

Steve Binnie
Chief Executive Officer of Sappi Limited
05 August 2021

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Q3 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 cyclicity, 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 Q3 FY21

Excluding special items*

Record EBITDA
for packaging and
speciality papers

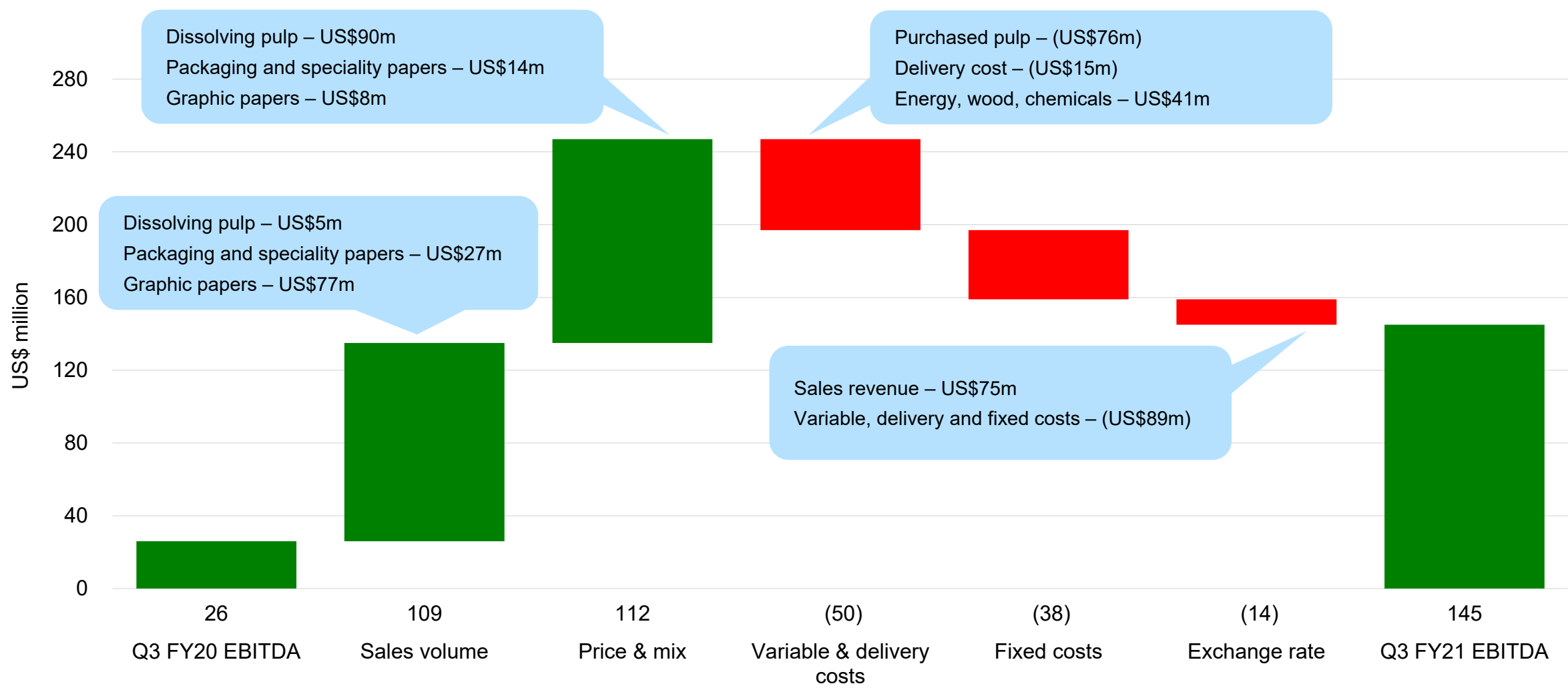
EBITDA* US\$145m
Up 29% from prior quarter

Return to profit for the
quarter US\$18m
EPS* 5 US cents

- Excellent performance in packaging and speciality papers; volumes up 23% y-o-y and record EBITDA in the quarter
- Higher DP selling prices facilitated 70% improvement in DP EBITDA q-o-q
- Demand for graphic papers improved during the quarter; volumes 90% of Q3 FY19; profitability impacted by rising purchased pulp input costs and lag in selling price increases
- Global logistical challenges continued to impact sales volumes
- Liquidity remains strong

* Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 26 in our Q3 FY21 financial results booklet (available on www.sappi.com) for a definition of special items.

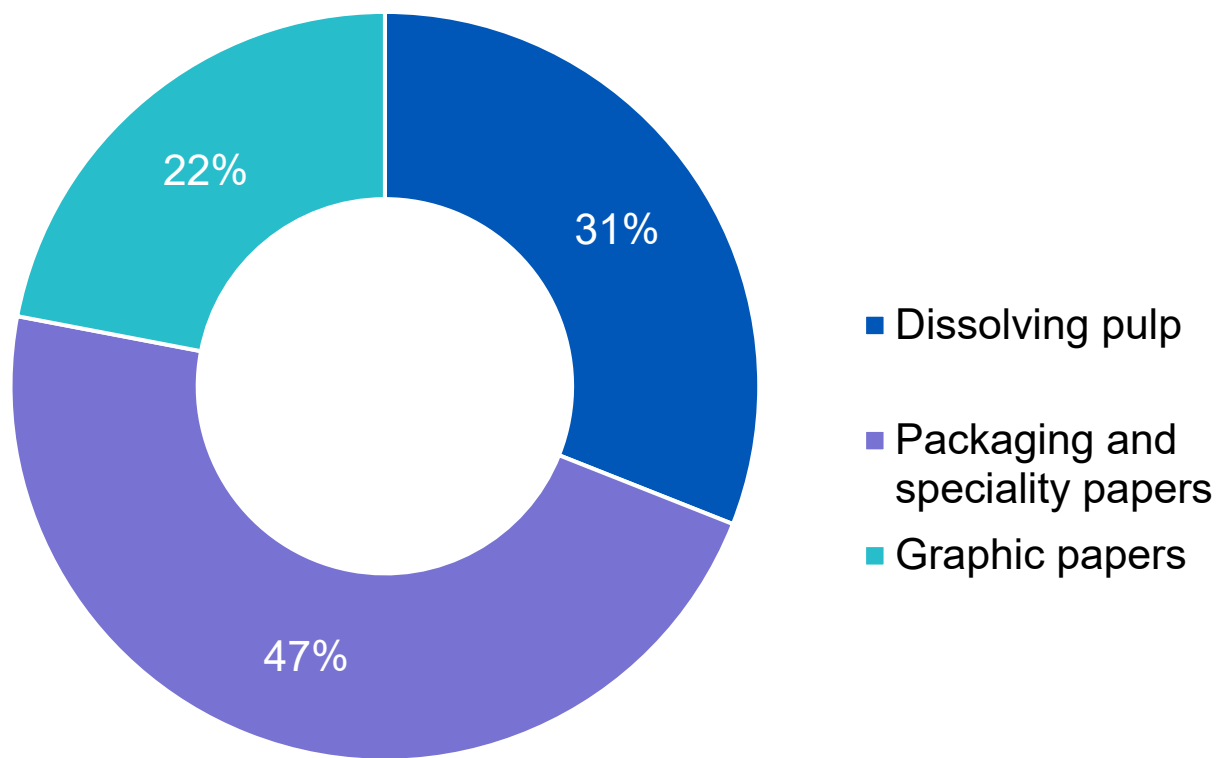
EBITDA* reconciliation Q3 FY20 to Q3 FY21



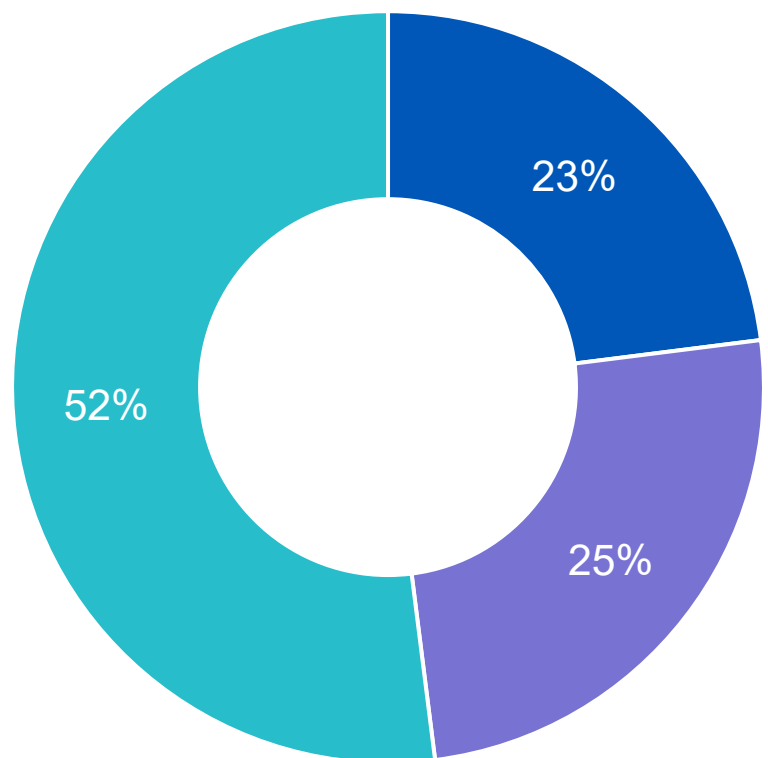
1. All variances were calculated excluding forestry operations.
2. Currency conversion reflects translation and transactional effect on consolidation.
3. EBITDA* = EBITDA excluding special items.

