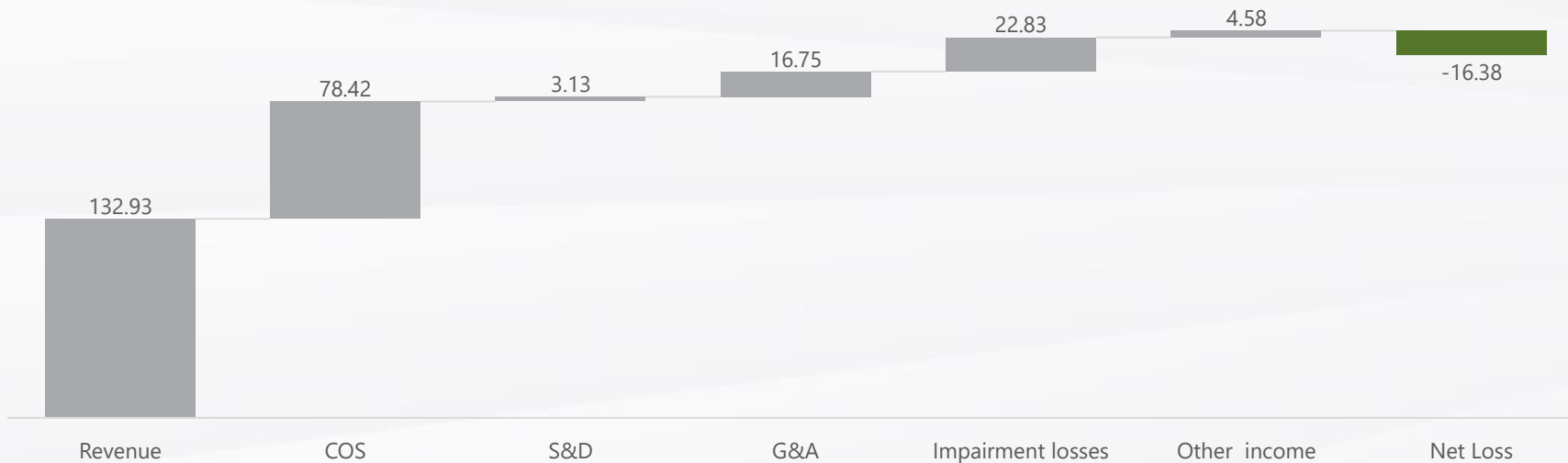
- Revenue experienced a 9% increase, due to an 8% increase in volume sold
- Cost of Sales increased by 13%, due to higher volume sold and an increase in raw materials
- Selling and Distribution (S&D) Costs increased mainly due to higher shipping costs due to an increase in export activities.
- Impairment Losses increased due to a write down of assets in Q3 (SAR 16.3m).
- The net loss increased by 635%, primarily due to non-recurring expenses incurred in Q3 24

