

Steve Binnie
Chief Executive Officer of Sappi Limited
6 May 2021

sappi

Q2 FY21 financial results

Forward-looking statements

Certain statements in this presentation that are neither reported financial results nor other historical information, are forward-looking statements, including but not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. The words “believe”, “anticipate”, “expect”, “intend”, “estimate”, “plan”, “assume”, “positioned”, “will”, “may”, “should”, “risk” and other similar expressions, which are predictions of or indicate future events and future trends and which do not relate to historical matters, identify forward-looking statements. In addition, this document includes forward-looking statements relating to our potential exposure to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity price risk. You should not rely on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond our control and may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements (and from past results, performance or achievements). Certain factors that may cause such differences include but are not limited to:

- The highly cyclical nature of the pulp and paper industry (and the factors that contribute to such cyclical nature, such as levels of demand, production capacity, production, input costs including raw material, energy and employee costs, and pricing)
- The impact on our business of adverse changes in global economic conditions
- The COVID-pandemic
- Unanticipated production disruptions (including as a result of planned or unexpected power outages)
- Changes in environmental, tax and other laws and regulations
- Adverse changes in the markets for our products
- The emergence of new technologies and changes in consumer trends including increased preferences for digital media
- Consequences of our leverage, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed
- Adverse changes in the political situation and economy in the countries in which we operate or the effect of governmental efforts to address present or future economic or social problems
- The impact of restructurings, investments, acquisitions, dispositions and other strategic initiatives (including related financing), any delays, unexpected costs or other problems experienced in connection with dispositions or with integrating acquisitions or implementing restructurings or other strategic initiatives, and achieving expected savings and synergies, and
- Currency fluctuations.

We undertake no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events or circumstances or otherwise.

Regulation G disclosure

Certain non-GAAP financial information is contained in this presentation that management believe may be useful in comparing the company's operating results from period to period.

Reconciliation's of certain of the non-GAAP measures to the corresponding GAAP measures can be found in the quarterly results booklet for the relevant period.

These booklets are available on our website: <https://www.sappi.com/quarterly-reports>

Highlights Q2 FY21

Excluding special items*

Strong performance for
packaging and specialities
and DP

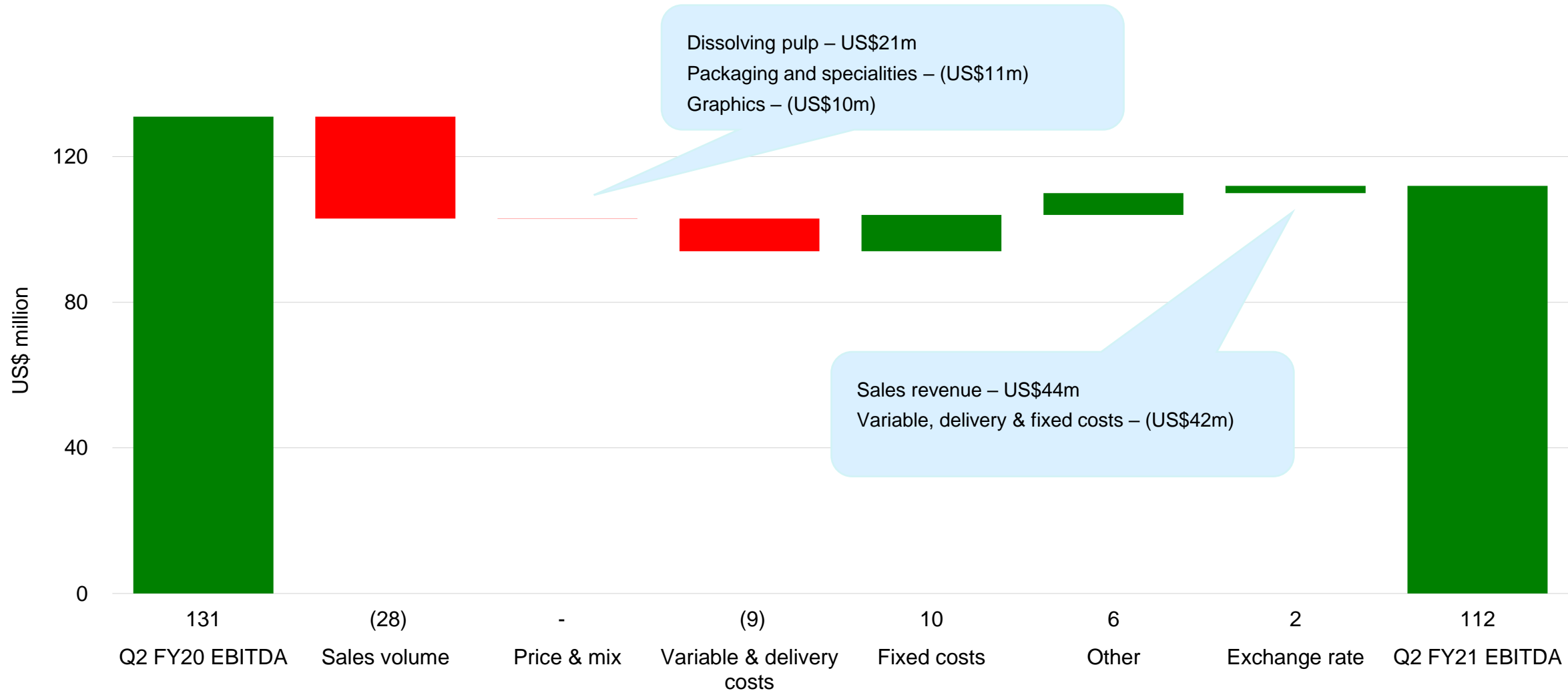
EBITDA* US\$112m
Up 14% from prior quarter

EPS* (1) US cents

- Steady recovery from COVID-related challenges continues
- Strong performance for packaging and specialities combined with solid results from dissolving pulp (DP)
- Continued rapid recovery in DP markets continue; CCF at highest levels since May 2012; US\$1,100 per ton
- Weak demand and margin squeeze in graphic papers
- Global shipping and container availability remains a challenge
- Reinstatement of leverage covenants from Q1 2022 with comfortable headroom

* Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 26 in our Q2 FY21 financial results booklet (available on www.sappi.com) for a definition of special items.

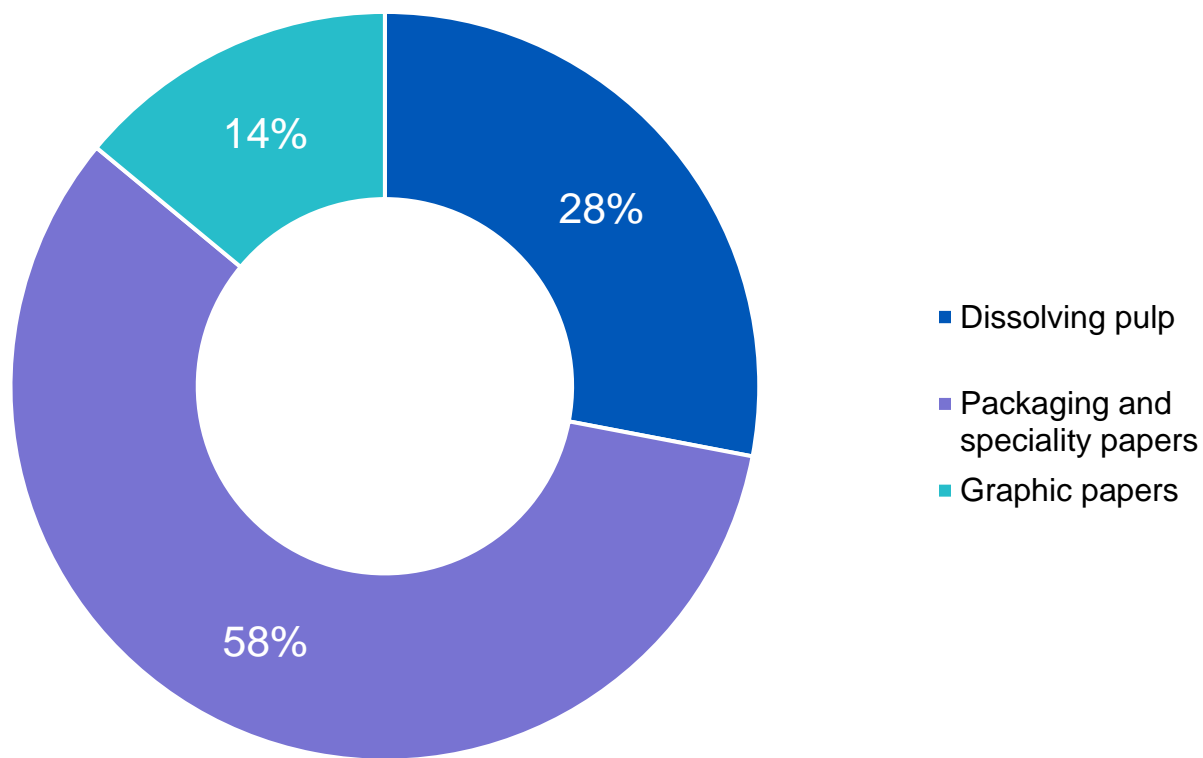
EBITDA* reconciliation Q2 FY21 to Q2 FY20



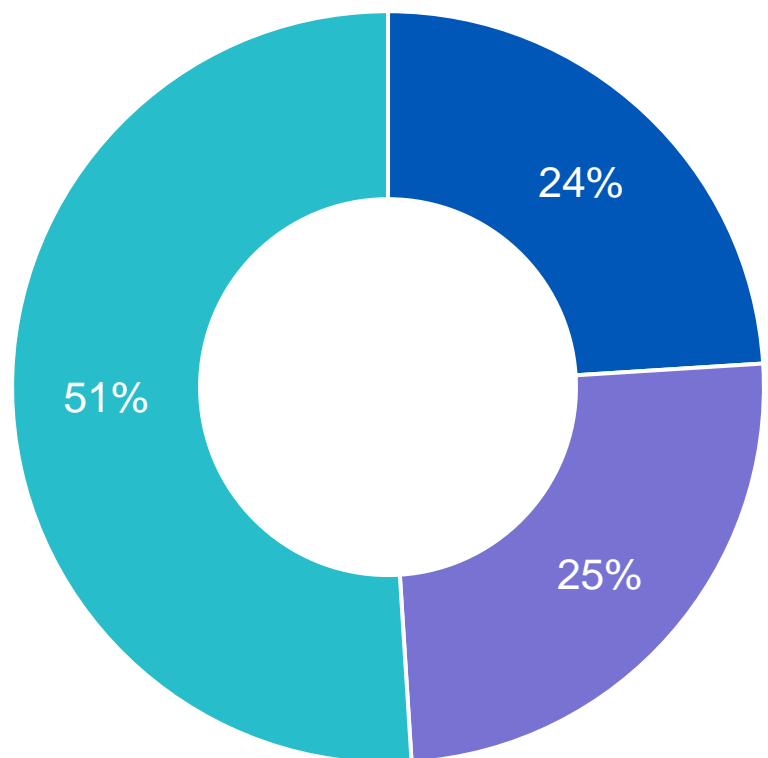
1. All variances were calculated excluding forestry operations.
2. Currency conversion reflects translation and transactional effect on consolidation.
3. EBITDA* = EBITDA excluding special items.