Product contribution split Last twelve months

EBITDA* excluding special items



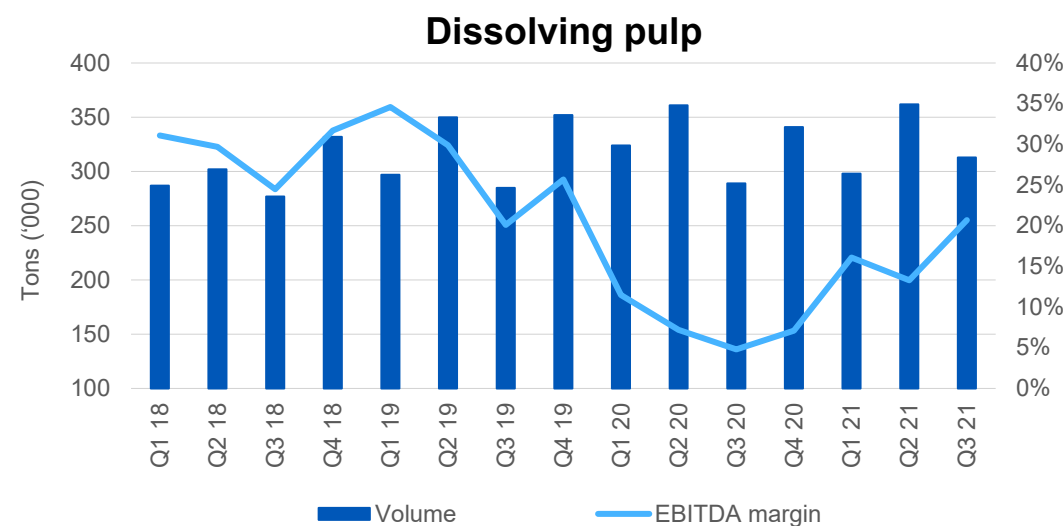
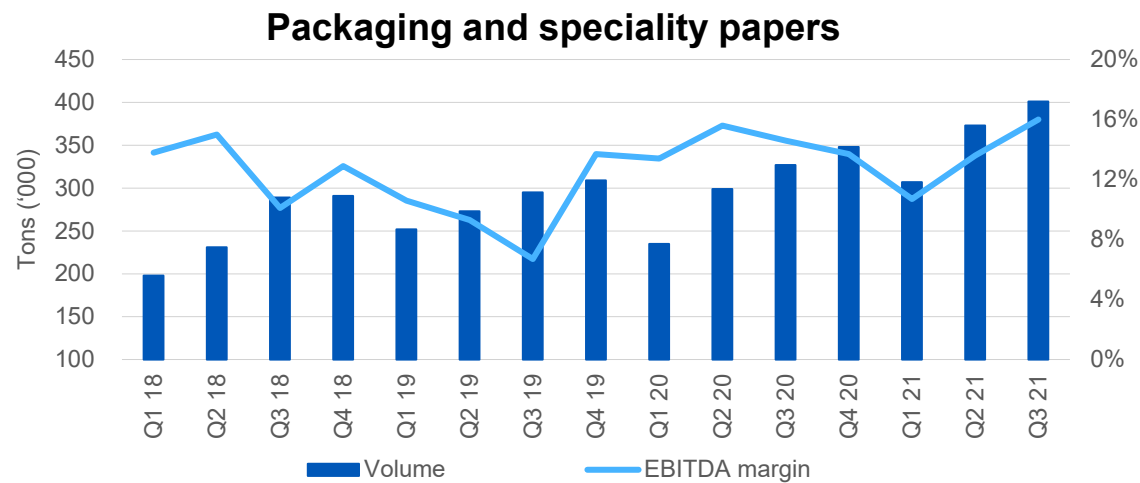
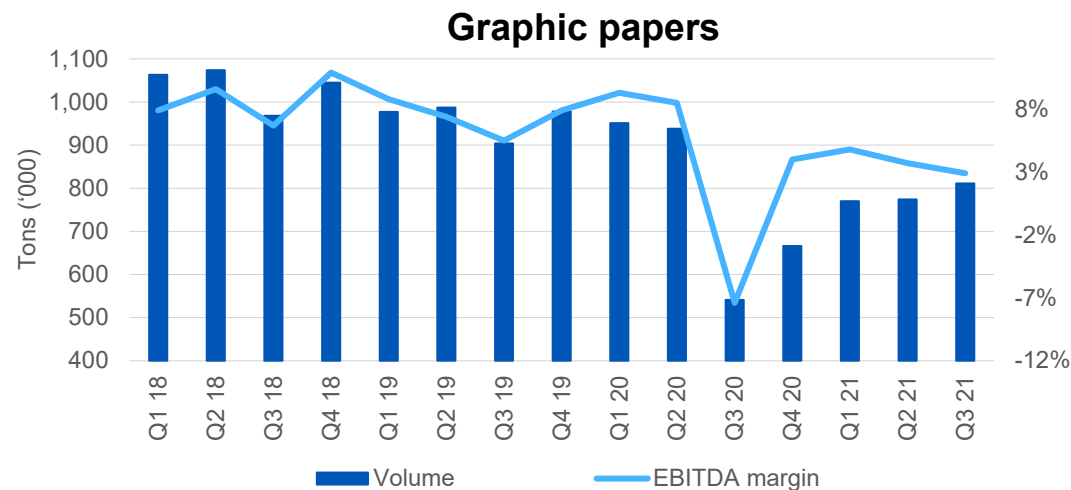
Sales volumes**



* Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 26 in our Q3 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.

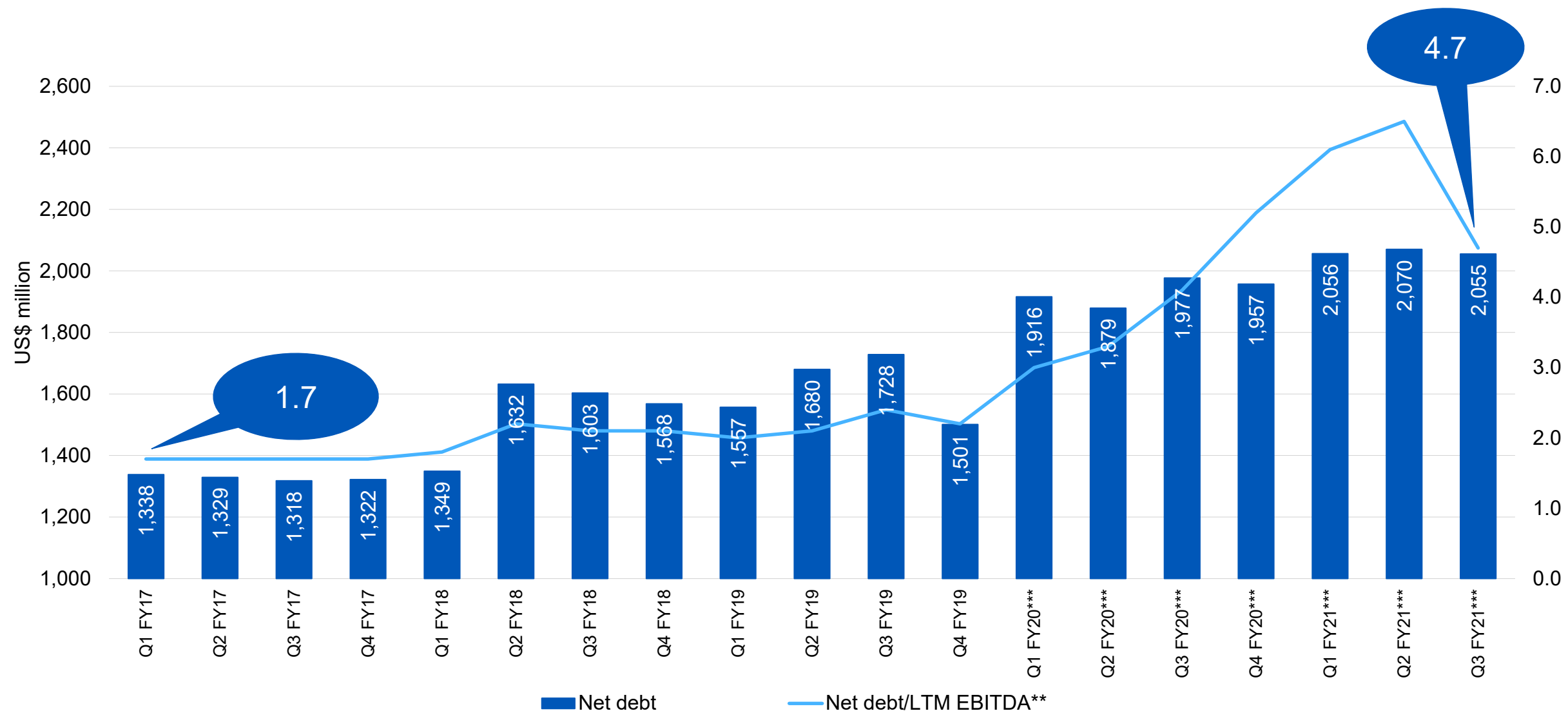
Segment volume & EBITDA* margin



* EBITDA excluding special items.

