

Steve Binnie
Chief Executive Officer, Sappi Limited
05 November 2020

sappi

Q4 FY20 financial results



Forward-looking statements and Regulation G disclosure

Forward-looking statements

Certain statements in this release 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-19 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— FY2020

Excluding special items*

Growth in
Packaging and
Speciality segment

EBITDA* US\$378m
Down 45% YOY

EPS* (5) US cents

- Severe impact from Covid-19 on profitability
- Significant declines in demand and lower sales prices for graphic paper and dissolving pulp
- Packaging and speciality papers segment continued to grow volumes and profitability
- Focus on preservation of liquidity and cash flow
- Liquidity comprised cash on hand of US\$279 million and US\$582 million from committed RCF

* Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 29 in our Q4 FY20 financial results booklet (available on www.sappi.com) for a definition of special items.

** Adjusted covenant leverage ratio for information purposes. Covenant suspension to September 2021

Highlights—Q4 FY20

Excluding special items*

Graphic paper and
DP recovery
underway

EBITDA* US\$82m
Down 56% YOY

EPS* (4) US cents

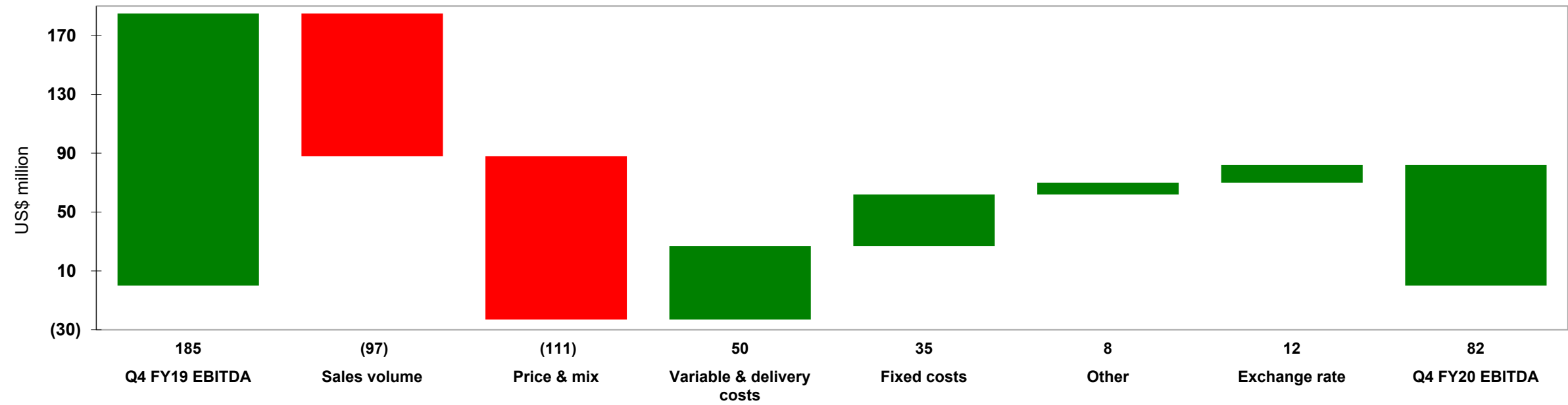
- Packaging and specialties volumes and profitability increased compared to the prior year
- Graphic paper sales volumes – 32% : Each month of quarter progressively better
- DP sales volumes -29% : Industry demand recovering faster than expected
- SA newsprint and uncoated woodfree demand impacted by the weaker domestic economy
- Strong quarter-on-quarter recovery from FYQ3

* Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 29 in our Q4 FY20 financial results booklet (available on www.sappi.com) for a definition of special items.