Product contribution split Last twelve months

EBITDA* excluding special items



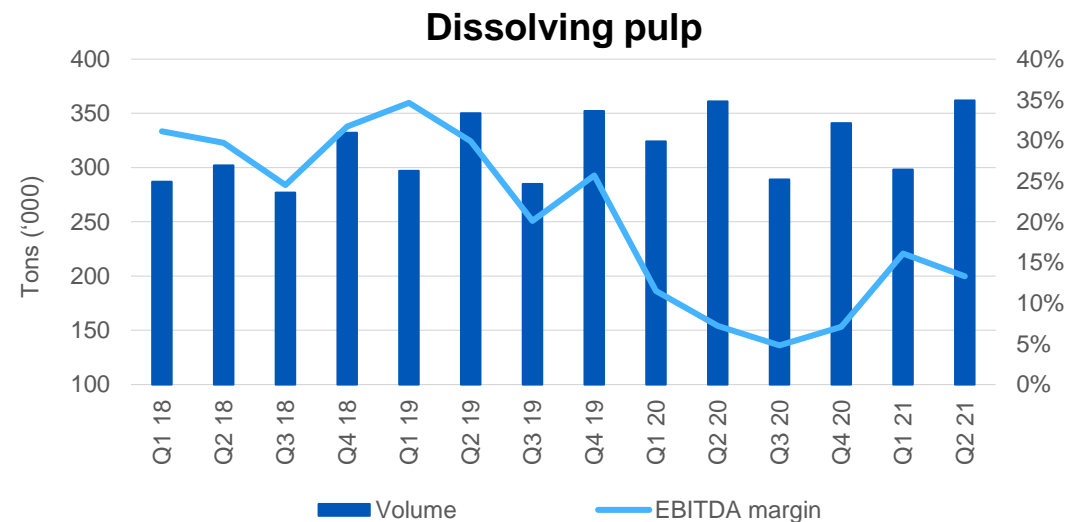
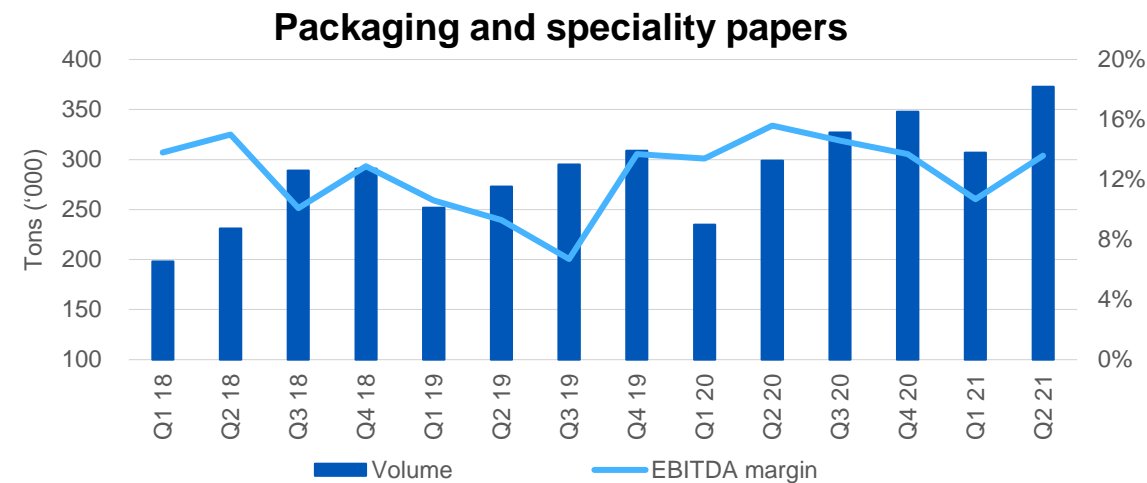
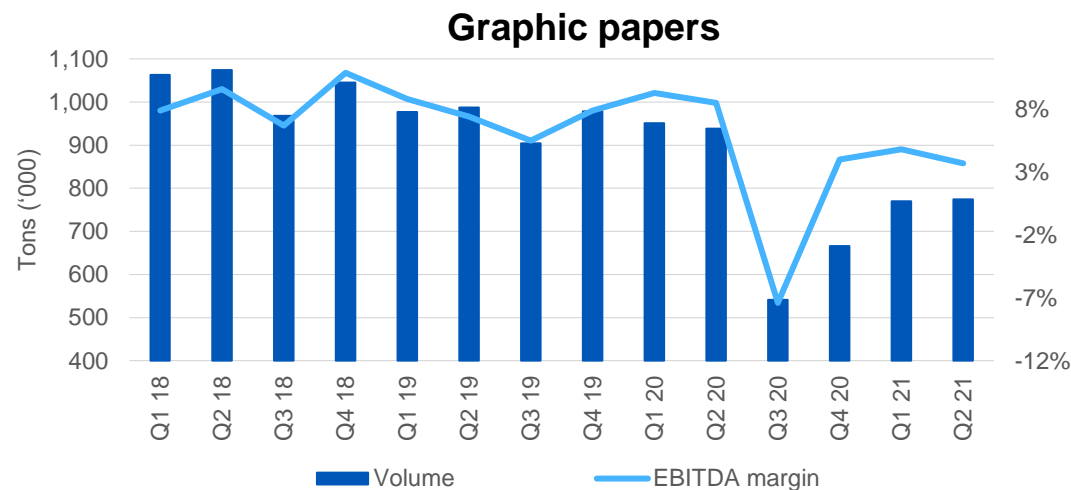
Sales volumes**



* Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 26 in our Q2 FY21 financial results booklet (available on www.sappi.com) for a definition of special items. Data excludes treasury operations and insurance captive.

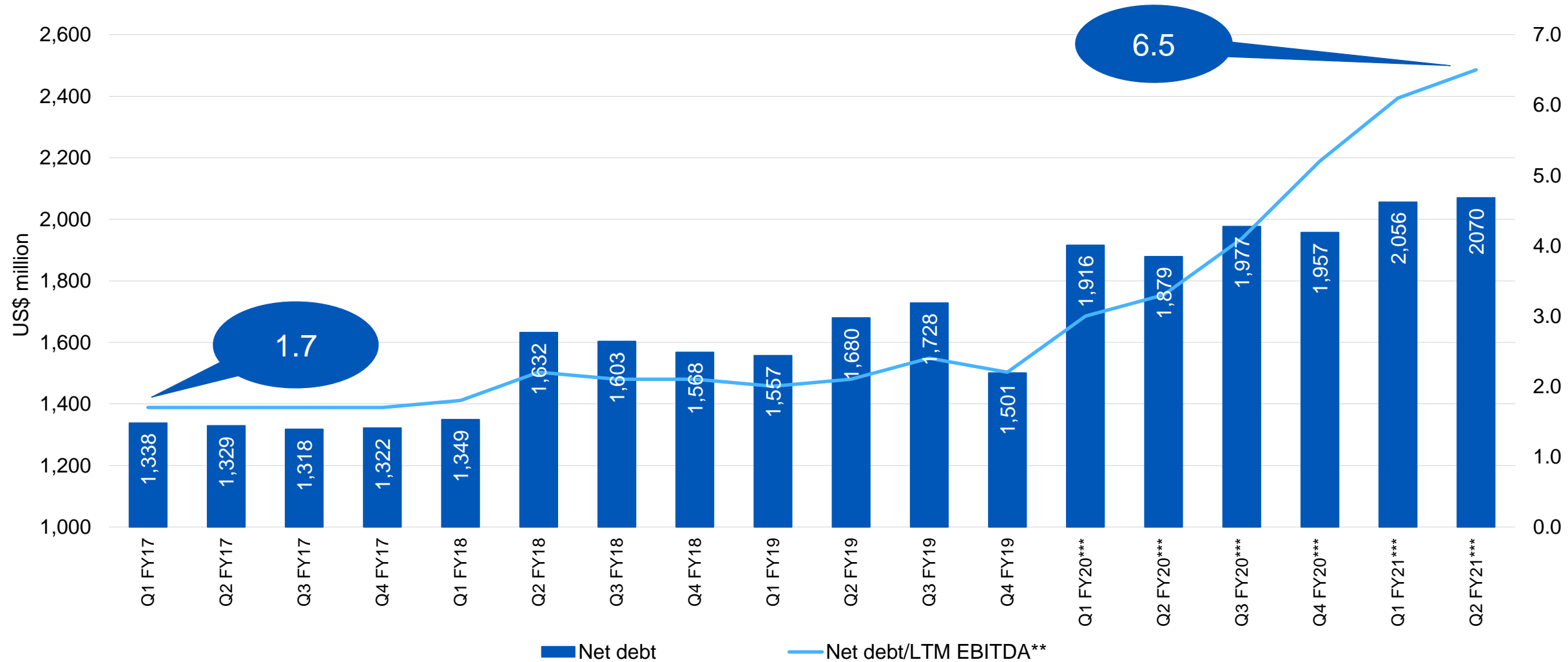
** Sales volumes exclude forestry operations.

Segment volume & EBITDA* margin



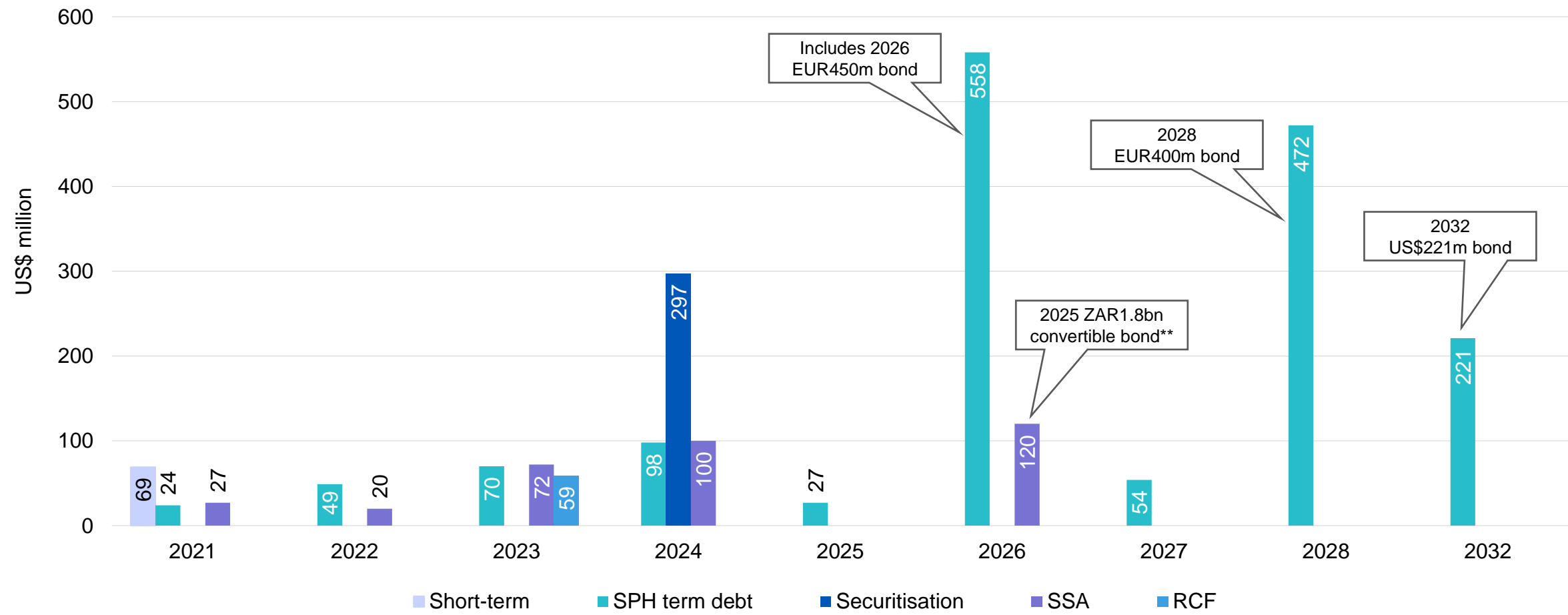
* EBITDA excluding special items.

Net debt/EBITDA* development

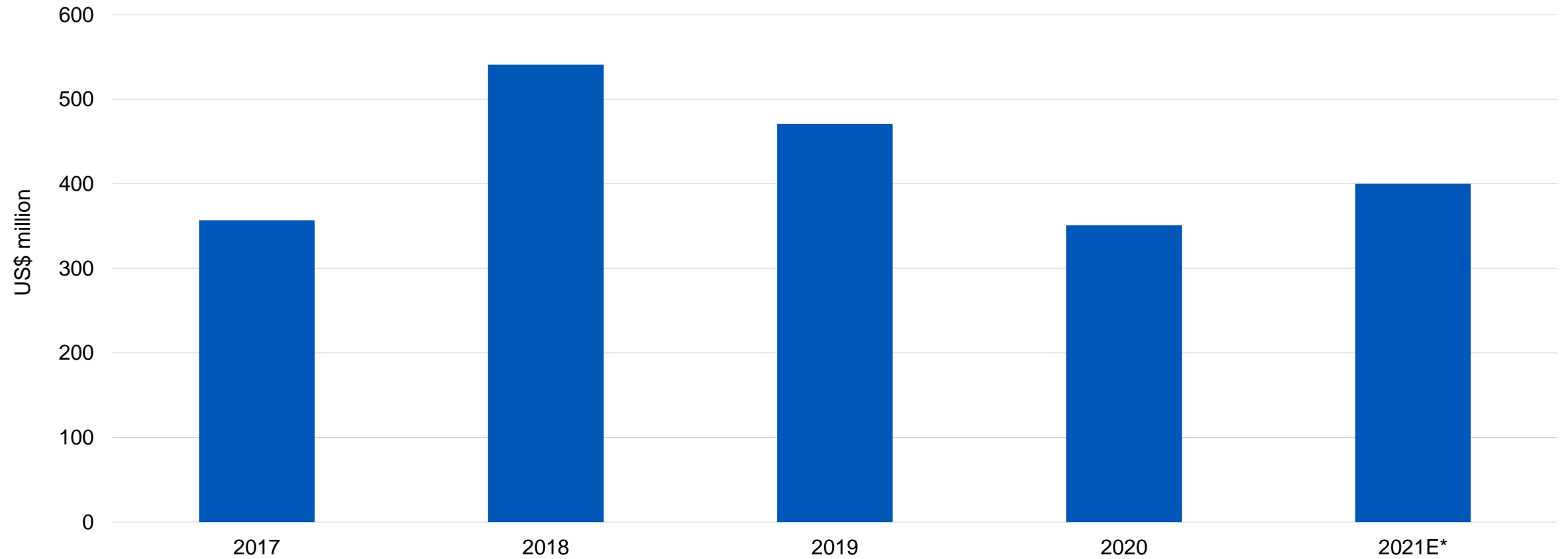


* EBITDA excluding special items.
** The covenant *Net debt/LTM EBITDA* calculation has adjustments and therefore differs from that shown above.
*** Quarters impacted by IFRS 16 leases (Q2 FY21 ~US\$124m) and Matane Mill acquisition (Q1 FY20 US\$158m).