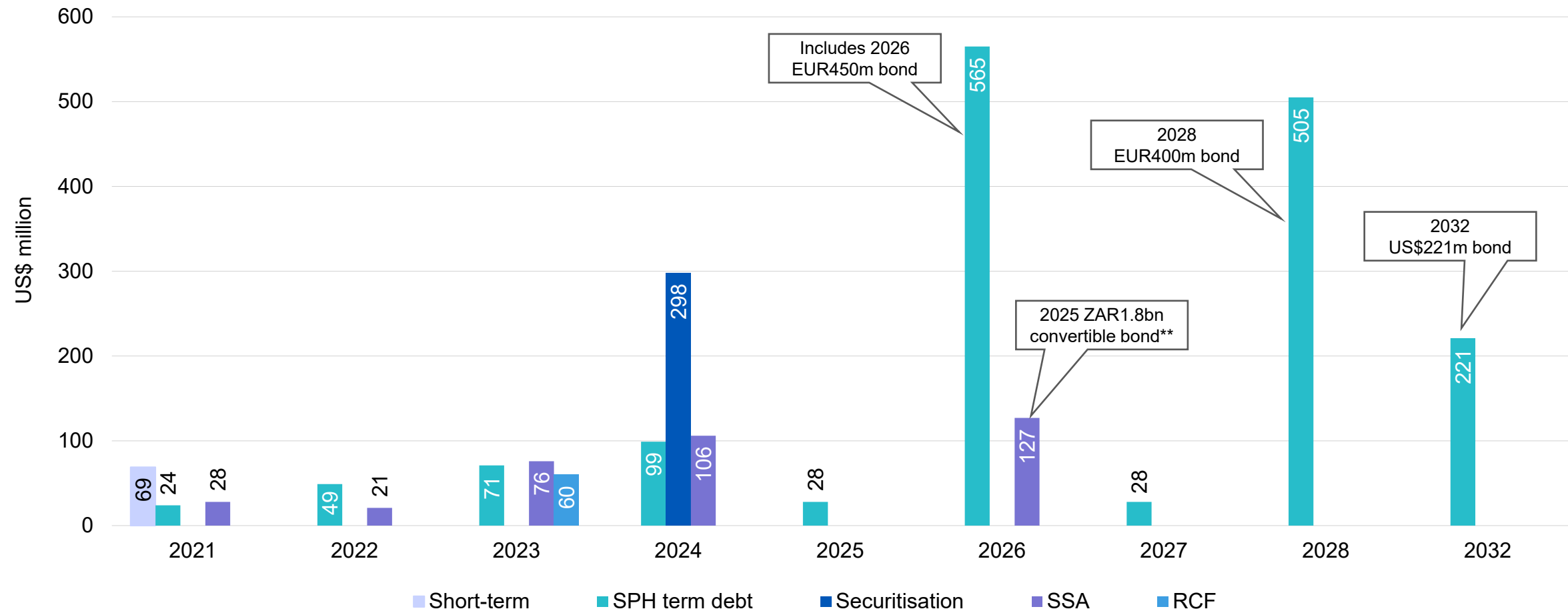
Net debt/EBITDA* development

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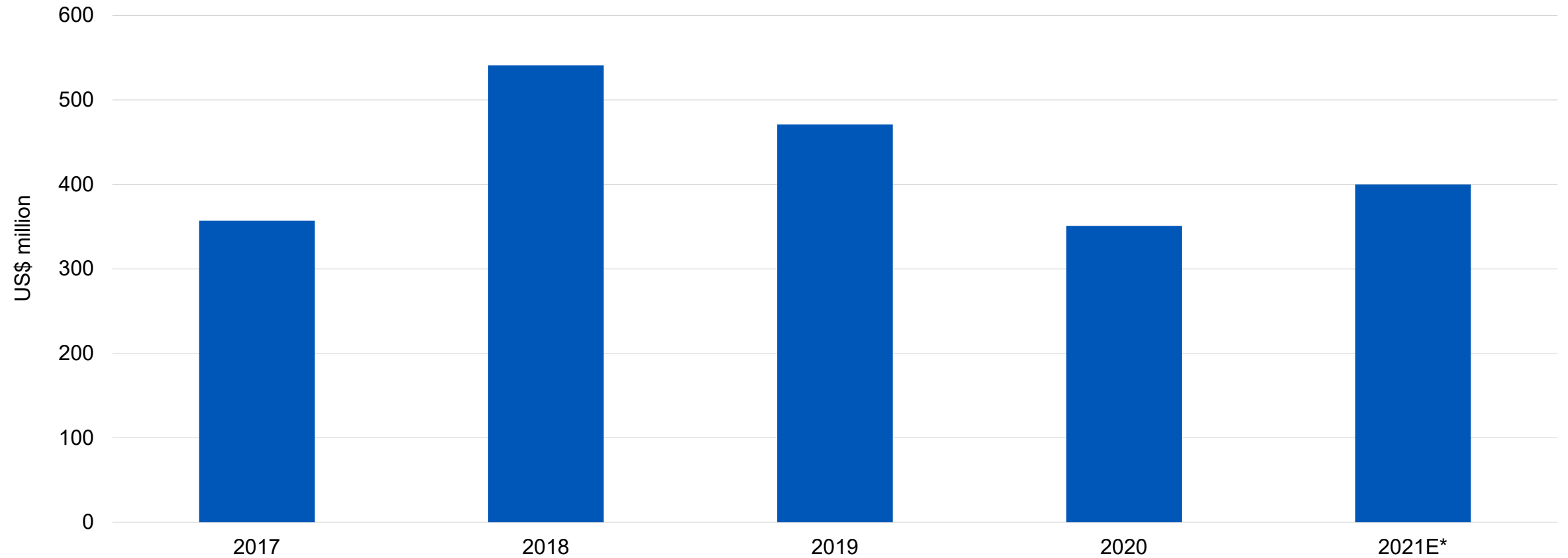


* EBITDA excluding special items.
** The covenant *Net debt/LTM EBITDA* calculation has adjustments and therefore differs from that shown above.
*** Quarters impacted by IFRS 16 leases (Q3 FY21 ~US\$124m) and Matane Mill acquisition (Q1 FY20 US\$158m).

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 in 2020 with a principal amount of ZAR1.8 billion. 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 +36%
year-on-year

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

EBITDA* margin
2.6%

- Sales volumes +10% q-o-q due to resumption of economic activity
- Ongoing limitations on container availability and vessel space constrained export sales
- 85,000 tons commercial downtime in graphic papers
- CWF and CM volumes 94% and 76% of Q3 FY19
- Improved demand enabled selling price increases to gain traction at quarter end; insufficient to offset rapidly escalating purchased pulp input costs
- Packaging and speciality papers volumes +9% q-o-q; paperboard and self-adhesive papers strong
- Variable cost +10% and delivery costs +6% q-o-q

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Sales tons +37%
year-on-year

Price per ton (US\$)
+20% year-on-year

EBITDA* margin
13.0%

- Excellent performance from all three product segments
- Customer demand for Sappi graphic paper grades exceeded capacity in the quarter
- Packaging and speciality papers volumes +38% y-o-y and +7% q-o-q; optimisation of product mix to higher-margin grades
- Higher DP and BCTMP selling prices improved profitability in the DP segment
- 11,000 tons of DP sales volumes spilled into the fourth quarter due to logistical challenges
- Variable cost +5% and fixed costs +4% q-o-q; increased raw material costs and Cloquet & Matane Mills annual shut

* Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 26 in our Q3 FY21 financial results booklet (available on www.sappi.com) for a definition of special items.

Sales tons** +20%
year-on-year

Price per ton (ZAR)**
+6% year-on-year

EBITDA* margin
21.6%

- EBITDA +46% q-o-q; higher DP selling prices
- DP sales volumes negatively impacted by 40,000 tons from lost Saiccor Mill production due to the extended shut
- Logistics issues remain a challenge with volumes spilling over from one quarter to the next; 10,000 tons
- Higher sales prices and variable cost savings in the packaging papers segment led to improved profitability q-o-q
- Costs up q-o-q; Saiccor Mill shut and higher freight rates due to logistical challenges

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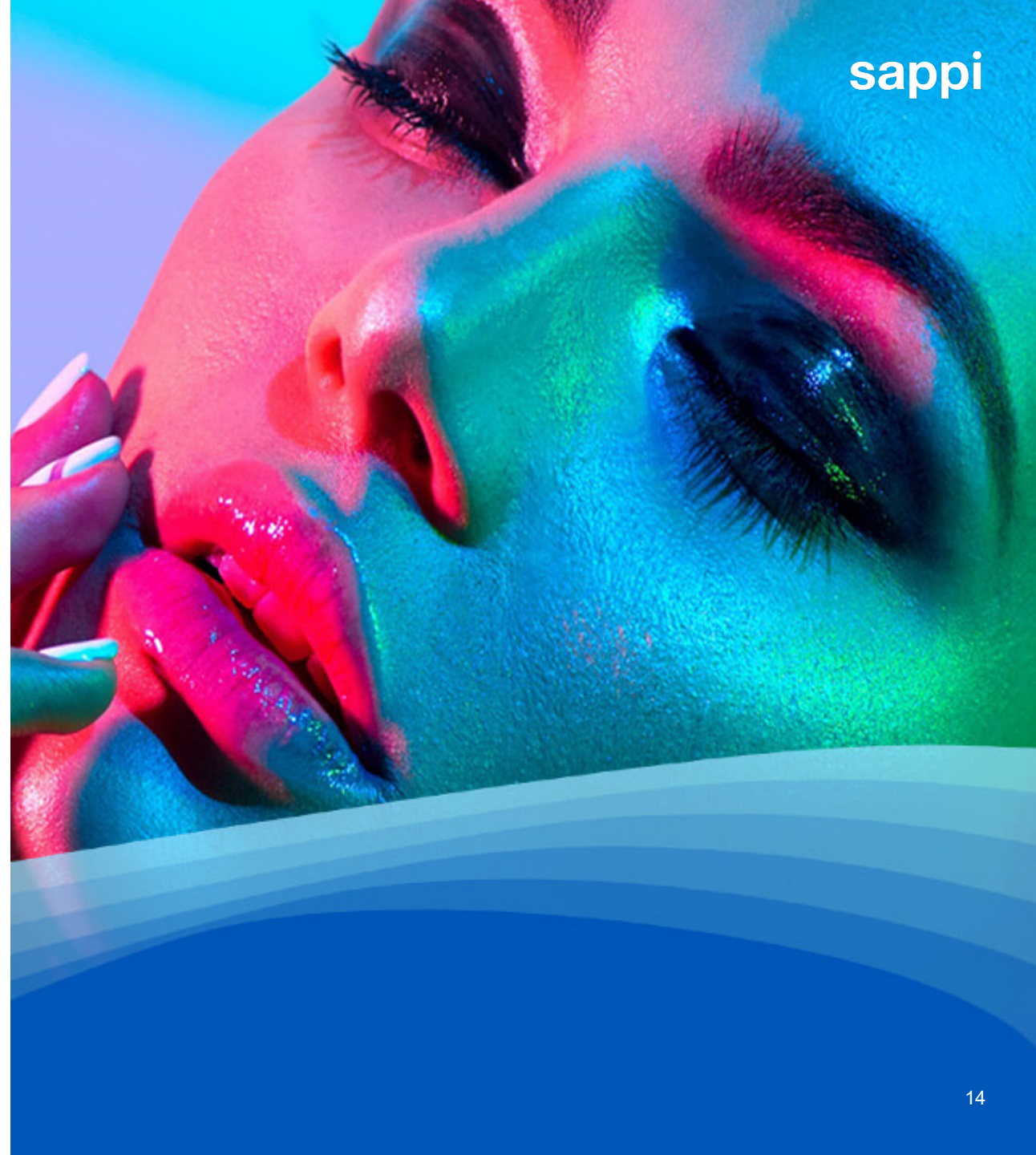
** Sales tons and price per ton excludes forestry operations.

Markets

Dissolving pulp

- Average CCF market price was US\$1,088 per ton; +19% q-o-q
- Higher DP prices in the quarter will be realised in the fourth quarter due to the lag in contractual pricing
- Higher stock levels of VSF, yarn and grey fabric through the supply chain due to seasonally low demand, exerted some downward pressure of VSF pricing resulting in a gradual reduction in DP pricing to US\$1,050 per ton at the end of June
- DP volumes, excluding BCTMP and market pulp, 10% lower than prior quarter; shipping challenges (21,000 tons) and extended Saiccor Mill shut (40,000 tons)
- 37,000 tons of BCTMP and market pulp sales volumes included in the segment for Q3 FY21
- Demand from Sappi's DP customers remains strong
- Global logistical challenges remain an issue

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Markets

Packaging and speciality papers

- EBITDA in the segment reached record high in the quarter
- Good progress in North America in optimising product mix at the Somerset Mill to higher-margin grades and strong containerboard performance in South Africa
- Many categories positively affected to date; food- and hygiene-related products
- In Europe, demand for paperboard and self-adhesive papers was strong; consumer packaging and digital solutions remained relatively weak but is expected to improve steadily as COVID-19 related restrictions ease
- Underlying demand remains robust



Markets

Graphic papers

- Graphic papers market continued its recovery path to pre-pandemic levels; relative to Q3 FY19 European CWF and CM markets were approximately 80% and US CWF market was approximately 88%
- Substantial capacity exited the sector tightening market balance; 2020/2021 capacity reduction approximately 18% of CWF and 25% CM in Europe and approximately 25% US CWF
- Further recovery anticipated in this segment as travel and entertainment activities normalise
- Sales volumes in the segment reached 90% of volumes in the equivalent quarter in 2019
- Profitability in the segment remained under pressure due to escalating purchased pulp input costs in combination with a lag in increases for paper selling prices



Cash management

Financing

- Subsequent to quarter-end conversion notices received for the convertible bond of just over 26% of the initial offering of ZAR1,800 million
- Reinstatement of leverage covenants provides a comfortable level of headroom when covenant measurement commences again from December 2021

Capital expenditure

- Capital expenditure in FY21 is estimated to be US\$400 million
- Saiccor Mill expansion project; completion and commissioning negatively impacted by the civil unrest and start-up is projected to be delayed until early in the new financial year