Key Financial Indicators 9M 2024 vs 9M 2023 Consolidated

Net Profit Breakdown %



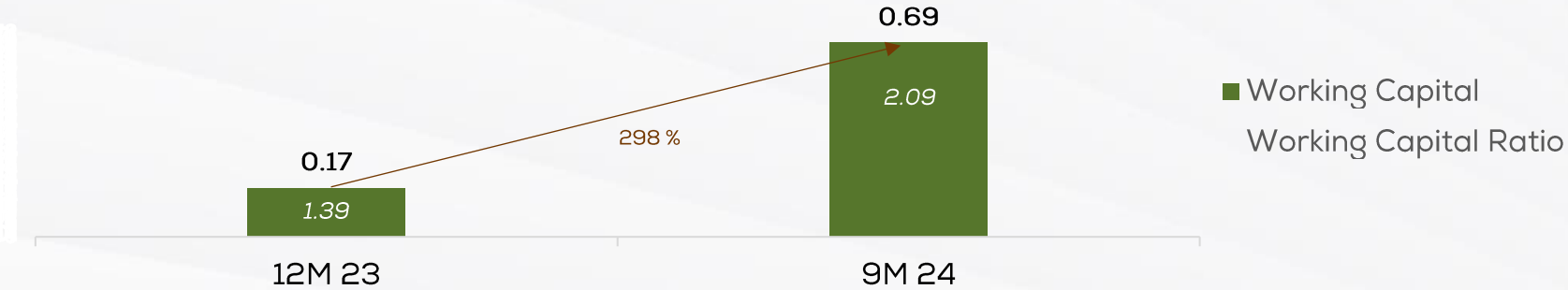
Net Profit Breakdown SAR M



- Revenue increased by 21% due to a 9% increase in quantity
- Cost of Sales grew by 14%, which is due to an increase in quantity produced
- S&D costs rose by 7% due to higher shipping costs due to an increase in exports
- General and Administrative (G&A) expenses went up by 24%, due to higher overhead and administrative costs related to launch of Juthor and to some additional consultancy costs
- Impairment Losses of -2469% majorly due to a write-down of assets in Q3 (SAR 16.3m).
- Other income increased by 27% due to an increase in finance income
- Net (Loss) decreased by 33% due to diversification efforts, better market conditions, and additional revenue streams

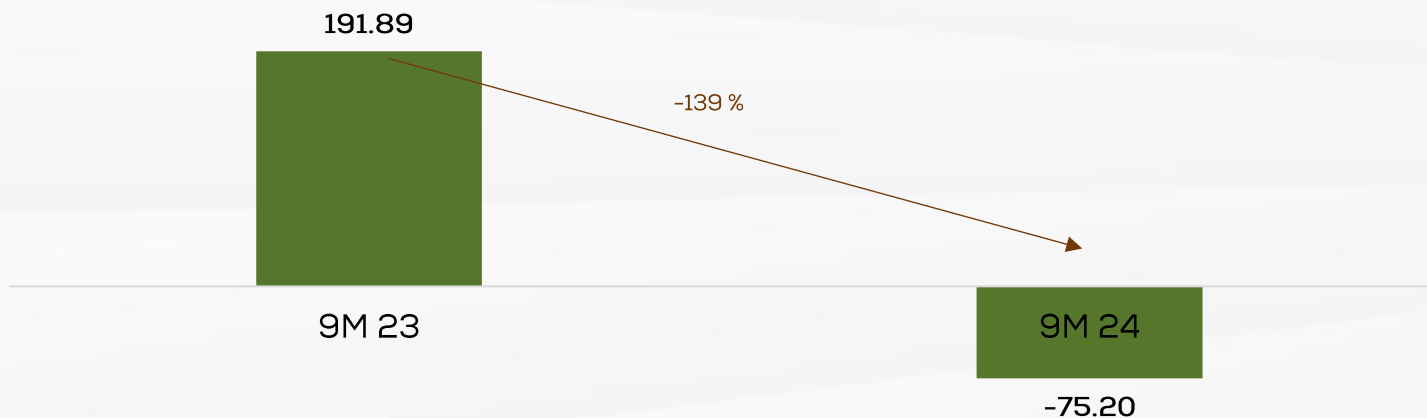
Key Financial Indicators

Working Capital And Working Capital Ratio SAR M



The 298% increase in working capital is due to the proceeds of cash from PIF investment in Q1 24

Cash Flow From Operations SAR M



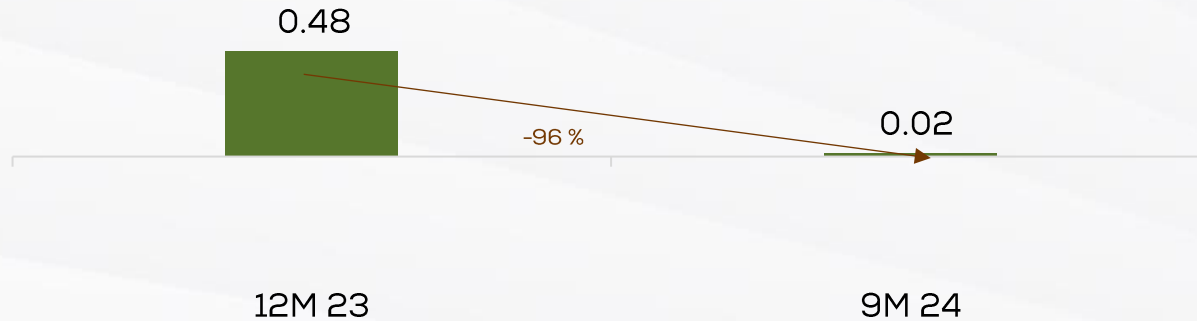
Cash from operations has decreased by 139% due to negative working capital changes mainly driven by building up Juthor inventory stock:

- Increase in Account Receivables
- Increase in Inventory

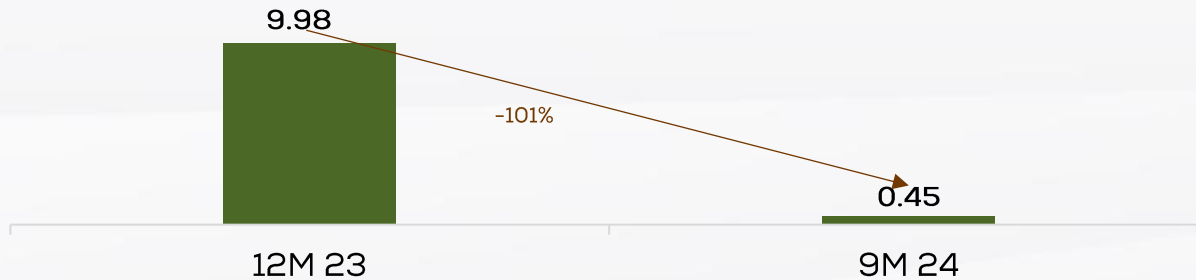
This resulted in lower operating cash flows.

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:

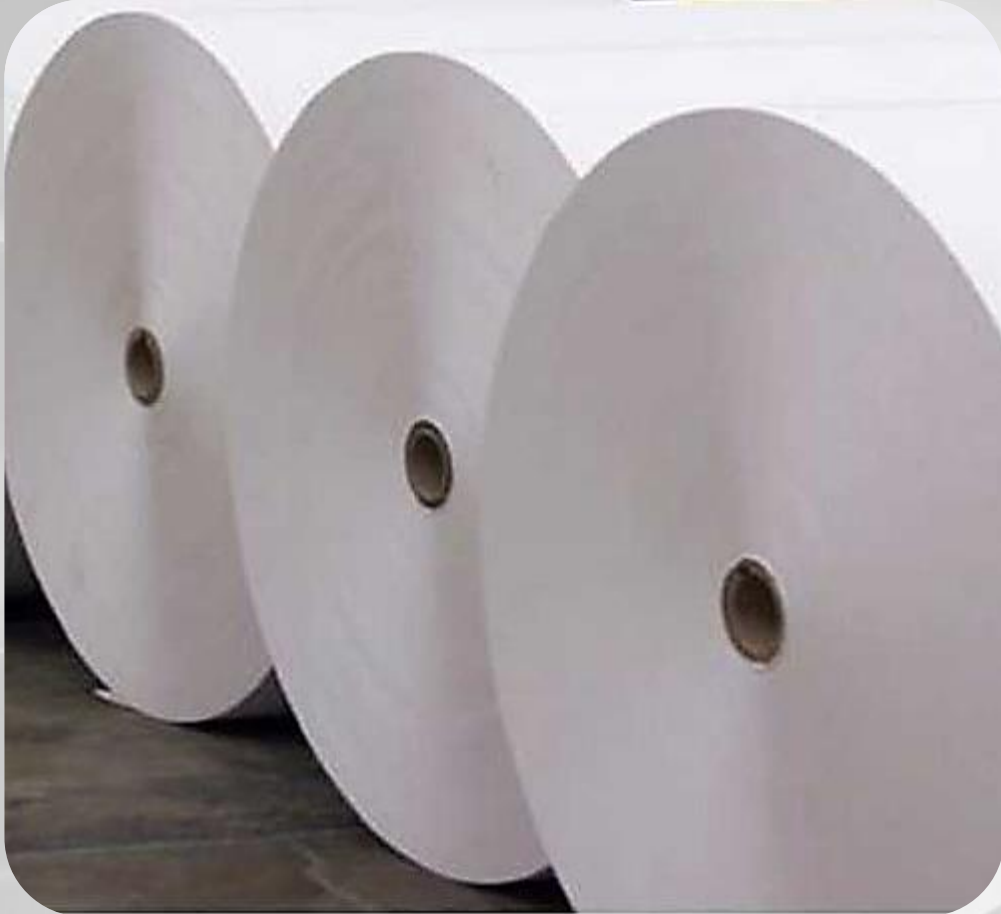
- Increase in cash
- Increase in EBITDA (24% from Dec 23 until Sept 24)

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 optimal production capacity for Juthor:** Ramp up Juthor's utilization rate to maximize output and efficiency.
- **Expand Sales of recyclables 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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