Maturity profile* Fiscal years

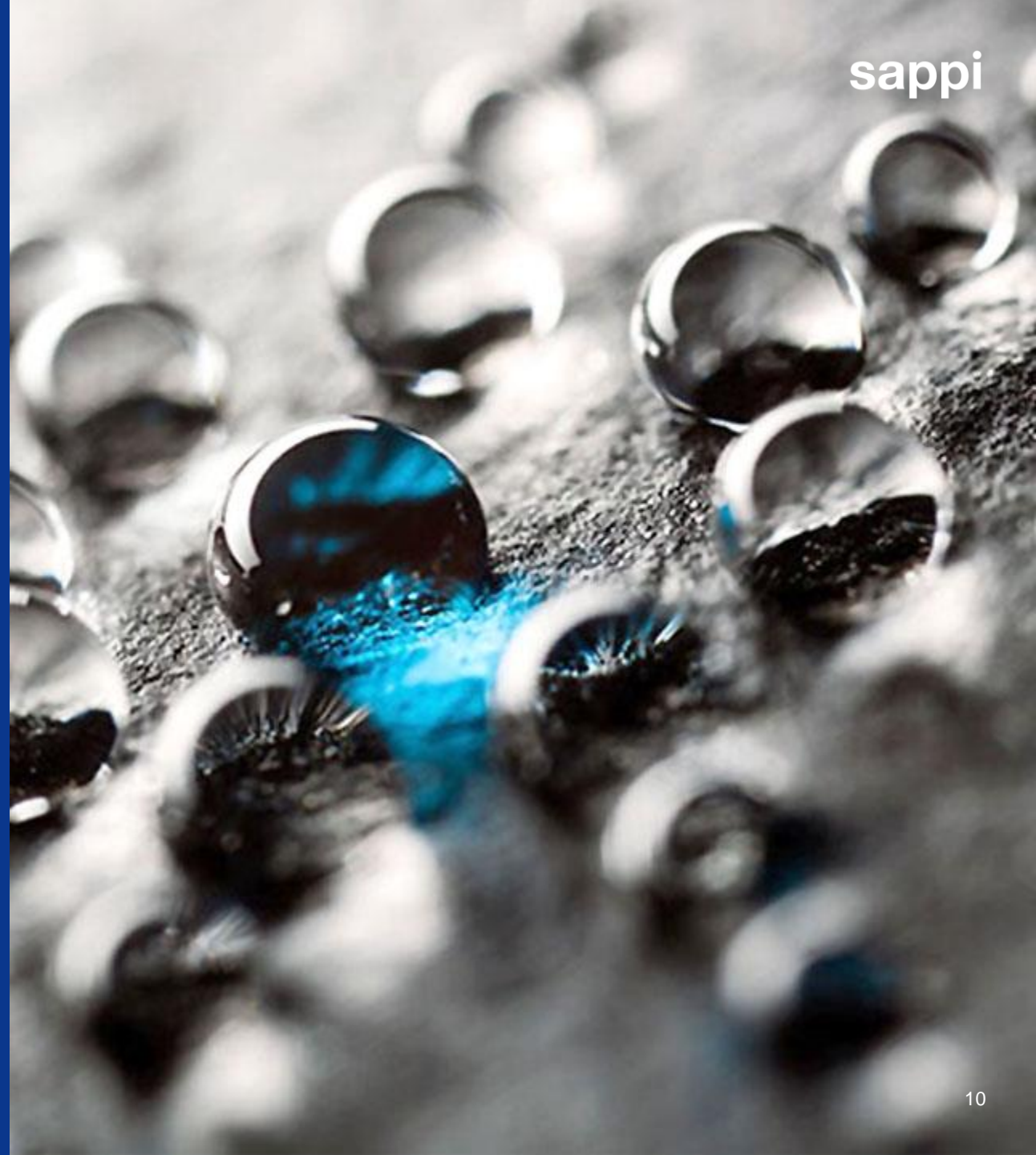


* Excludes US\$124 million in IFRS 16 leases; average time to maturity of approximately four years.
** SSA issued five-year convertible bonds with a principal amount of ZAR1.8 billion during the quarter. The bonds are convertible into ordinary shares of Sappi Limited.



* Capital expenditure in FY21 is estimated to be US\$400 million.

Segmental overview



Sales tons -16%
year-on-year

Price per ton (EUR)
-6% year-on-year

EBITDA* margin
4.8%

- The recovery slowed due to renewed COVID lockdowns; 115,000 tons commercial downtime in graphics
- Export markets improved but reduced sales due to logistical issues
- Paper selling prices were under pressure due to historically low pulp prices
- CWF and CM demand remained weak; volumes down 18% and 20% y-o-y
- Paperboard demand was strong but non-essential categories negatively affected by COVID
- Increased costs q-o-q primarily due to rising purchased pulp prices

* Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 26 in our Q2 FY21 financial results booklet (available on www.sappi.com) for a definition of special items.

Sales tons +2%
year-on-year

Price per ton (US\$)
+3% year-on-year

EBITDA* margin
8.6%

- Improved business performance relative to the prior quarter and y-o-y
- Packaging and specialties volumes +56% y-o-y and +18% versus the prior quarter; ramp-up of paperboard grades and strong demand in label paper
- Higher DP and BCTMP selling prices improved profitability in the DP segment
- Continued recovery in graphics segment; volumes 85% of prior year
- Variable costs negatively impacted by increased delivery and fuel costs and higher purchased pulp prices

* Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 26 in our Q2 FY21 financial results booklet (available on www.sappi.com) for a definition of special items.

Sales tons** +6%
year-on-year

Price per ton (ZAR)**
+5% year-on-year

EBITDA* margin
14.9%

- EBITDA +13% y-o-y; higher sales volumes in packaging and improved DP selling prices
- Logistics issues remain a challenge with volumes spilling over from one quarter to the next
- DP production curtailment of 23,000 tons due to oxygen supply issues
- Packaging volumes +28% y-o-y; strong demand for fruit exports
- Costs up y-o-y; rising raw material cost, wage increases and higher freight rates

* Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 26 in our Q2 FY21 financial results booklet (available on www.sappi.com) for a definition of special items.

** Sales tons and price per ton excludes forestry operations.

Markets

Dissolving pulp

- Continued rapid recovery of DP markets
- CCF market price surged by US\$340 per ton during the quarter to US\$1,066 per ton and is currently at the highest level since May 2012
- DP market indicators remain positive and demand from our customers currently exceed our capacity; recovery of DP prices in the second quarter will be realised in subsequent quarters due to the lag in contractual pricing
- DP volumes, excluding BCTMP and market pulp, 3% lower than last year; shipping challenges and curtailment of DP production at Ngodwana Mill of 23,000 tons due to oxygen supply issues
- 57,000 tons of BCTMP and market pulp sales volumes included in the segment for Q2 FY21
- Global logistical challenges remain an issue and stronger US\$/ZAR exchange rate will temper pricing benefit in South Africa



Markets

Packaging and speciality papers

- Further ramp-up of paperboard products in North America and strong containerboard demand in South Africa
- Many categories positively affected to date; food- and hygiene-related products
- In Europe, lower selling prices linked to depressed pulp prices affected margins in the quarter
- Some non-essential products in Europe negatively impacted by COVID-related lockdowns
- Underlying demand remains resilient



Markets

Graphic papers

- Slow recovery of demand continued through to March; volumes were approximately 17% lower than last year; 1% higher than prior quarter
- European CWF and CM markets down approximately 17% y-o-y and US CWF market down approximately 24% y-o-y
- Graphic paper markets remain challenging; demand is still well below the long-term pre-COVID trend levels
- Demand in Europe remains weak and the lag in sales price increase realisation in combination with rising raw material and logistics costs could exacerbate the margin squeeze even further in this region



Cash management

Financing

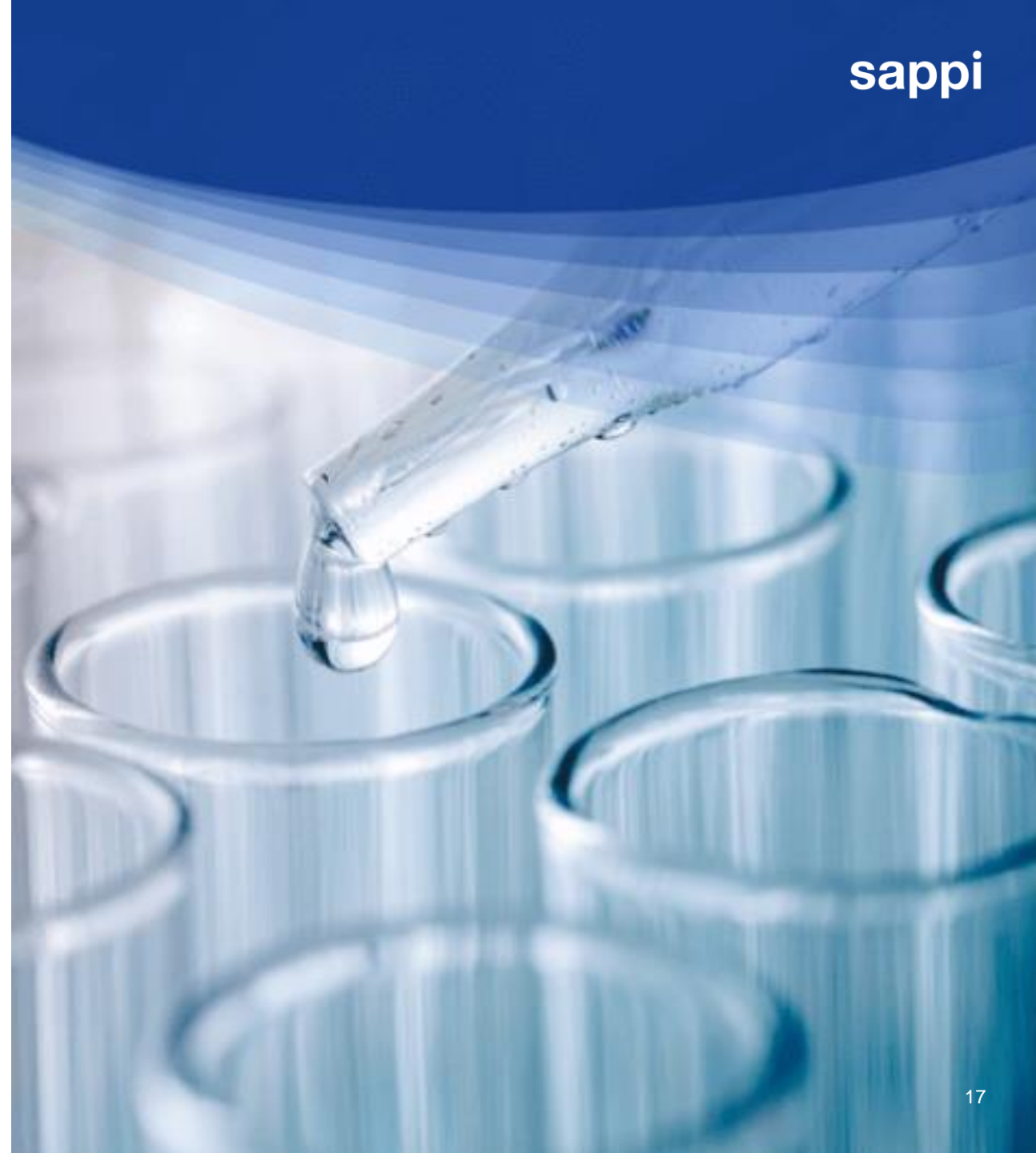
- Successful refinancing of €350 million 4% 2023 bond with a new €400 million 2028 bond at 3.625%
- Negotiated covenant suspension period until September 2021; first measurement December 2021
- Reinstatement of leverage covenants provides a comfortable level of headroom when covenant measurement commences again from December 2021