Procurement

- Savings planned for FY21: US\$69 million

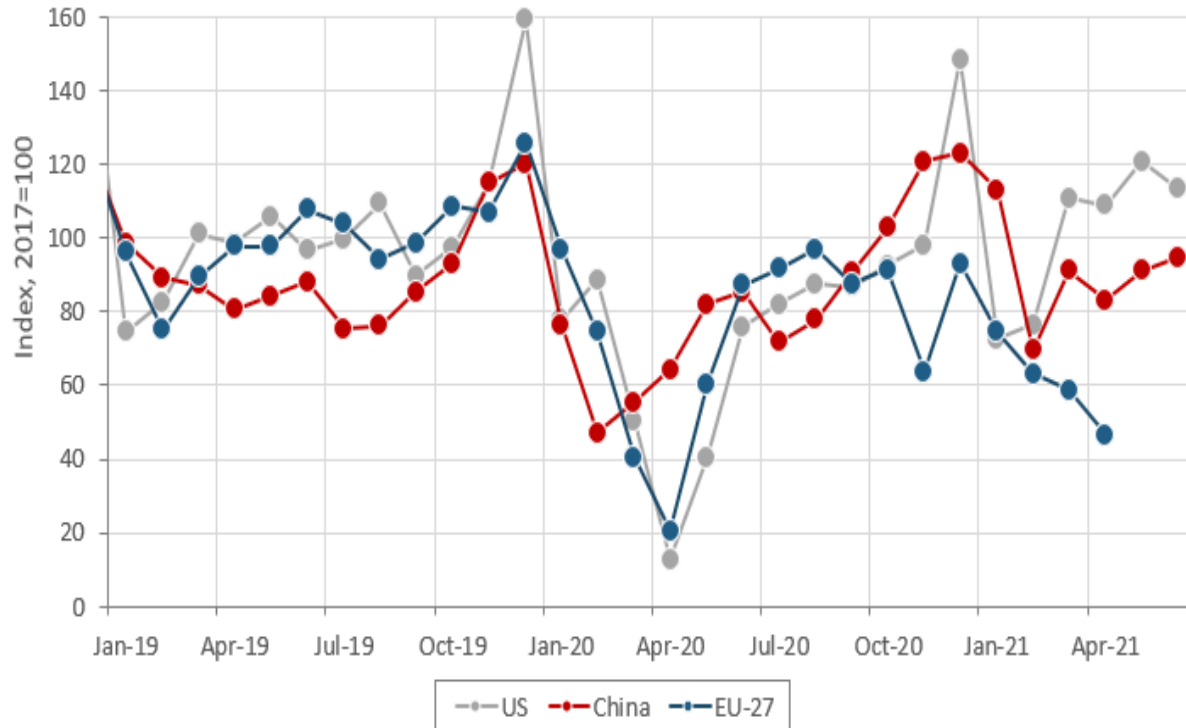


Road to recovery

Road to recovery

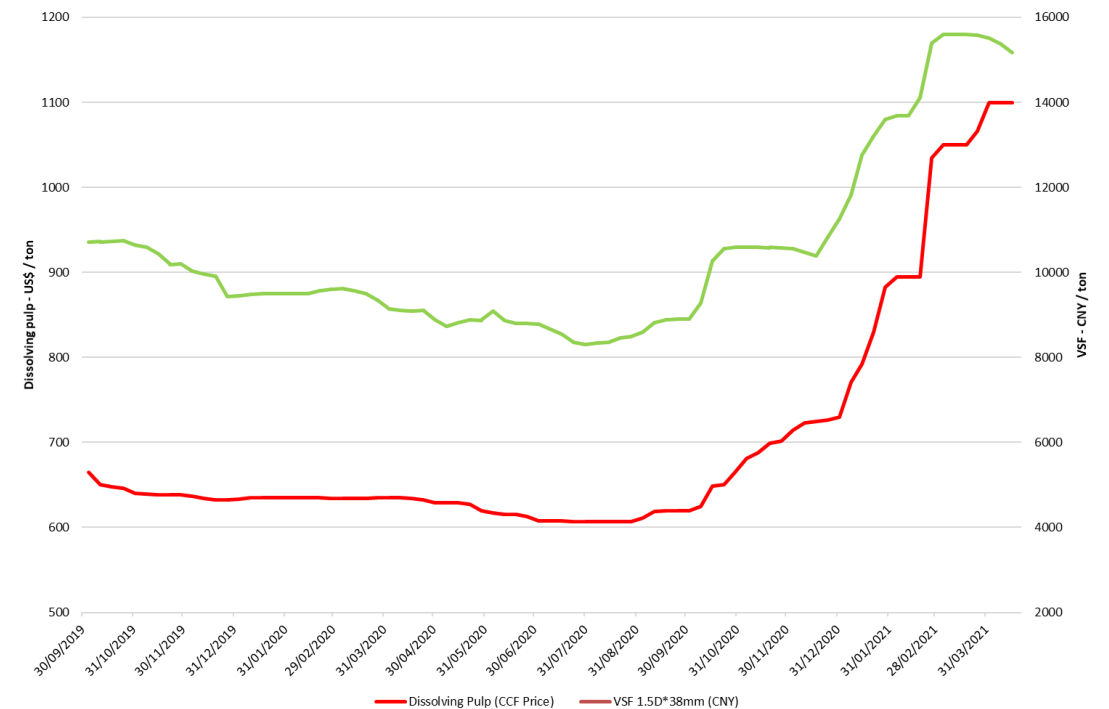
Dissolving pulp

Retail textile and apparel sales by region/country
Indexed 2017=100



Source: US Census, National Bureau of Statistics, Eurostat. Indexing by Hawkins Wright. Estimates for the US are based on data from the Monthly Retail Trade Survey, Annual Retail Trade Survey, Service Annual Survey and administrative records. Estimates for China are based on retail sales of enterprises above a designated size, garments, footwear, hats, knitwear. Estimates for EU-27 are based upon retail sale of textiles, clothing, footwear and leather goods in specialised stores. Index of turnover.

Viscose staple fibre (VSF) vs Dissolving pulp pricing



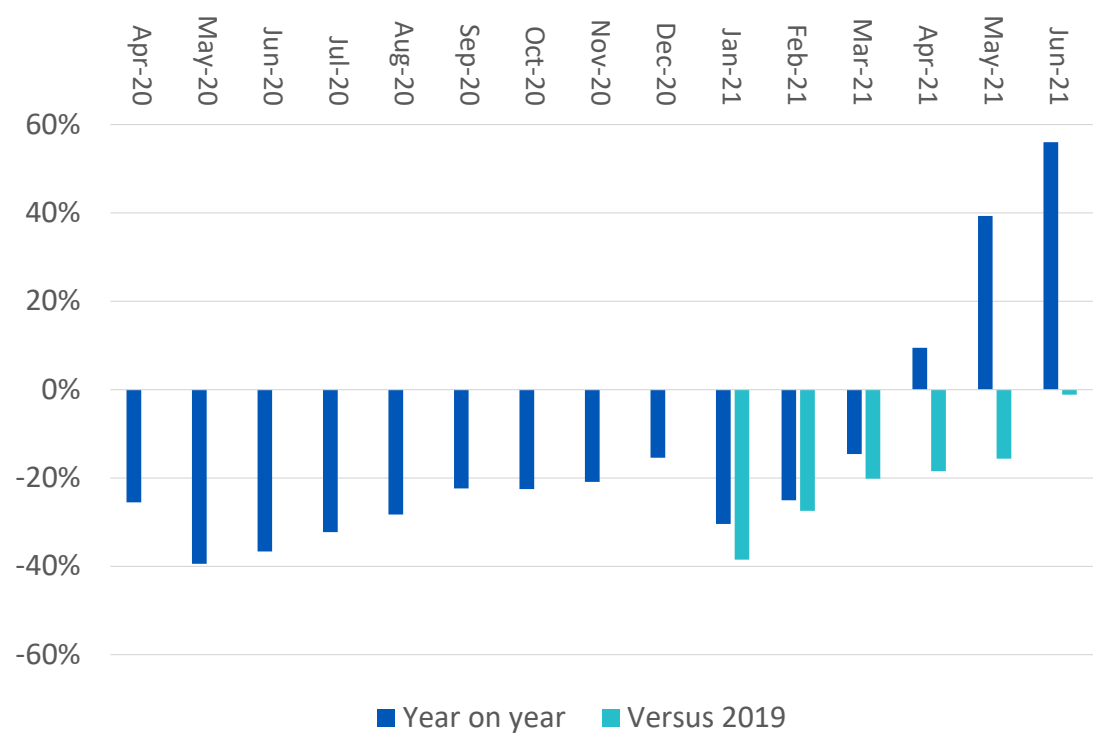
Source: CCF Group.

Road to recovery continued

Coated woodfree paper

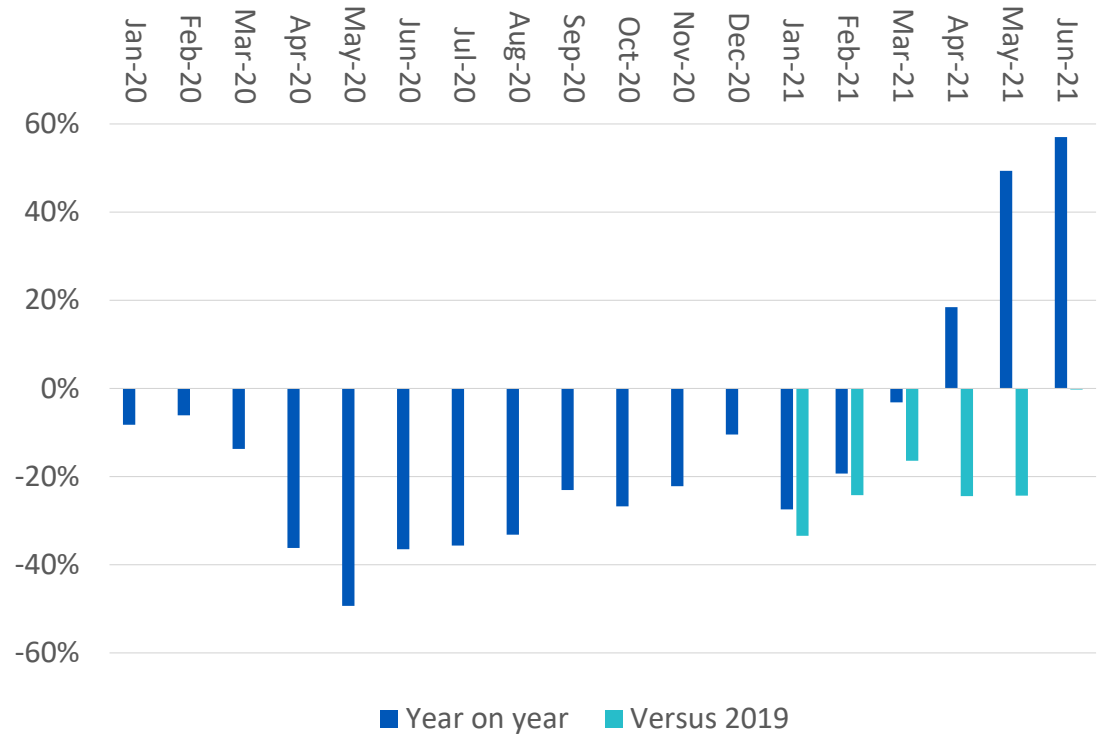
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United States CFS consumption (y-o-y)*