Capital expenditure

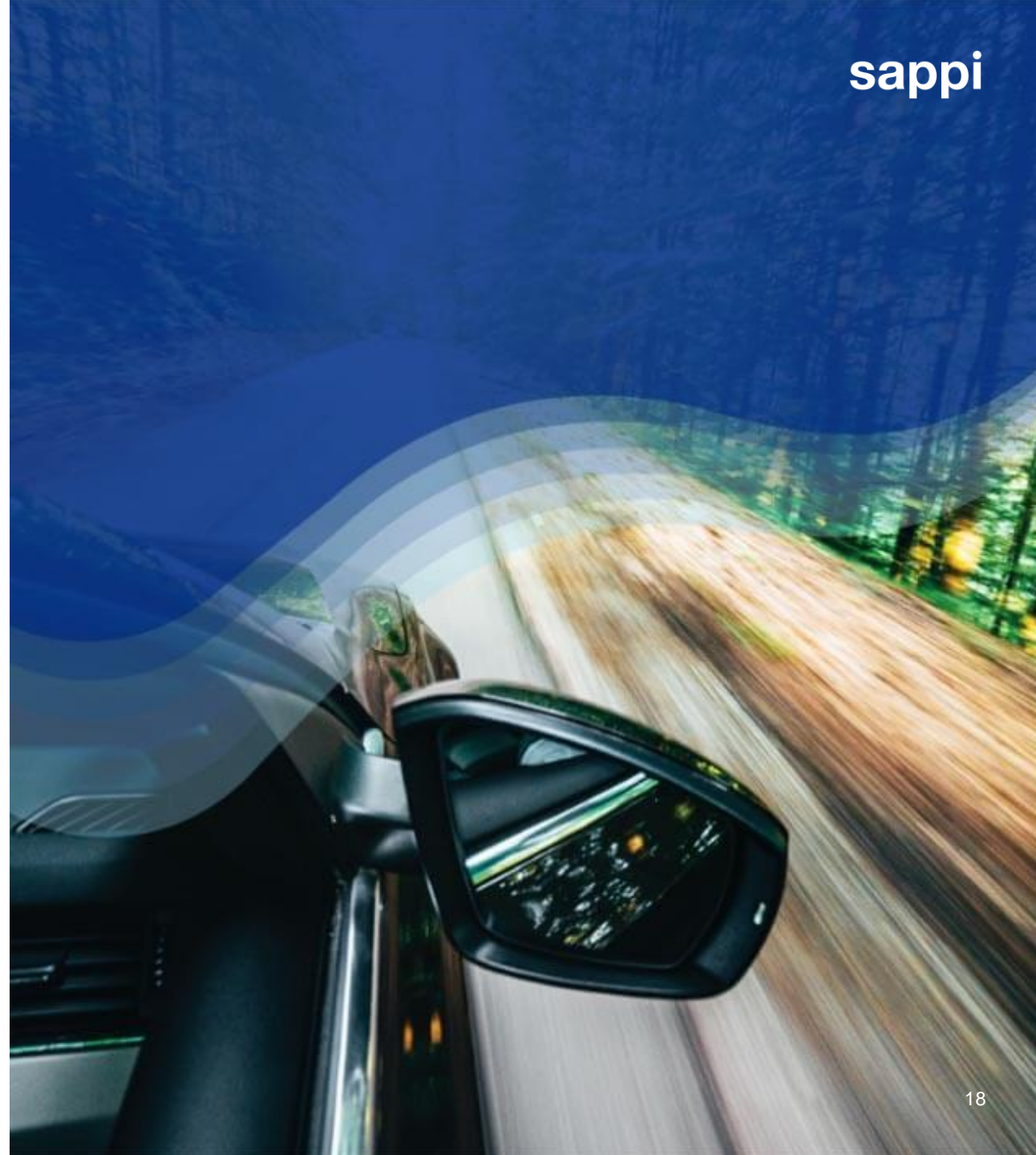
- Saiccor Mill expansion project; production commencement expected in Q4 FY21

Procurement

- Savings planned for FY21: US\$69 million



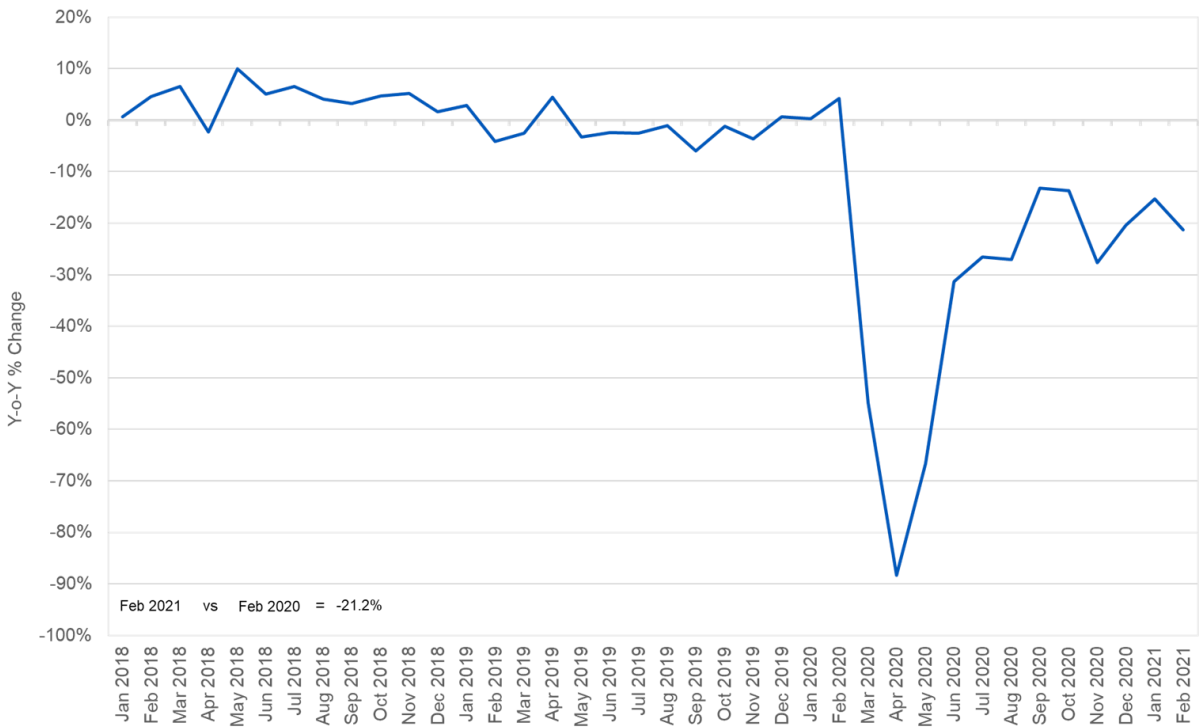
Road to recovery



Road to recovery

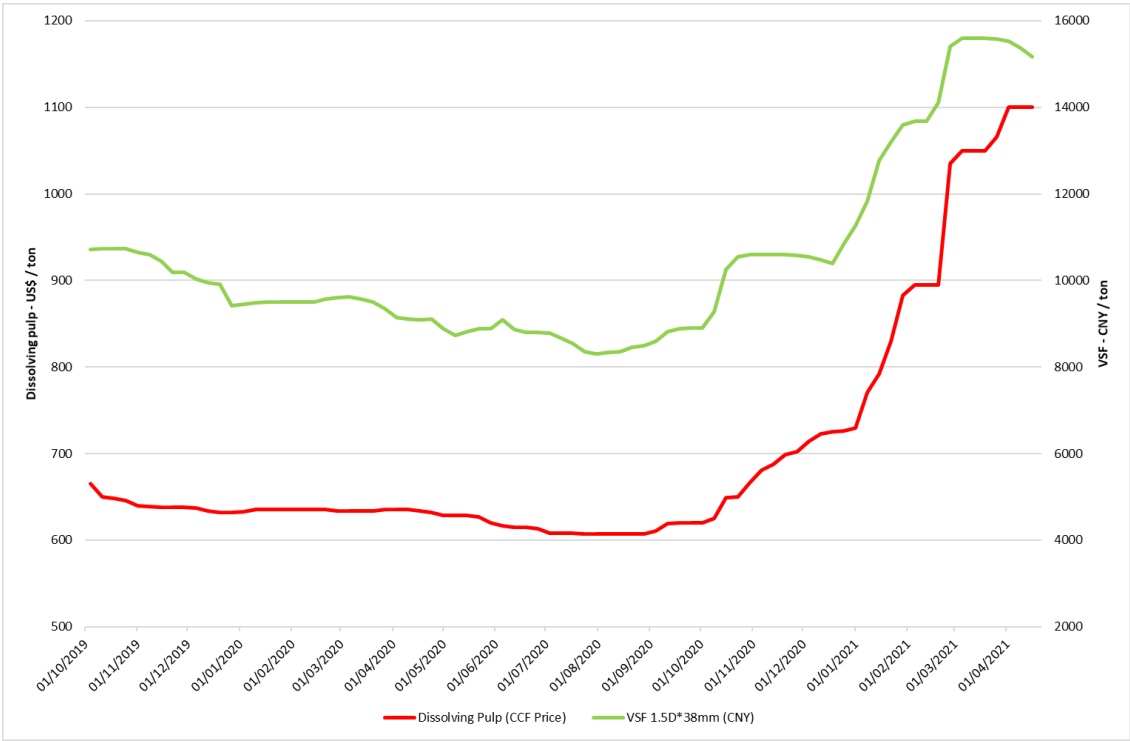
Dissolving pulp

Change in retail clothing sales in United States (% y-o-y)



Source: Internal & US Treasury.

Viscose staple fibre (VSF) vs Dissolving pulp pricing

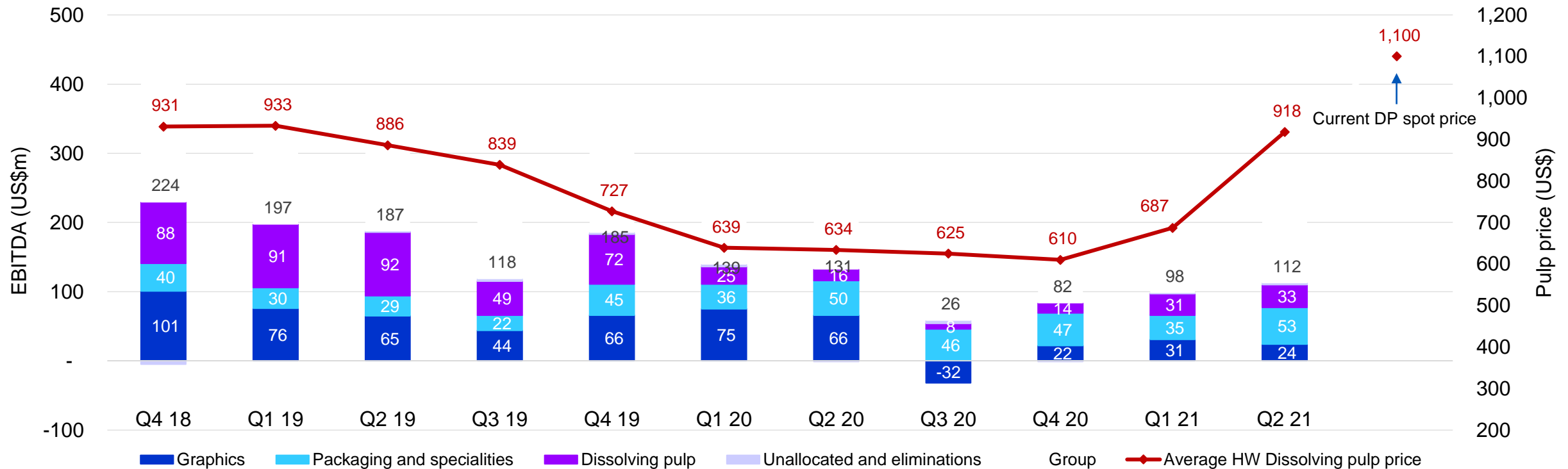


Source: CCF Group.

Road to recovery continued

Quarterly EBITDA and dissolving pulp price evolution

- Dissolving pulp prices above US\$1,000 per ton; levels not seen since 2012
- Pricing of Sappi's DP contracts is fixed one quarter in arrears; Sappi will realise the benefits of the current DP price from Q3 FY21



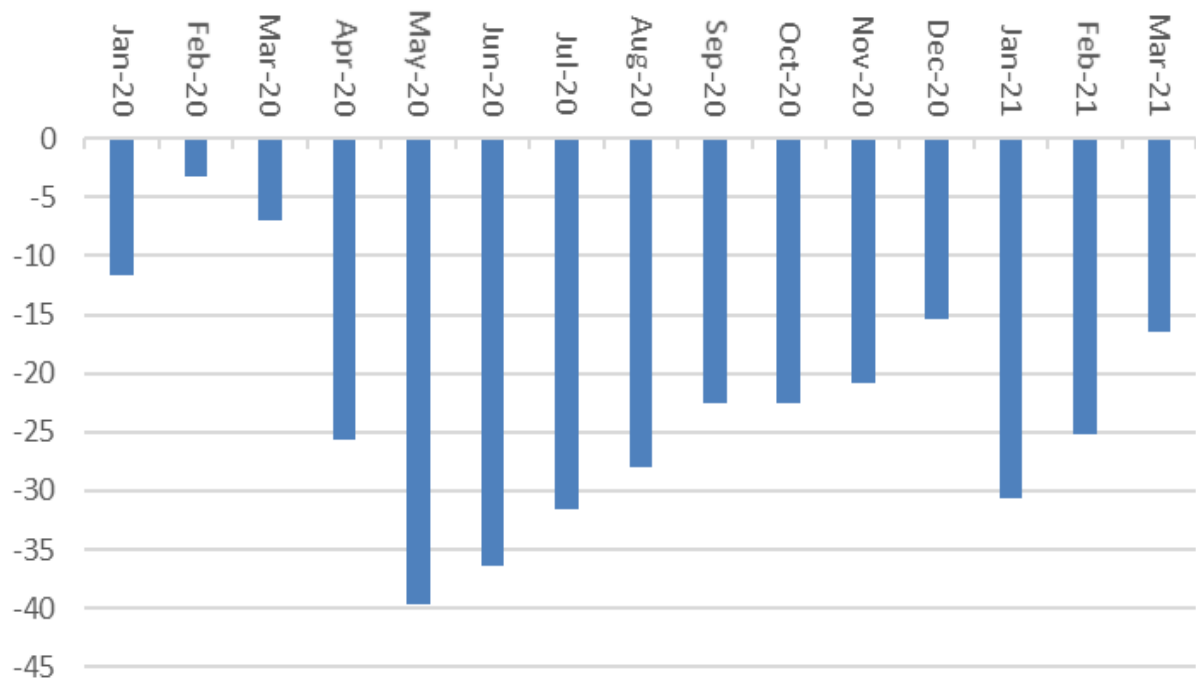
| Sales volumes ('000 tons) | Q4 18 | Q1 19 | Q2 19 | Q3 19 | Q4 19 | Q1 20 | Q2 20 | Q3 20 | Q4 20 | Q1 21 | Q2 21 |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Graphic papers | 1,045 | 977 | 987 | 904 | 978 | 951 | 938 | 541 | 666 | 770 | 774 |
| Packaging and speciality papers | 291 | 252 | 273 | 295 | 309 | 235 | 299 | 327 | 348 | 307 | 373 |
| Dissolving pulp | 332 | 297 | 350 | 285 | 352 | 324 | 361 | 289 | 341 | 298 | 362 |

Unallocated and eliminations includes the Group's treasury operations and insurance captive.