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

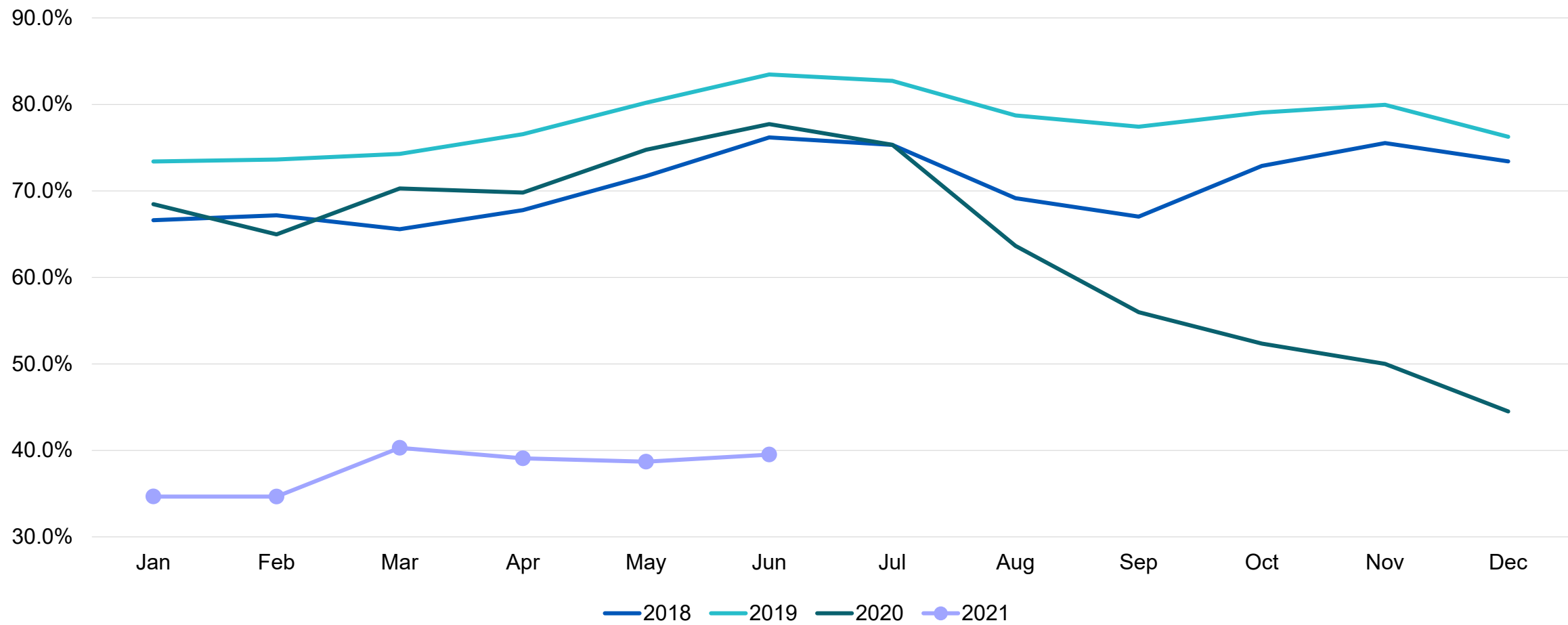
Europe CWF change in volumes (y-o-y)**



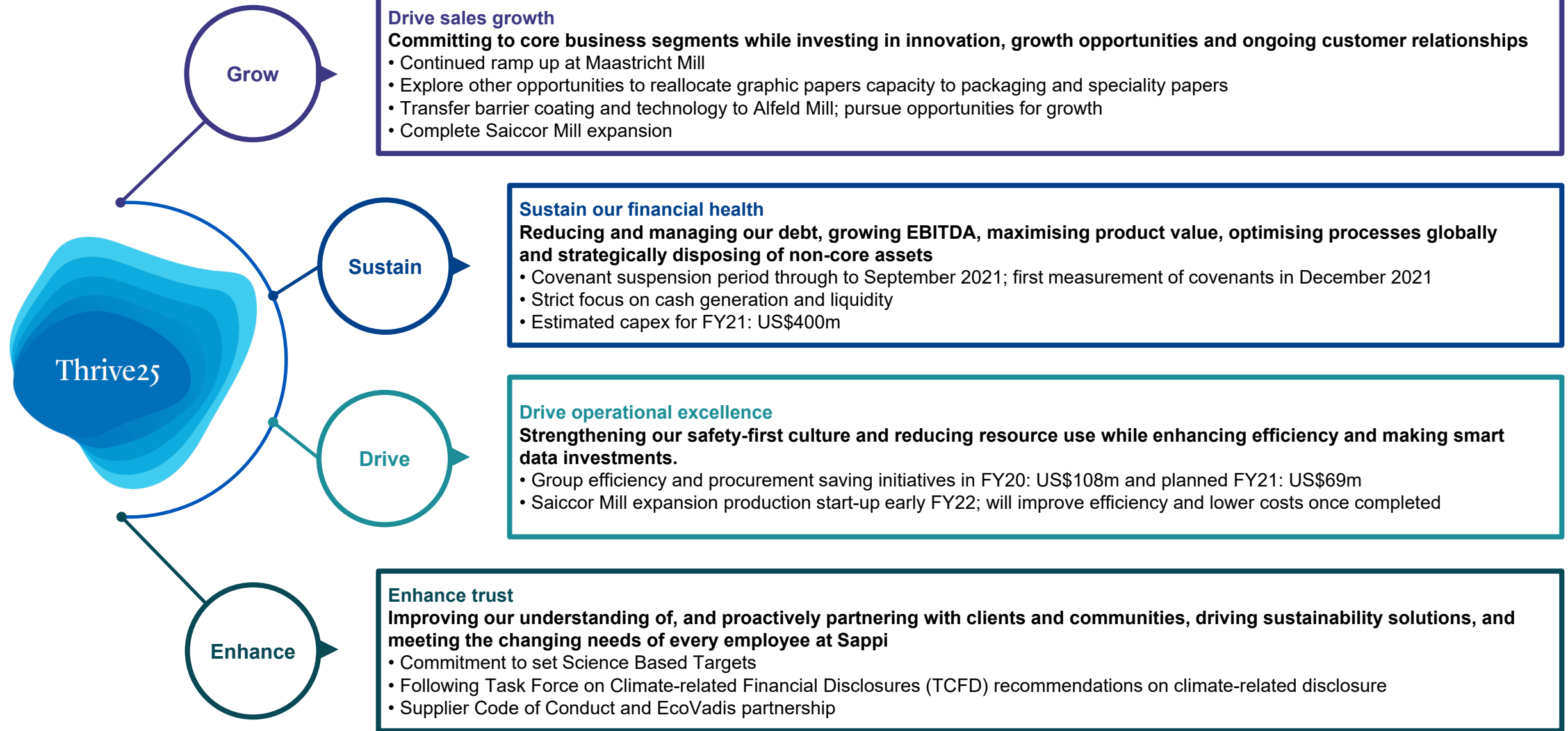
** Volumes sold by European producers.

Global ocean developments

Global schedule reliability



Source: Sea-Intelligence, GLP issue 118.



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

Partnering for change

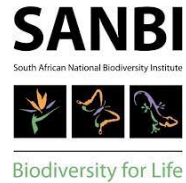
By reaching out to others
and working together
to solve challenges,
we can achieve
much more than
we can alone.

17 PARTNERSHIPS
FOR THE GOALS



KPI – build and activate mutually beneficial partnerships

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- Partnered with SANBI to officially proclaim the Roelton Blue Swallow site (120 ha) within the Sappi Sutton Plantation as a nature reserve in April 2021.
- The reserve protects the breeding sites for critically endangered Blue Swallows (*Hirundo atrocaerulea*) and is also home to the Mistbelt Chirping Frog, currently listed as 'endangered' by the IUCN (International Union for Conservation of Nature) Red List of Threatened Species. [More >](#)



- Joined the Forest Solutions Group.
- Partnering with forestry sector peers to define a roadmap to net zero for the forestry sector.



- Partnering with EcoVadis, a global leader in third-party evaluations of business sustainability performance, to assess the sustainability performance of Sappi's suppliers through proactive ratings and evaluations using EcoVadis' methodology. [More >](#)



- Partnering with WWF South Africa in a water stewardship project in the uMkhomazi catchment area.
- This is a multi-stakeholder engagement of land-owners, organs of state and local government and will provide a platform for open dialogue regarding water resources in the catchment.

THE CIRCULAR BIOECONOMY ALLIANCE

Living Labs for Nature and People

- Joined the Circular Bioeconomy Alliance.
- Supporting the mandate and activities of the alliance, especially in contributing to the development of a Living Labs initiative in Africa. [More >](#)



Thrive25



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

Sustainability is embedded into Sappi's business and work culture

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Sappi's commitment to sustainable growth	
	<ul style="list-style-type: none">Sappi Forests: 100% FSC certifiedSappi Forests: 100% PEFC certified
	<ul style="list-style-type: none">Awarded Platinum Level in sustainability performance by independent rating agency EcoVadis (2020)
	<ul style="list-style-type: none">Rated 'Prime' by Oekom Research, meaning Sappi fulfils the demanding requirements regarding sustainability performance in the sector
	<ul style="list-style-type: none">Report to the CDP (www.cdp.net/en) under its <i>climate change</i> and <i>forest</i> programmes, making our responses publicly available
	<ul style="list-style-type: none">Confirmed as a constituent of the FTSE4Good Index Series
	<ul style="list-style-type: none">Committed to setting a 2030 Science Based GHG reduction target
<div>Level 1 B-BBEE Contributor</div>	<ul style="list-style-type: none">Sappi Southern Africa is a Level 1 Broad-Based Black Economic Empowerment contributor

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



 <div>1 NO POVERTY</div>	 <div>4 QUALITY EDUCATION</div>	 <div>6 CLEAN WATER AND SANITATION</div>
 <div>7 AFFORDABLE AND CLEAN ENERGY</div>	 <div>8 DECENT WORK AND ECONOMIC GROWTH</div>	 <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div>
 <div>13 CLIMATE ACTION</div>	 <div>15 LIFE ON LAND</div>	 <div>17 PARTNERSHIPS FOR THE GOALS</div>

* SDG 1 and SDG 4 specific to Sappi Southern Africa

Outlook

Dissolving pulp

- Positive outlook despite a gradual weakening of market pricing in the third quarter
- Benefit of the elevated third quarter pricing will be realised in the fourth quarter due to the lag in contractual pricing

Packaging and speciality papers

- Underlying demand in North America and South Africa remains robust
- Opportunities for further growth in sales volumes exist in Europe

Graphics

- Demand is encouraging and market conditions are anticipated to steadily recover in Europe
- Price increases are expected to gain traction; purchased pulp and logistics cost inflation are anticipated to continue and will impact margins

Civil unrest

- In July, civil unrest in South Africa caused major disruptions resulting in temporary closure of Saiccor, Tugela and Stanger Mills; lost production 28,000 tons DP and 7,000 tons paper with estimated negative EBITDA impact of US\$16 million

Logistics

- Global logistical challenges are still adversely impacting deliveries in all regions
- Transnet cyber-attack severely disrupted port, rail and road operations in South Africa further exacerbating inefficiencies
- Despite the loss of production volumes from the South African civil unrest and higher raw material costs, we expect Q4 EBITDA to improve relative to Q3

Overall impact on Q3 FY21



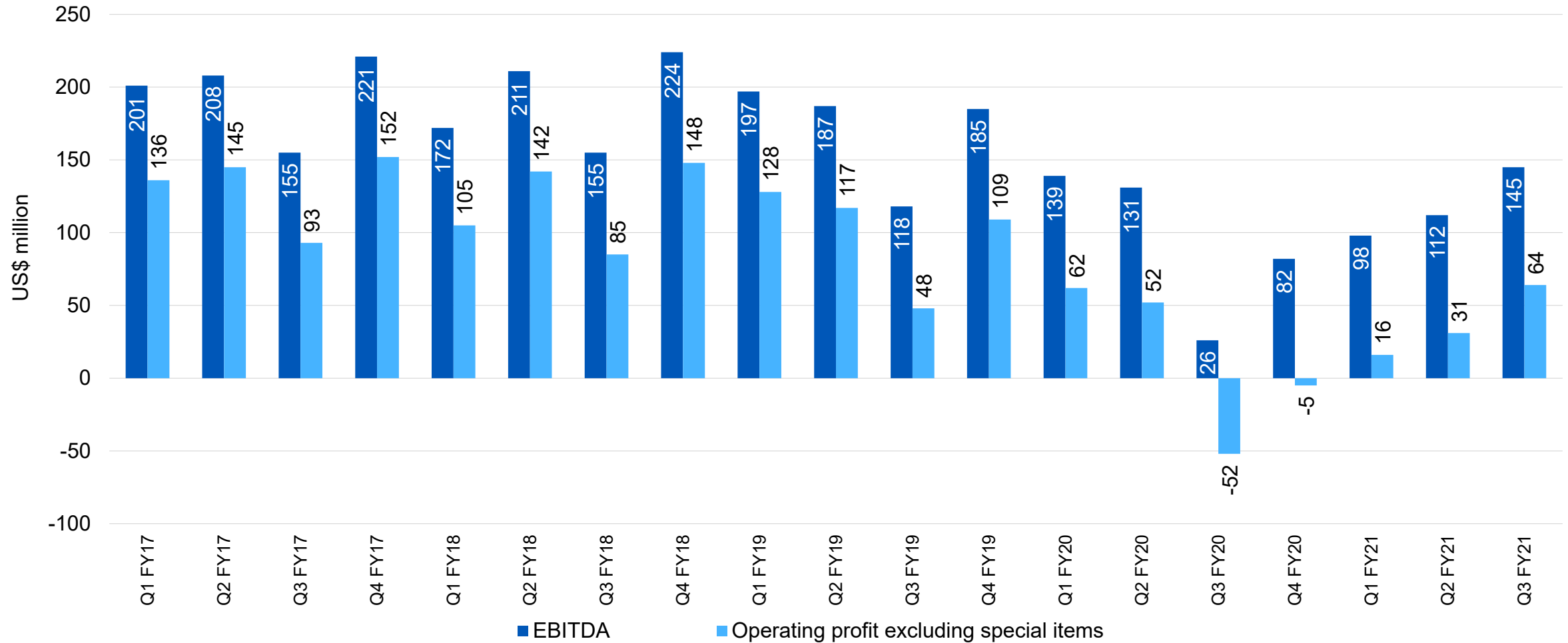
Thank you

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Supplementary information

EBITDA and operating profit

Excluding special items*



* Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 26 in our Q3 FY21 financial results booklet (available on www.sappi.com) for a definition of special items.

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



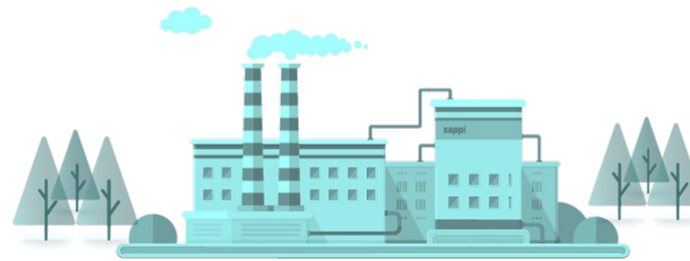
Eningen Mill (Germany)