Road to recovery continued

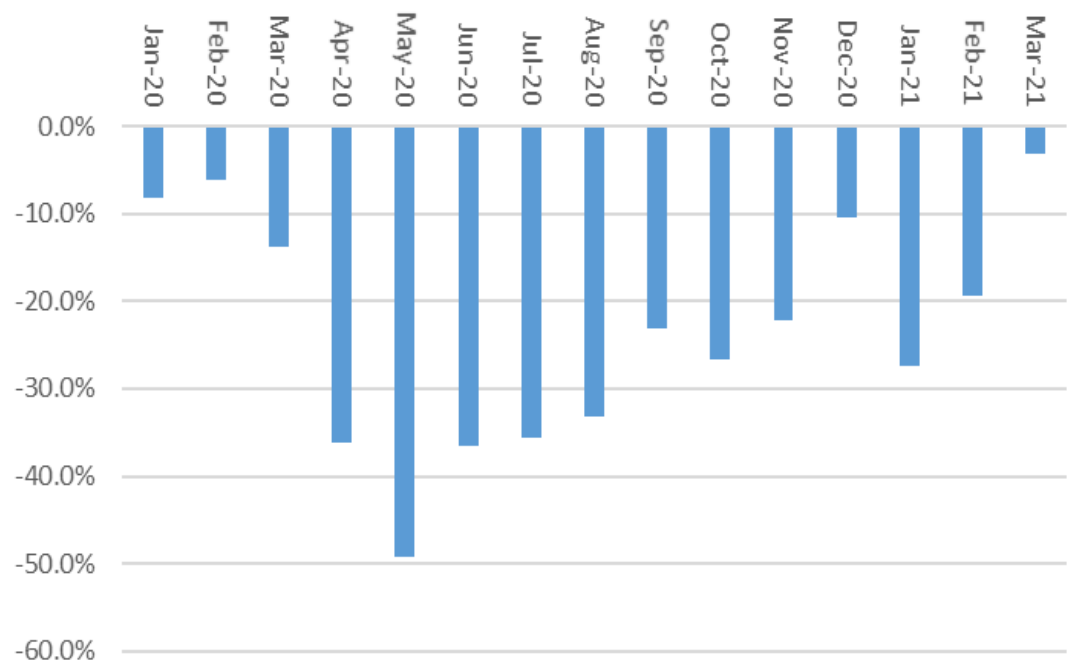
Coated woodfree paper

United States CFS consumption (y-o-y)*



* US consumption is Total US shipments plus US imports less US exports.

Europe CWF change in volumes (y-o-y)**



** Volumes sold by European producers.

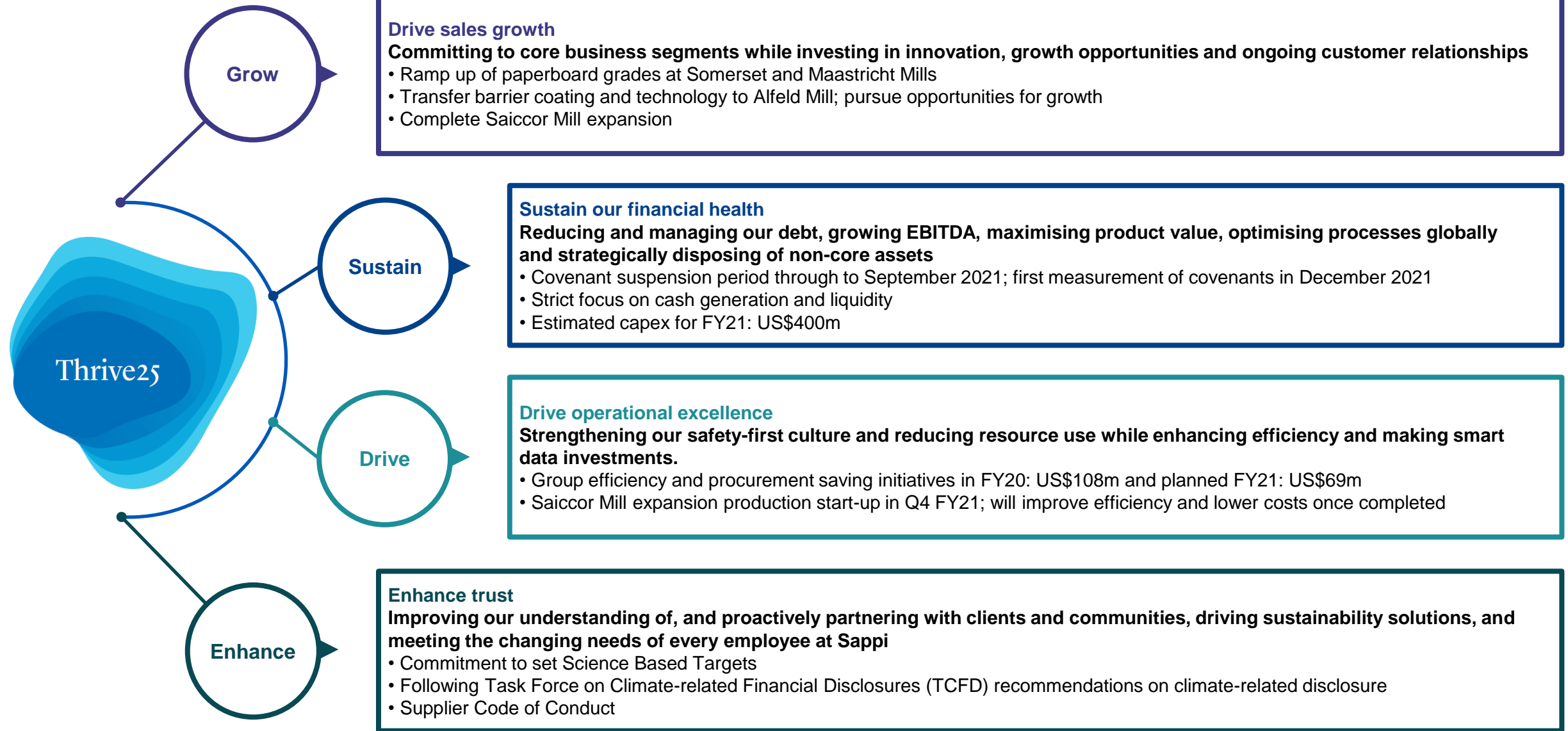
Global Liner Shipping Schedule Reliability: Mainstream Trades

Temporary Dip in Reliability in 1st Corona Wave. Continued Deterioration of Service worldwide since Q3 2020



Source: CargoSmart BigSchedules, 2021 plus TIM CONSULT Market Intelligence | Selected trades of relevance to SAPPI

1) Data available from December 2019



Two phases of strategic development—deleveraging followed by investment for growth:



Phase 1 Strengthen balance sheet (2021 – 2022)

Objective

Reduce debt and maximise cash generation.

Strategy

- Complete approved projects on time and within budget.
- Drive further margin improvement opportunities.
- Investigate capacity expansions.
- Investigate new growth opportunities for next phase.

Phase 2 Invest for profit growth (2022+)

Objective

Invest in new opportunities.

Strategy

- Deliver smaller growth opportunities.
- Make decision on expansions and conversions.
- Commercialise new products at scale.
- Execute sustainability strategy.
- Invest in R&D.


Sustainability
is at the core
of our business

ESG - continuously rethinking what we do and how we do it


Sustainability is embedded into Sappi's business and work culture

sappi

Sappi's commitment to sustainable growth



- Sappi Forests: 100% FSC certified,
- Sappi Forests: 100% PEFC certified



- Awarded Platinum Level in sustainability performance by independent rating agency EcoVadis (2020)




- Rated 'Prime' by Oekom Research, meaning Sappi fulfils the demanding requirements regarding sustainability performance in the sector



- Report to the CDP (www.cdp.net/en) under its *climate change* and *forest* programmes, making our responses publicly available



- Confirmed as a constituent of the FTSE4Good Index Series



- Committed to setting a 2030 Science Based GHG reduction target

Level 1

B-BBEE

Contributor

- Sappi Southern Africa is a Level 1 Broad-Based Black Economic Empowerment contributor

Sappi's 2025 sustainability targets aligned with United Nations Sustainable Development Goals



1 NO POVERTY



4 QUALITY EDUCATION



6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



15 LIFE ON LAND



17 PARTNERSHIPS FOR THE GOALS



* SDG 1 and SDG 4 specific to Sappi Southern Africa

26

Outlook

Dissolving pulp

- DP market indicators remain positive and demand from our customers currently exceeds our capacity
- Material recovery of DP prices in Q2 will be realised in subsequent quarters due to the lag in contractual pricing

Packaging and specialities

- Underlying demand in North America and South Africa remains robust
- Our focus is shifting to improving margins through machine efficiencies, mix optimisation and price realisation

Graphics

- Markets remain challenging and demand is still well below the long term pre-COVID trend levels
- In Europe, lag in sales price increase realisation and rising raw material/logistics costs could exacerbate margin squeeze

COVID

Logistics

Overall impact on Q3 FY21

- Uncertainty in Europe regarding the continuing lockdowns due to COVID, and the sluggish economic activity in this region is expected to impact demand for non-essential consumer products
- Ongoing worldwide logistical challenges of container shortages, port congestion and availability of vessel capacity pose a risk to export volumes from all regions
- We expect Q3 EBITDA to improve relative to Q2
- Earnings in our European business will be lower due to rising pulp costs

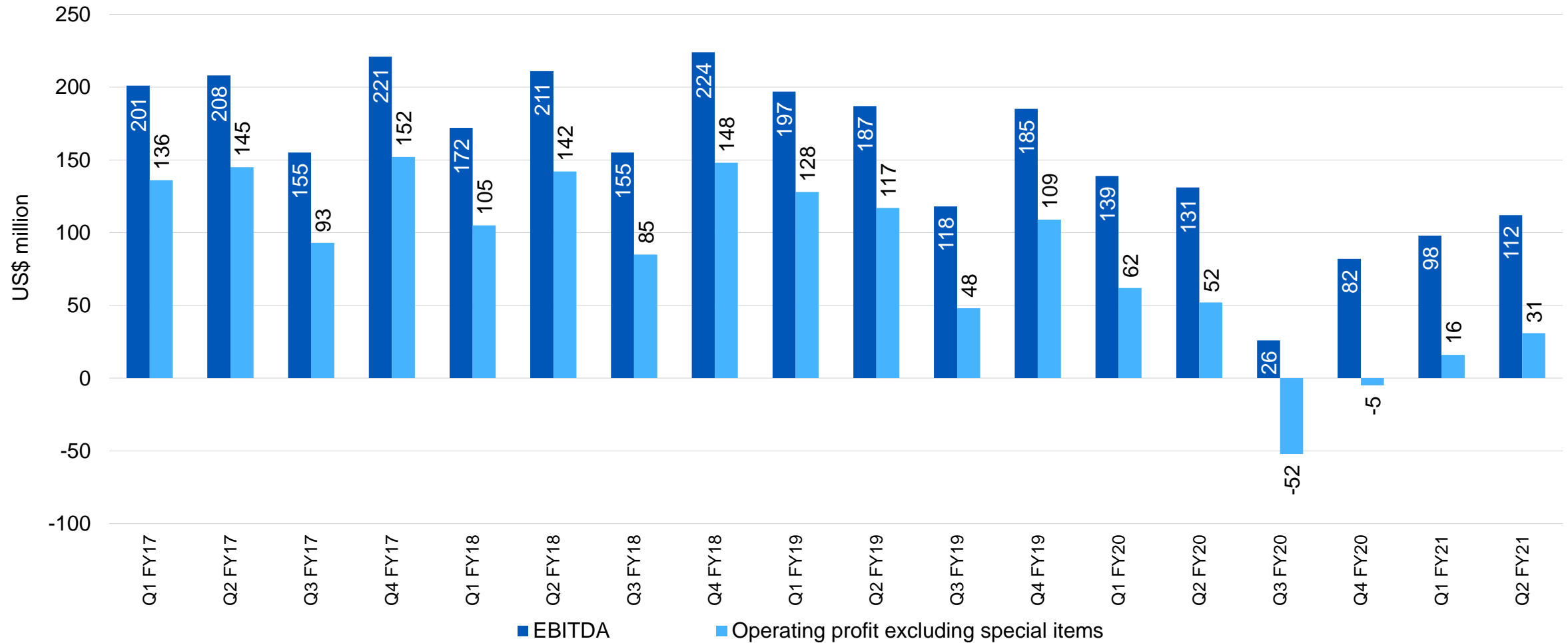
Thank you

Supplementary information



EBITDA and operating profit

Excluding special items*



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Net debt/EBITDA* development

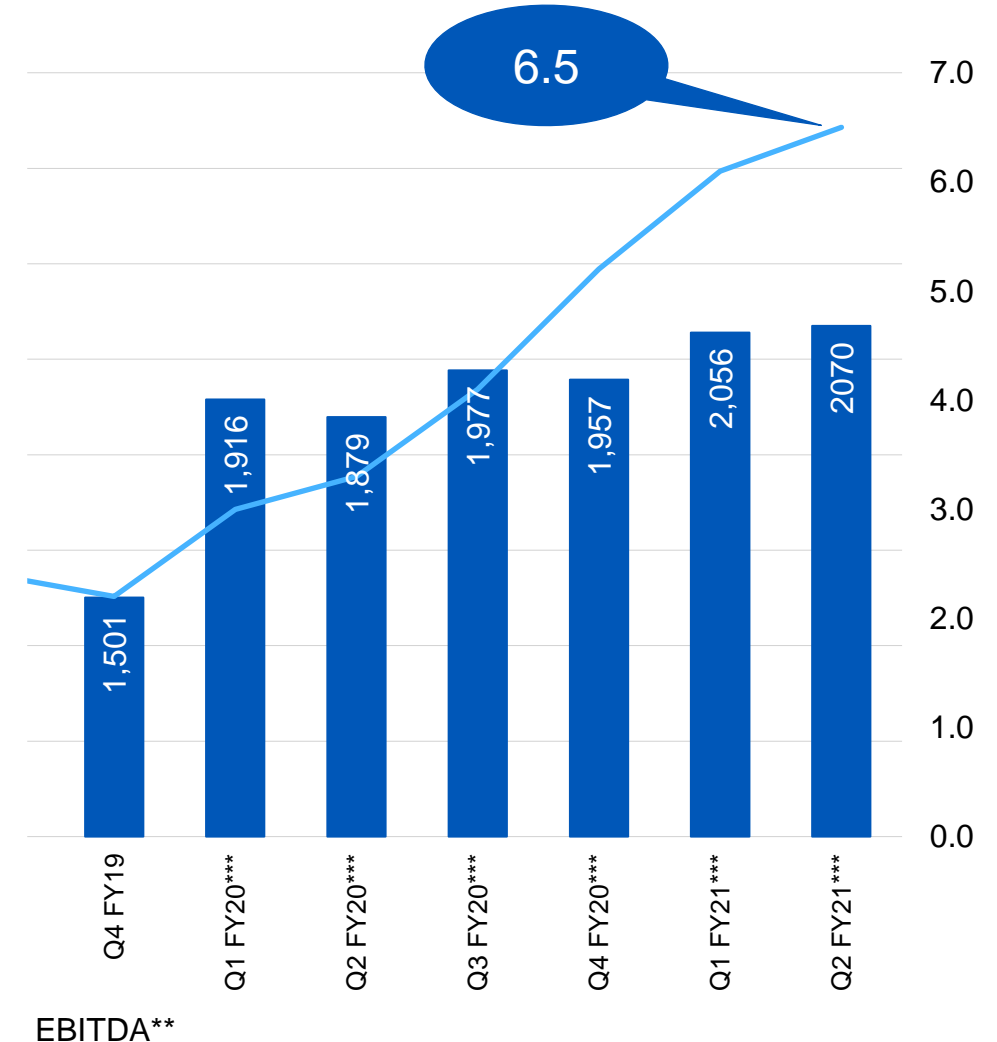
Quarterly results are improving, but leverage is increasing. *Why?*

Leverage is shown on a last-four-quarter basis. As weaker quarters impacted by COVID-19 replace stronger quarters in the calculation, so the last-four-quarter EBITDA reduces and the ratio to net debt increases. **This reverses when quarterly results improve again and replace the weaker COVID-19 quarters.**

| | Q4 FY20 | | Q1 FY21 | | Q2 FY21 |
|----------------------------------|---------|---------|---------|---------|---------|
| Q4 FY19 | 185 | Q1 FY20 | 139 | Q2 FY20 | 131 |
| Q1 FY20 | 139 | Q2 FY20 | 131 | Q3 FY20 | 26 |
| Q2 FY20 | 131 | Q3 FY20 | 26 | Q4 FY20 | 82 |
| Q3 FY20 | 26 | Q4 FY20 | 82 | Q1 FY21 | 98 |
| Q4 FY20 | 82 | Q1 FY21 | 98 | Q2 FY21 | 112 |
| EBITDA: Last four quarters | 378 | | 337 | | 318 |

Negative FX impact on net debt upon translation to US\$, due to strengthening EUR and ZAR:

- FY20 (\$67m), and
- H1 FY21 (\$61m)



Packaging and speciality papers Production facilities



Alfeld Mill (Germany)

Flexible packaging, label paper, paperboard, containerboard, silicone base paper, functional paper



Lanaken Mill (Belgium)

Functional paper



Rockwell Solutions (Scotland)

Functional papers and flexible packaging



Carmignano Mill (Italy)

Flexible packaging, label paper, inkjet paper, dye sublimation paper



Maastricht Mill (Netherlands)

Paperboard



Somerset Mill (United States)

Label paper, paperboard, flexible packaging



Cloquet Mill (United States)

Label paper



Ngodwana Mill (South Africa)

Containerboard



Stockstadt Mill (Germany)

Label paper, flexible packaging, containerboard



Condino Mill (Italy)

Flexible packaging, silicone base paper, dye sublimation paper



Tugela Mill (South Africa)

Containerboard



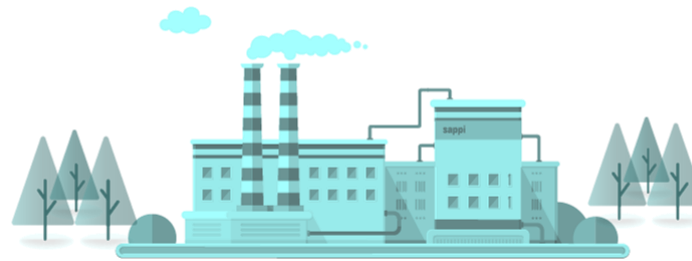
Eningen Mill (Germany)

Containerboard



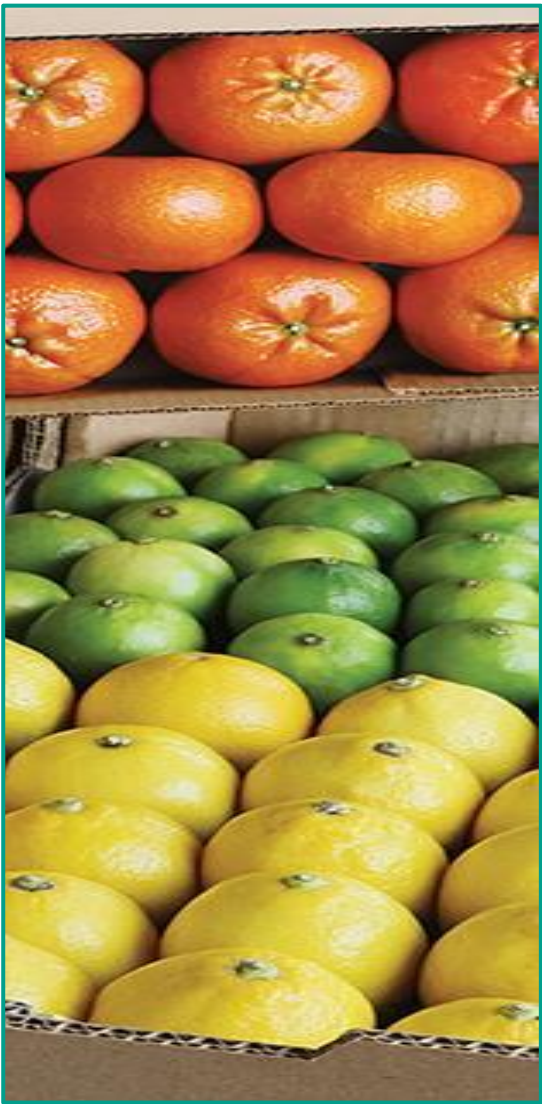
Westbrook Mill (United States)

Casting and release paper



| Flexible packaging papers | Functional papers | Label papers | Containerboard | Paperboard | Silicone base papers | Dye sublimation papers | Digital imaging papers |
|---------------------------|-------------------|--------------|----------------|------------|----------------------|------------------------|------------------------|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

| Casting and release papers | Functional papers | Label papers | | Paperboard Bristols | Paperboard Folding carton | Paperboard Litho lamination | Paperboard Food service board |
|----------------------------|-------------------|--------------|--|---------------------|---------------------------|-----------------------------|-------------------------------|
| | | | | | | | |
| | | | | | | | |
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Paperboard