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



Paperboard



**Containerboard
Topliner**



**Containerboard
Tobacco liner**

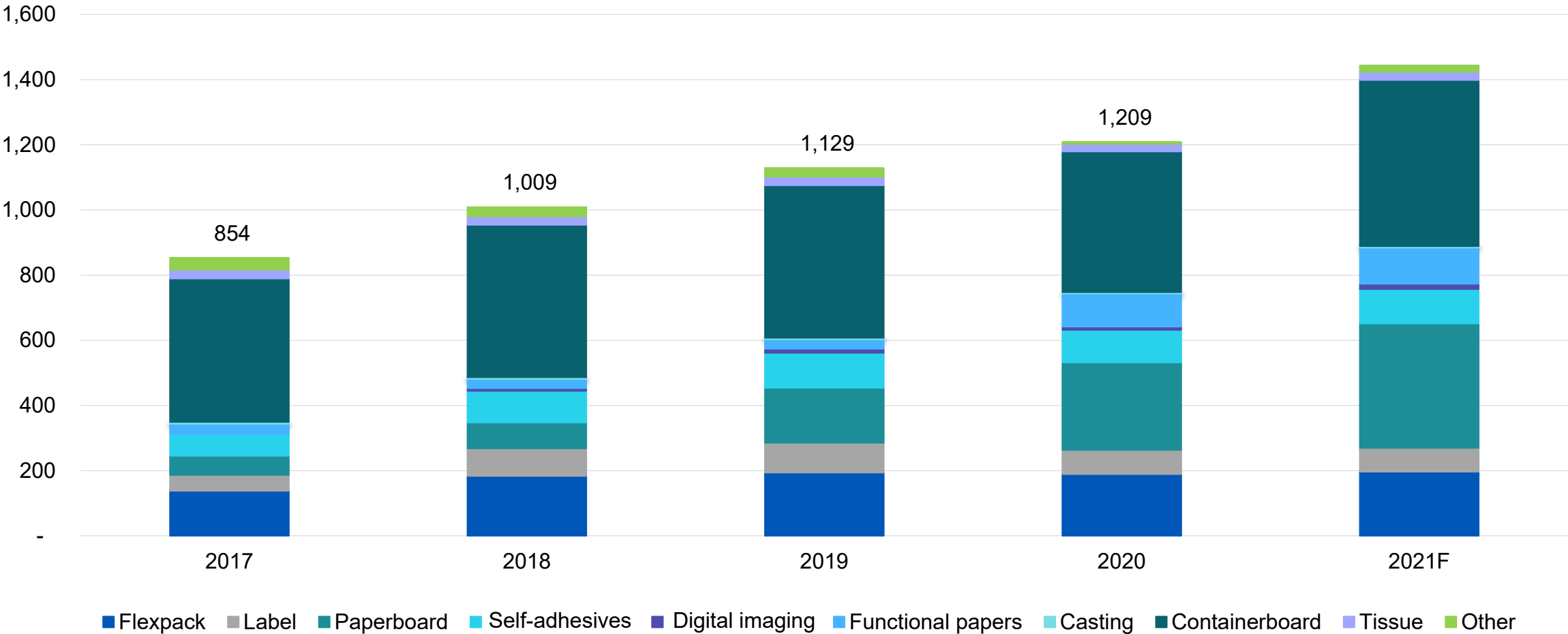


**Containerboard
Fluting**

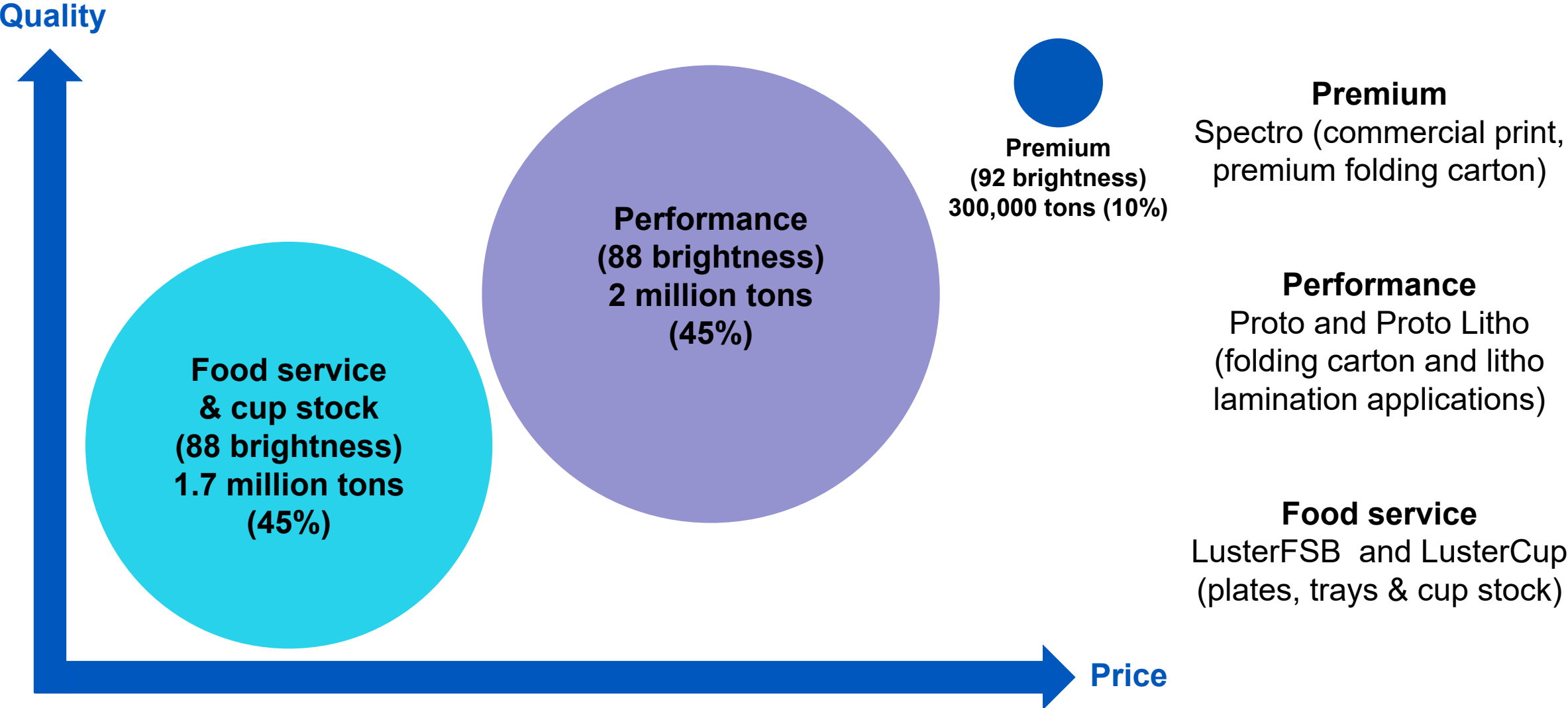


Packaging and speciality papers

Volume growth 2017 to 2021



Paperboard segments North America



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

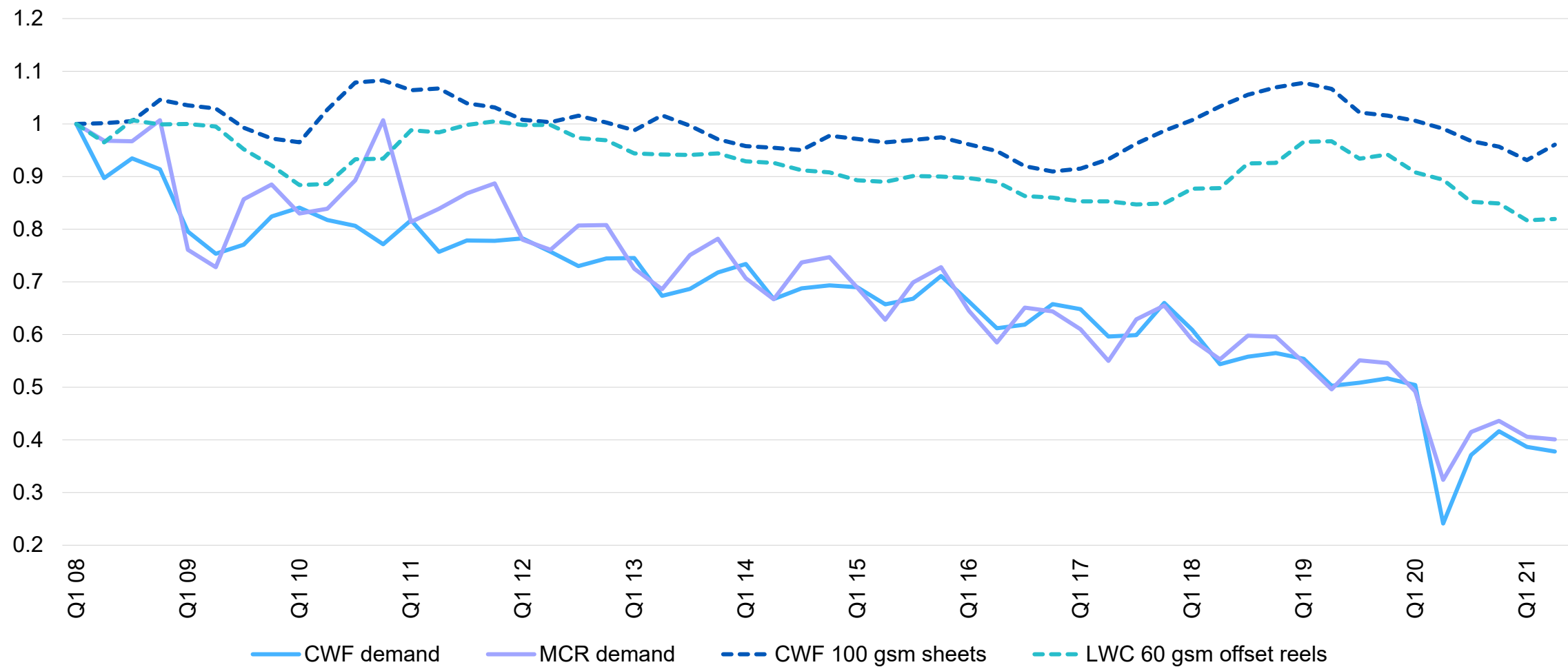
	Q3 FY21	Q2 FY21	Q3 FY20
Tons sold ('000)	733	669	540
Sales (EURm)	536	483	420
Price/Ton (EUR)	731	722	778
Cost/Ton* (EUR)	752	734	837
Operating profit excluding special items** (EURm)	(15)	(8)	(32)

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

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Coated paper Deliveries and prices

Western Europe*



* Western Europe shipments including export.

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

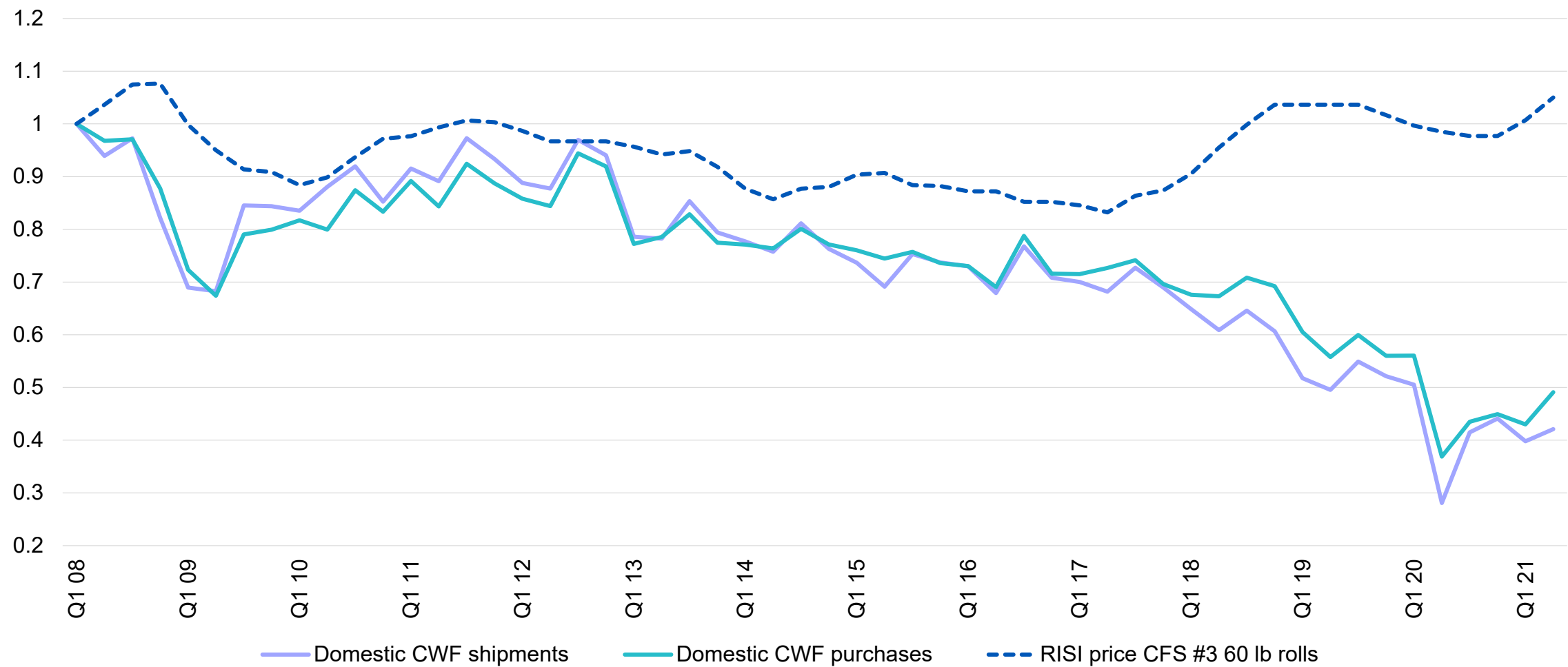
	Q3 FY21	Q2 FY21	Q3 FY20
Tons sold ('000)	420	426	307
Sales (US\$m)	438	408	267
Price/Ton (US\$)	1,043	958	870
Cost/Ton* (US\$)	969	932	974
Operating profit excluding special items** (US\$m)	31	11	(32)

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

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Coated paper Deliveries and prices

United States*



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

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

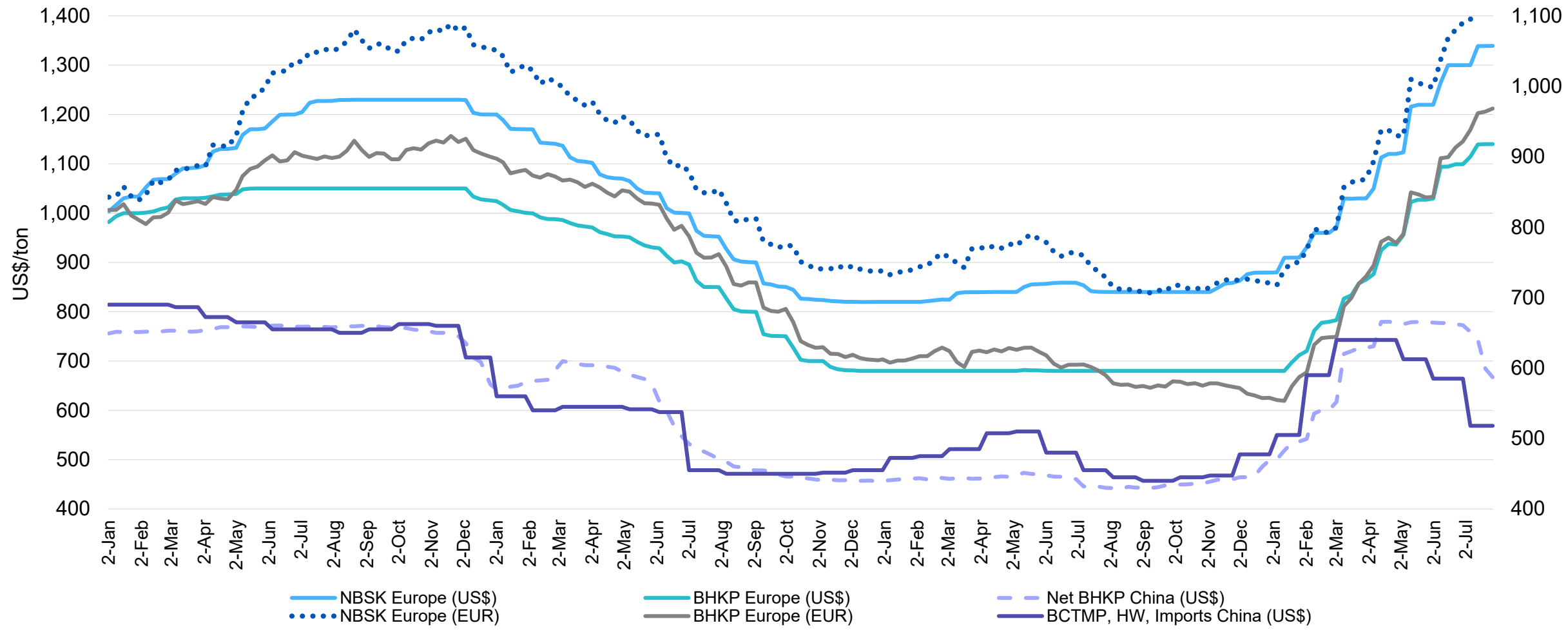
	Q3 FY21	Q2 FY21	Q3 FY20
Tons sold* ('000)	372	414	310
Sales* (ZARm)	4,434	4,458	3,486
Price/Ton* (ZAR)	11,919	10,768	11,245
Cost/Ton** (ZAR)	9,919	9,710	10,387
Operating profit excluding special items*** (ZARm)	744	438	266