**Containerboard
Topliner**



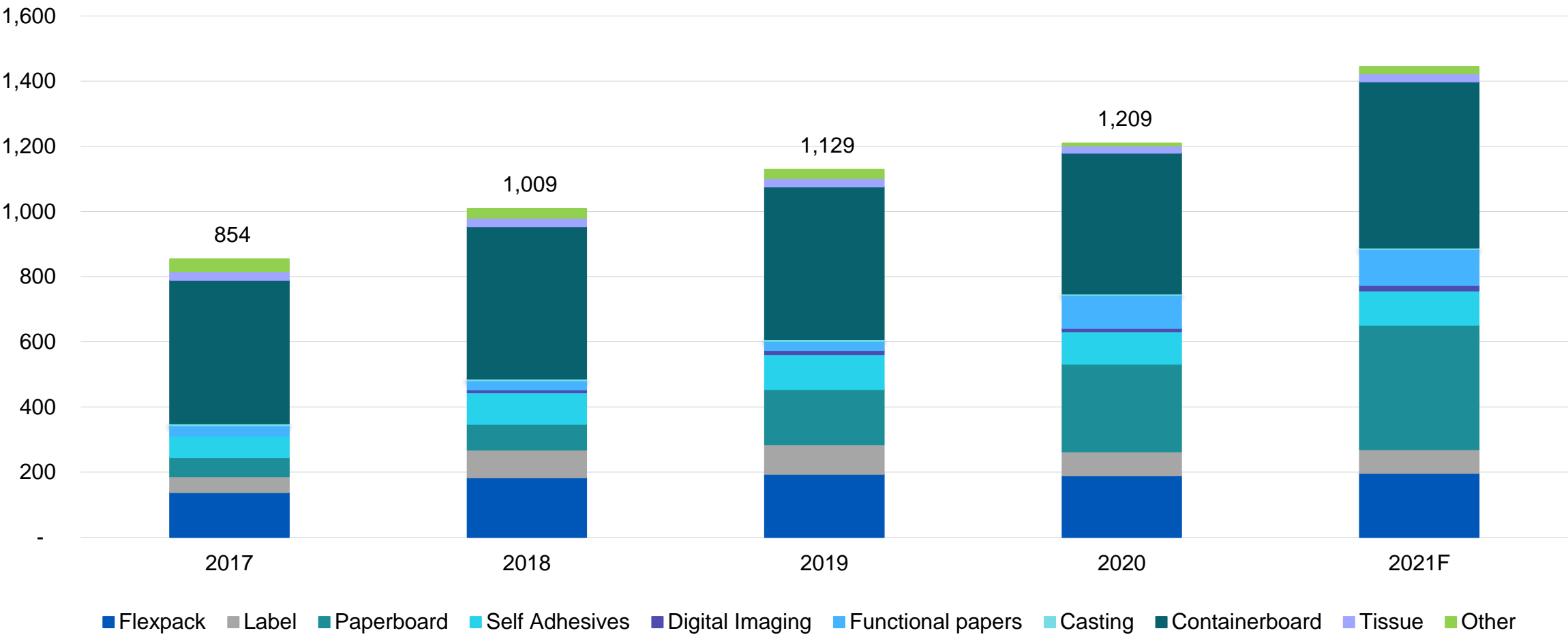
**Containerboard
Tobacco liner**



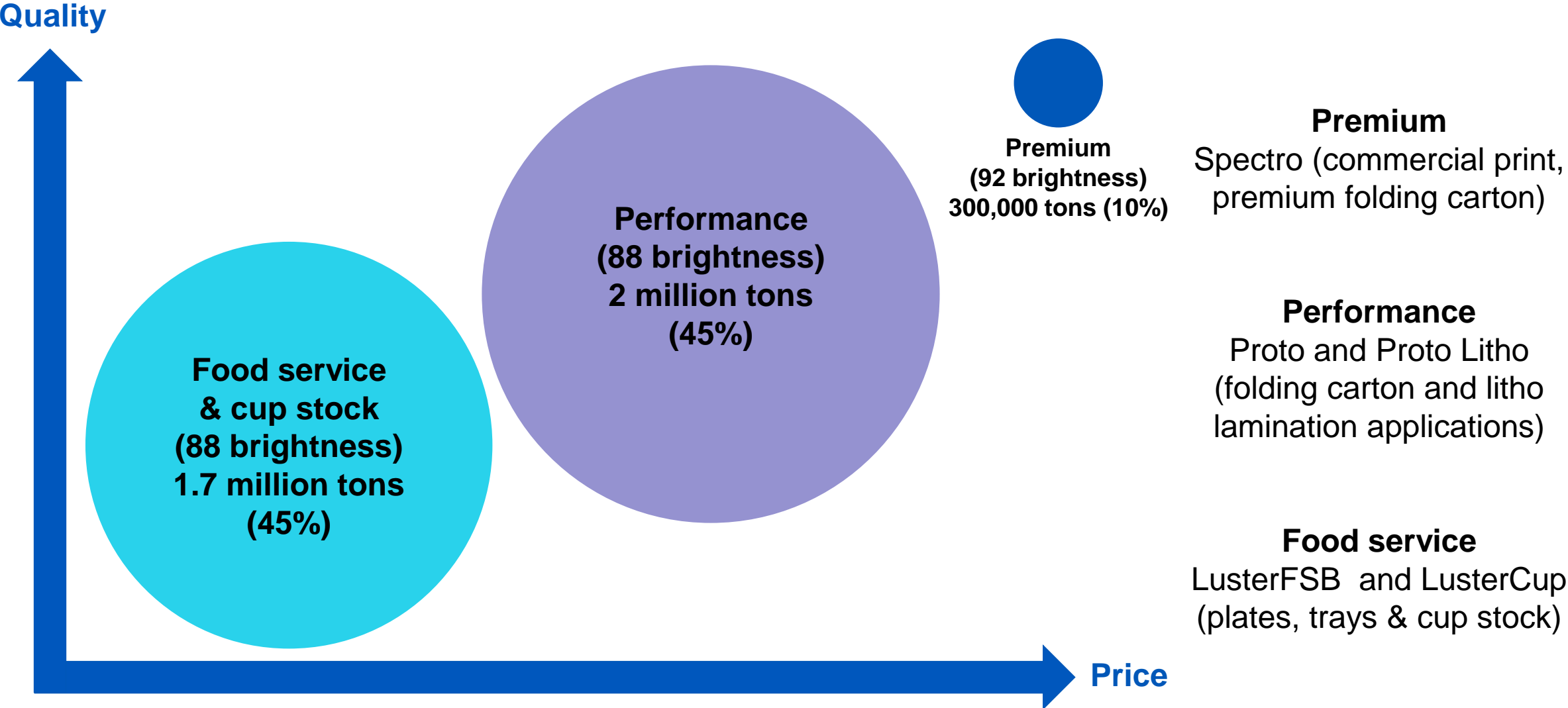
**Containerboard
Fluting**



Packaging and speciality papers Volume growth 2017 to 2021



Paperboard segments North America



Sources: RISI, Poyry, & Chartic; premium volume includes a range of premium folding carton from Sappi estimations.

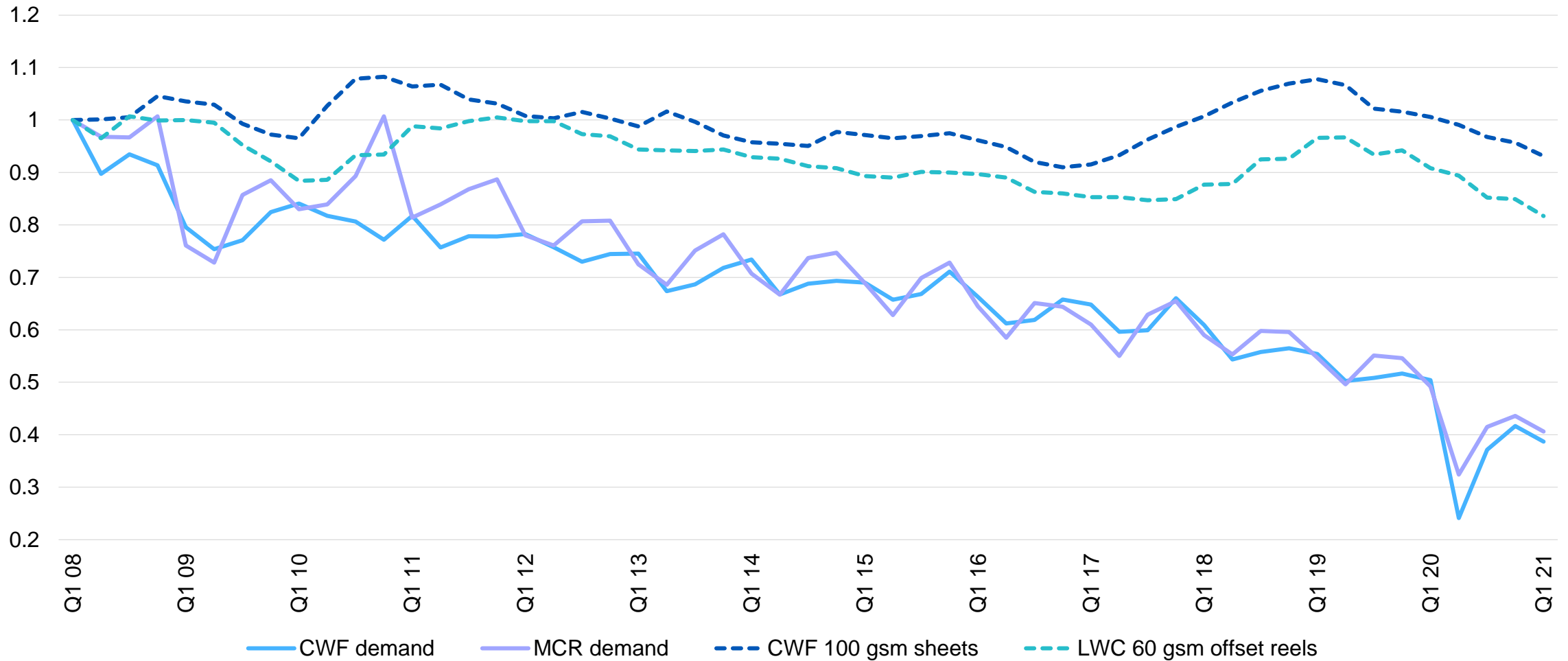
| | Q2 FY21 | Q1 FY21 | Q2 FY20 |
|--|------------|------------|------------|
| Tons sold ('000) | 669 | 658 | 793 |
| Sales (EURm) | 483 | 482 | 606 |
| Price/Ton (EUR) | 722 | 733 | 764 |
| Cost/Ton* (EUR) | 734 | 733 | 733 |
| Operating profit excluding special items** (EURm) | (8) | - | 25 |

* Sales less operating profit excluding special items divided by tons sold.

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Coated paper Deliveries and prices

Western Europe*



Source: Cepifine, Cepiprint and RISI indexed to 1Q 2008.

* Western Europe shipments including export.

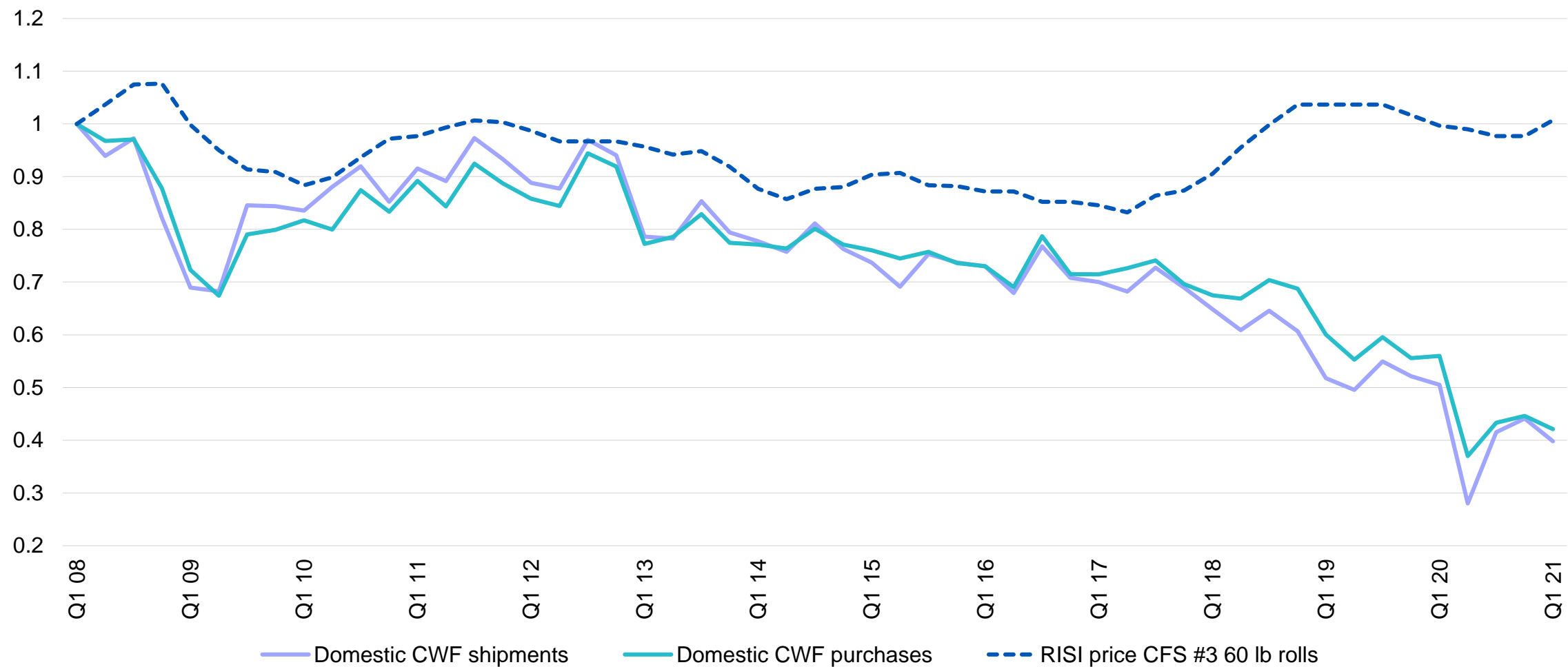
| | Q2 FY21 | Q1 FY21 | Q2 FY20 |
|---|------------|------------|------------|
| Tons sold ('000) | 426 | 421 | 416 |
| Sales (US\$m) | 408 | 384 | 387 |
| Price/Ton (US\$) | 958 | 912 | 930 |
| Cost/Ton* (US\$) | 932 | 917 | 921 |
| Operating profit excluding special items** (US\$m) | 11 | (2) | 4 |

* Sales less operating profit excluding special items divided by tons sold.

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Coated paper Deliveries and prices

United States*



Source: AF&PA and RISI indexed to Q1 2008.

* US industry purchases defined as industry shipments, plus imports, less exports.

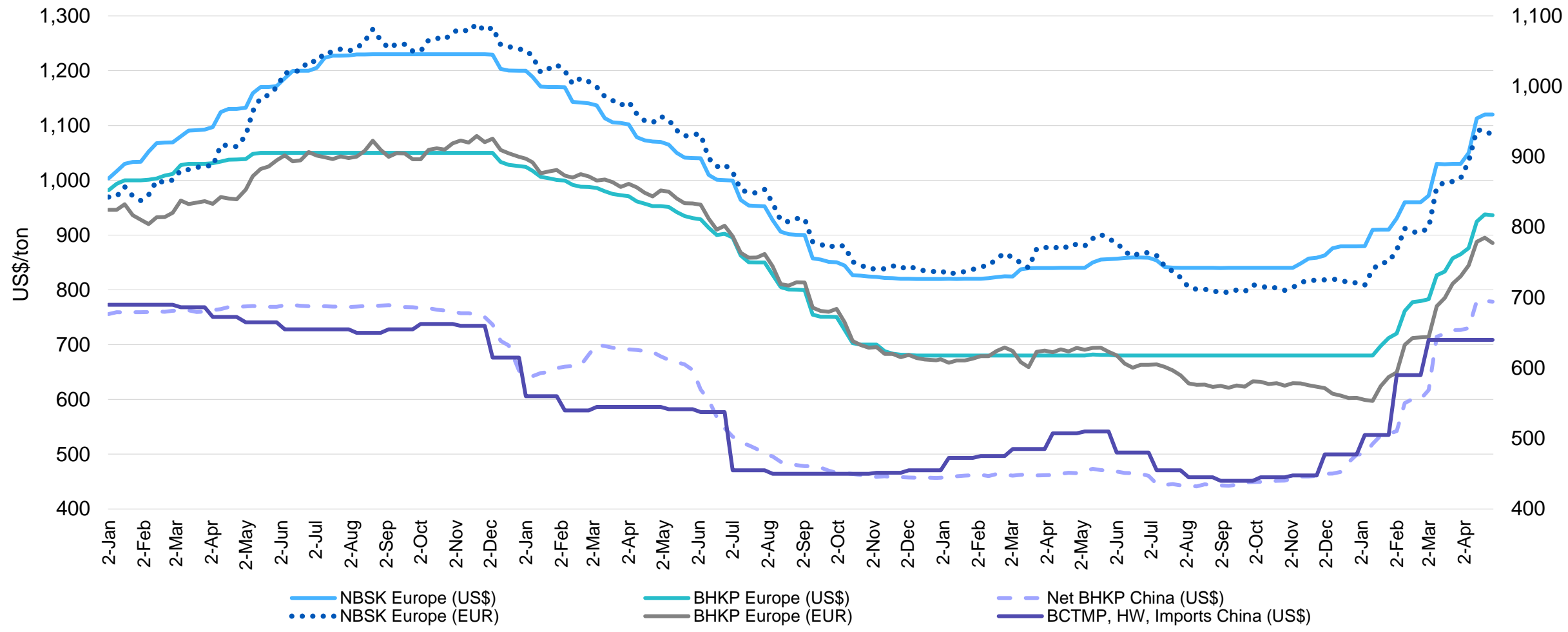
| | Q2 FY21 | Q1 FY21 | Q2 FY20 |
|---|--------------|--------------|--------------|
| Tons sold* ('000) | 414 | 296 | 389 |
| Sales* (ZARm) | 4,458 | 3,222 | 3,977 |
| Price/Ton* (ZAR) | 10,768 | 10,885 | 10,224 |
| Cost/Ton** (ZAR) | 9,710 | 9,983 | 9,398 |
| Operating profit excluding special items*** (ZARm) | 438 | 267 | 321 |

* Tons sold, sales and price per ton excludes forestry operations.

** Sales less operating profit excluding special items divided by tons sold.

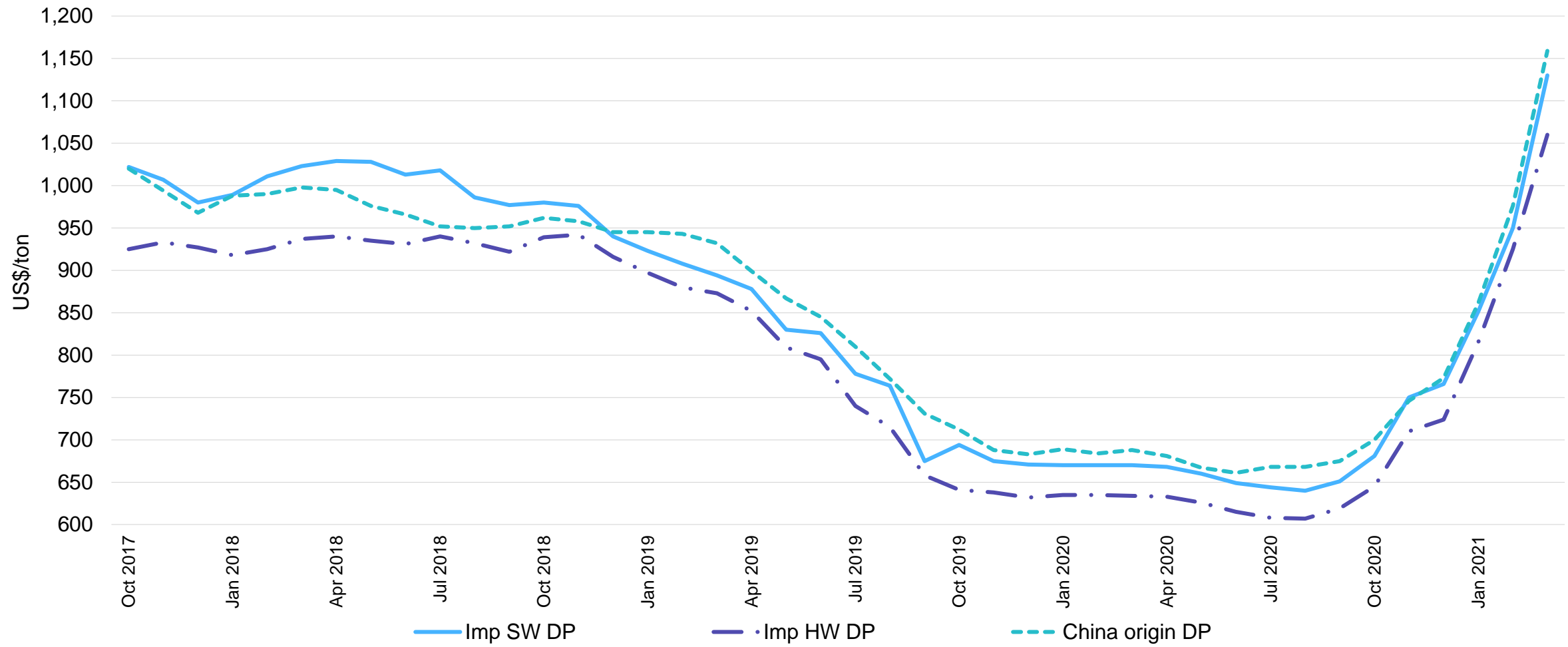
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Paper pulp Prices



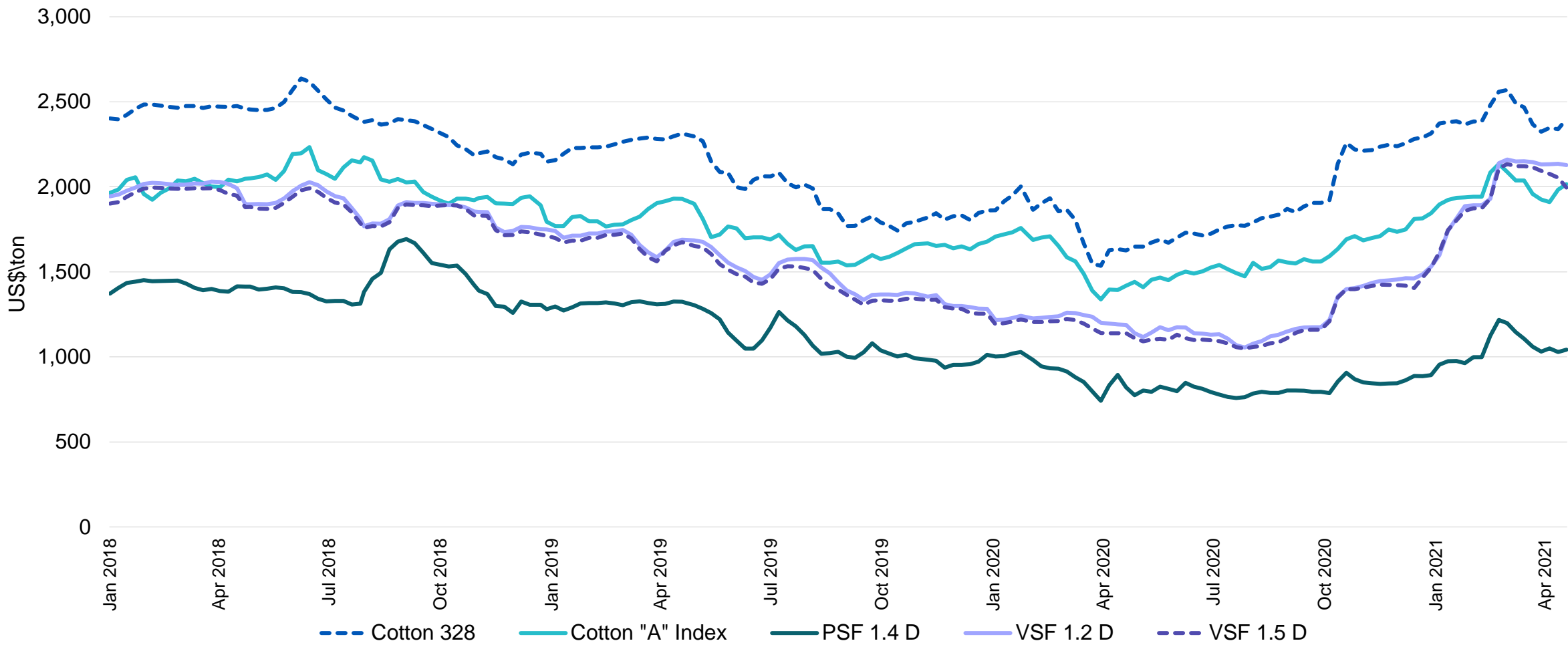
Source: FOEX, CCF group, RISI.

Dissolving pulp Prices



Source: CCF Group.

Textile fibre Prices



Source: CCF Group.

| US\$m | Q2 FY21 | Q1 FY21 | Q2 FY20 |
|---|-------------|-------------|-------------|
| Cash generated from operations | 107 | 98 | 116 |
| Movement in working capital | (72) | 11 | (14) |
| Finance costs paid | (21) | (34) | (18) |
| Finance income received | 2 | 3 | 1 |
| Taxation (paid) refund | (3) | 11 | (11) |
| Cash generated from operating activities | 13 | 89 | 74 |
| Cash utilised in investing activities | (66) | (89) | (74) |
| Capital expenditure | (70) | (82) | (70) |
| Proceeds on disposal of assets | 3 | - | - |
| Other non-current asset movements | 1 | (7) | (4) |
| Net cash generated (utilised) | (53) | - | - |

EBITDA and operating profit

Excluding special items* reconciliation to reported operating profit

| US\$m | Q2 FY21 | Q1 FY21 | Q2 FY20 |
|--|-------------|-----------|-------------|
| EBITDA excluding special items* | 112 | 98 | 131 |
| Depreciation and amortisation | (81) | (82) | (79) |
| Operating profit excluding special items* | 31 | 16 | 52 |
| Special items* – gains (losses) | (12) | - | (29) |
| Plantation price fair value adjustment | (1) | 4 | 3 |
| Net restructuring provisions | - | - | (12) |
| Profit (loss) on disposal and written off assets | 2 | - | - |
| PPE impairments | (7) | - | (11) |
| Equity accounted investees impairments | (1) | - | - |
| Fire, flood, storm and other events | (5) | (4) | (9) |
| Operating profit | 19 | 16 | 23 |

* Refer to page 26 in our Q2 FY21 results booklet (available on www.sappi.com) for a definition of special items.

Innovative R&D focus

Unlocking the full potential of each tree

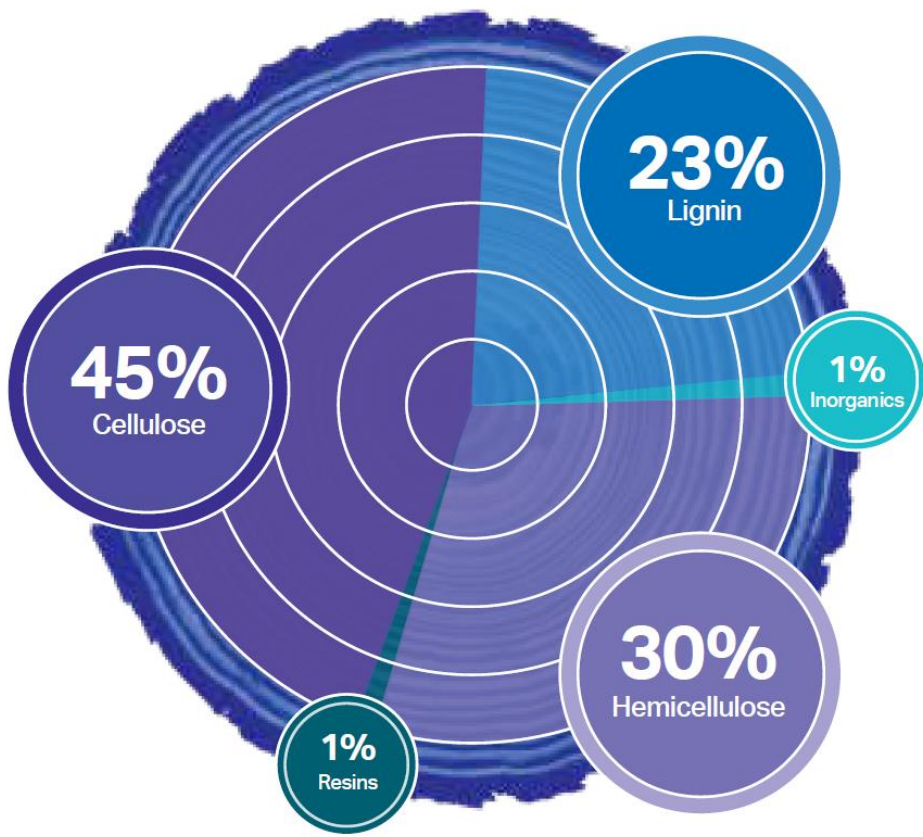
Graphic papers
Packaging and speciality papers
Commercial print
Product packaging
Technical papers

Dissolving wood pulp
Textiles
Pharmaceuticals
Cellophane

Fibre composites
Automotive parts
Furniture
Audio speakers

Nanocellulose
Reinforcing agent
Control release agent
Viscosity modifier

Casting and release papers
Textures for materials
Functional films
Automotive wraps



Chemicals from lignin
Binding agent
Dispersion agent
Emulsion stabiliser

Xylitol and chemicals from sugars
Low calorie sweetener
Toothpaste
Recyclable plastics

Thank you