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

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

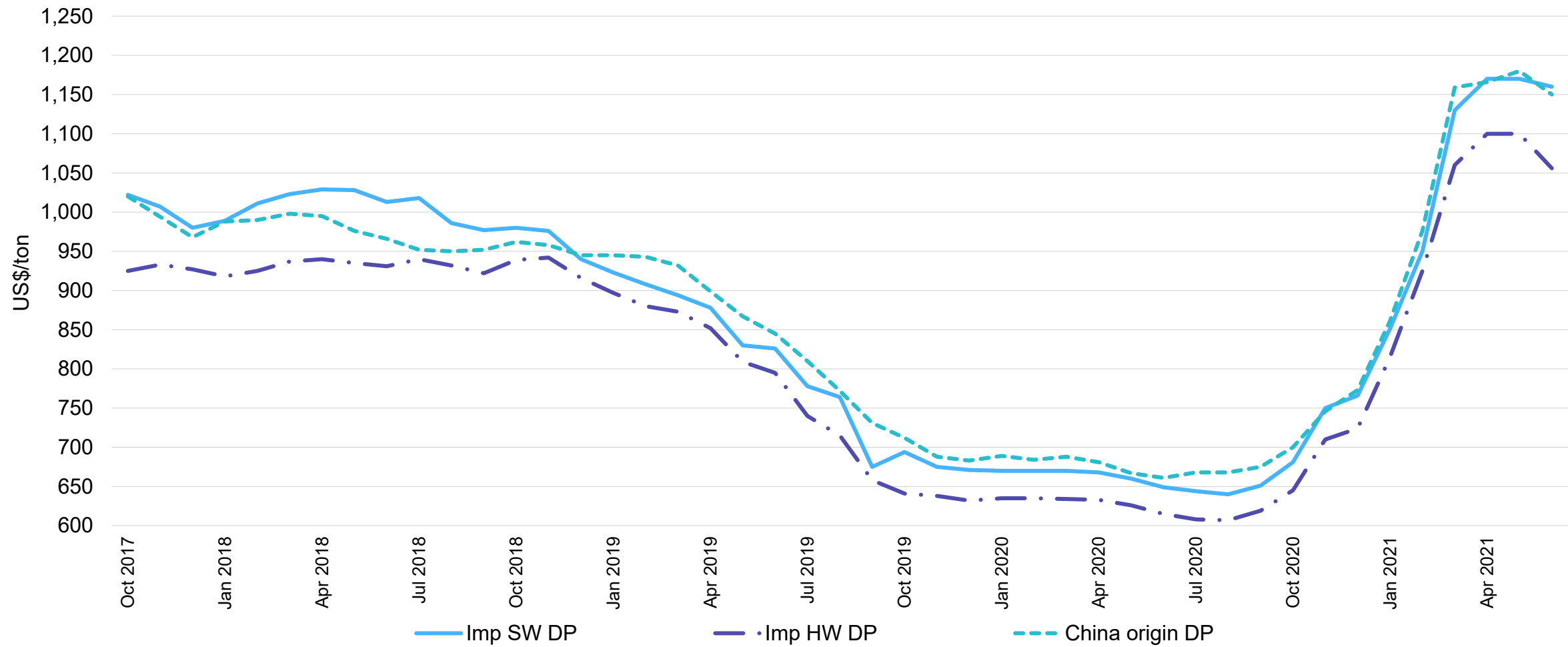
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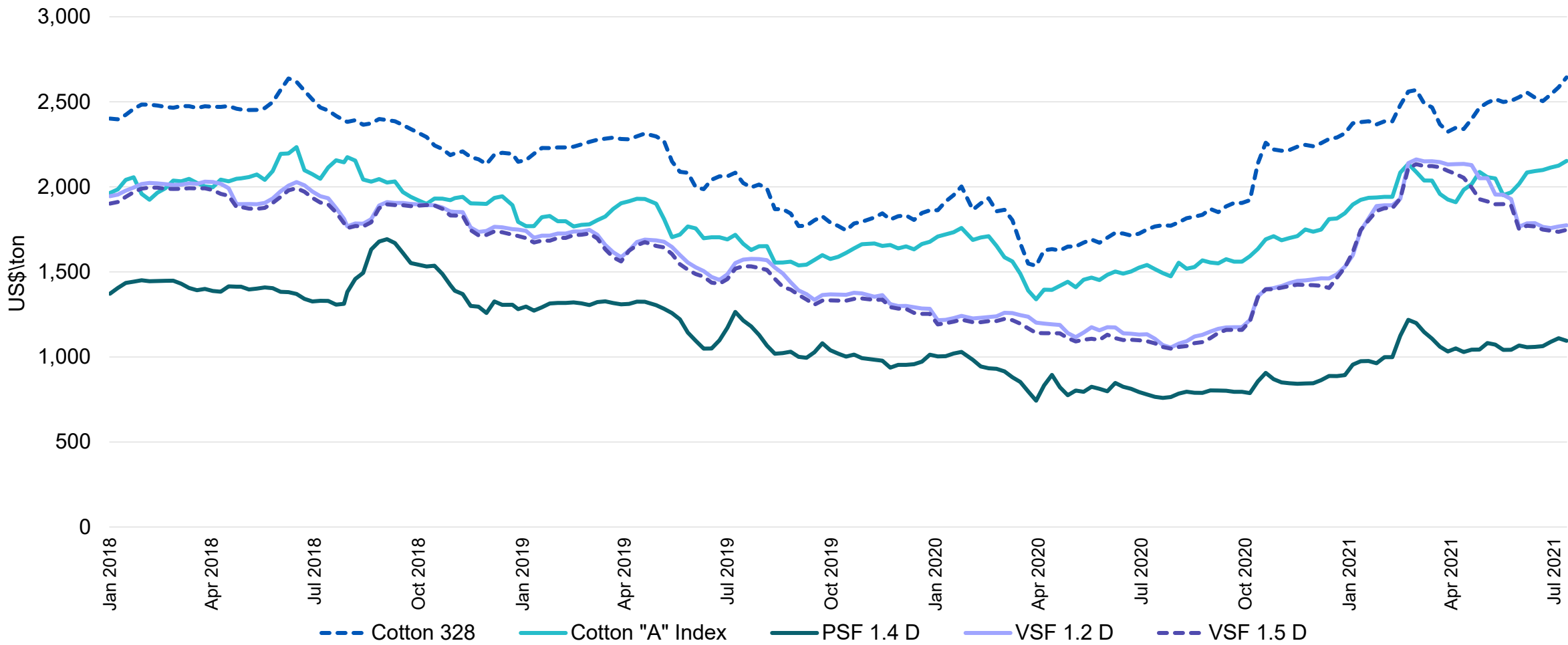
Paper pulp Prices



Source: FOEX, CCF group, RISI.

Dissolving pulp Prices





US\$m	Q3 FY21	Q2 FY21	Q3 FY20
Cash generated from operations	126	107	25
Movement in working capital	37	(72)	20
Finance costs paid	(31)	(21)	(48)
Finance income received	2	2	1
Taxation (paid) refund	(5)	(3)	13
Cash generated from operating activities	129	13	11
Cash utilised in investing activities	(80)	(66)	(78)
Capital expenditure	(79)	(70)	(74)
Proceeds on disposal of assets	-	3	-
Acquisition of subsidiary	-	-	(2)
Other non-current asset movements	(1)	1	(2)
Net cash generated (utilised)	49	(53)	(67)

EBITDA and operating profit

Excluding special items* reconciliation to reported operating profit

US\$m	Q3 FY21	Q2 FY21	Q3 FY20
EBITDA excluding special items*	145	112	26
Depreciation and amortisation	(81)	(81)	(78)
Operating profit excluding special items*	64	31	(52)
Special items* – gains (losses)	(11)	(12)	(20)
Plantation price fair value adjustment	(11)	(1)	5
Acquisition costs	(1)	-	-
Net restructuring provisions	-	-	(5)
Profit (loss) on disposal and written off assets	-	2	1
Asset impairments	-	(7)	-
Asset impairment reversals	4	-	-
Equity accounted investees impairments	-	(1)	(10)
Fire, flood, storm and other events	(3)	(5)	(11)
Operating profit	53	19	(72)

* Refer to page 26 in our Q3 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

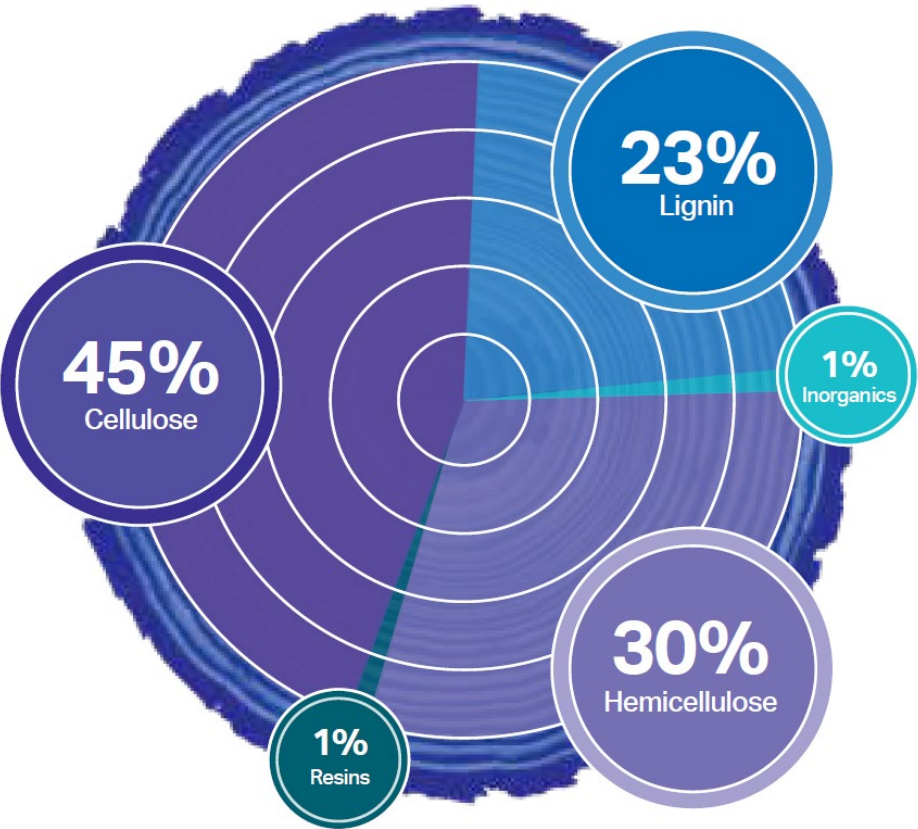
Graphic papers
Packaging and speciality papers
Commercial print
Product packaging
Technical papers

Dissolving 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

The background of the slide features a close-up of a leaf's venation, showing a complex network of veins. A semi-transparent blue overlay is applied to the left side of the image, creating a gradient effect. The text "Thank you" is written in a white, serif font in the upper left corner.

Thank you

sappi