** Adjusted covenant leverage ratio for information purposes. Covenant suspension to September 2021

EBITDA* reconciliation

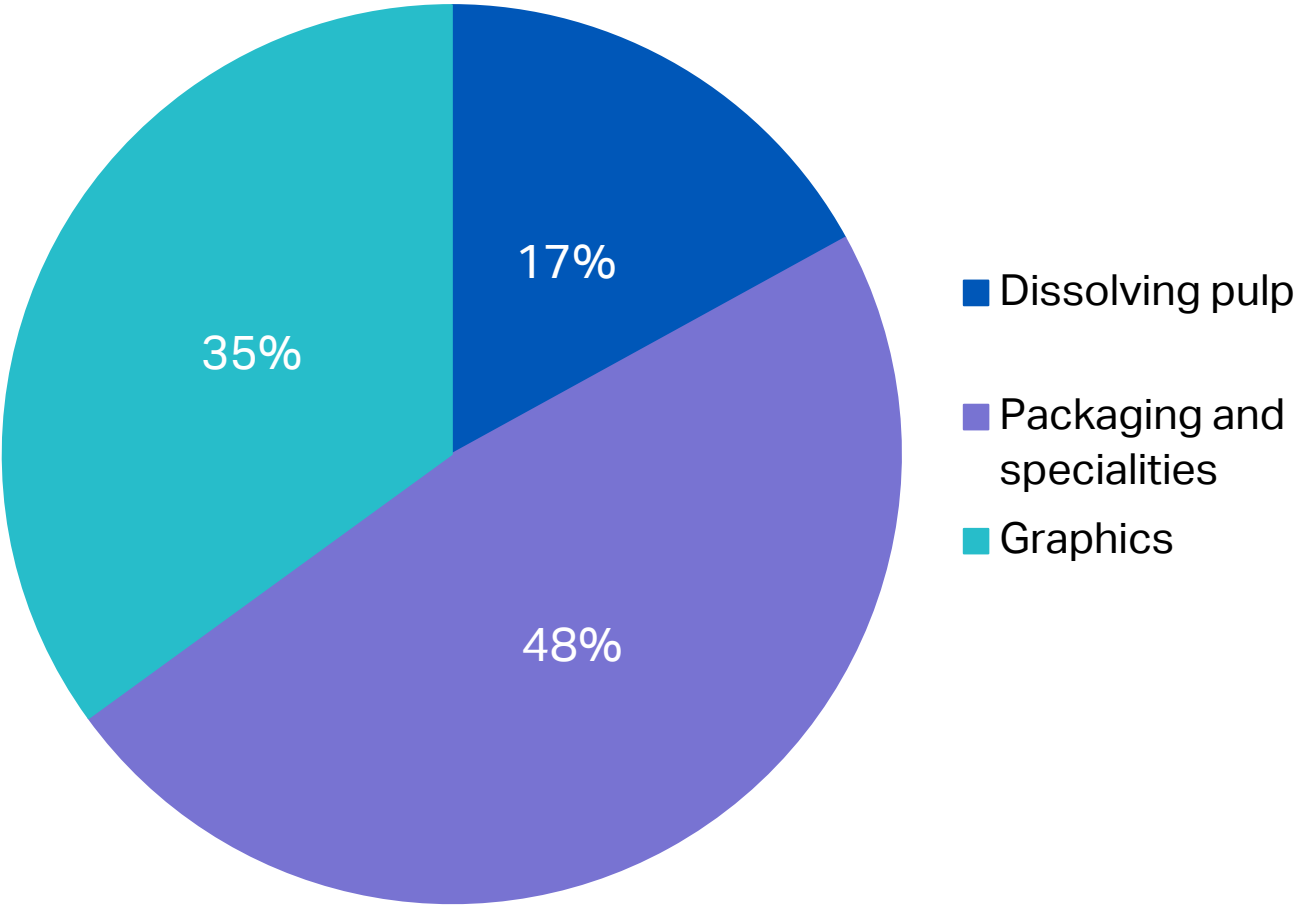
Q4 FY20 to QFY419



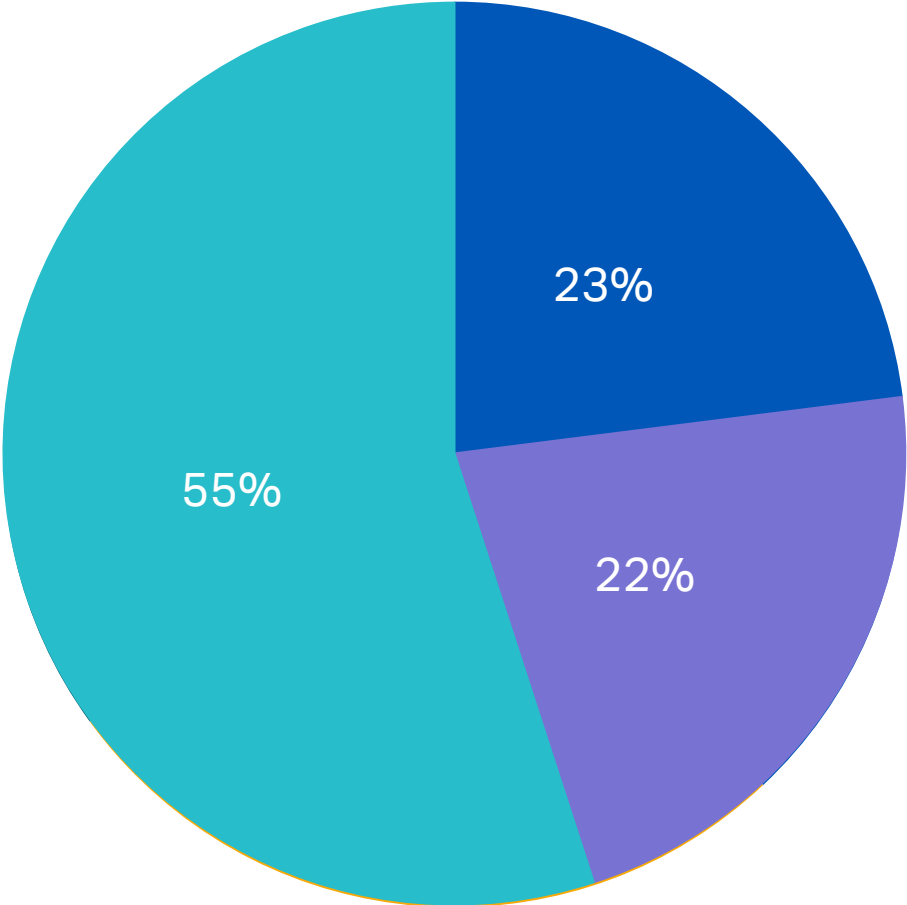
1. All variances were calculated excluding Sappi Forestry.
2. 'Currency conversion' reflects translation and transactional effect on consolidation.
3. EBITDA* = EBITDA excluding special items.

Product contribution split—LTM

EBITDA excluding special items

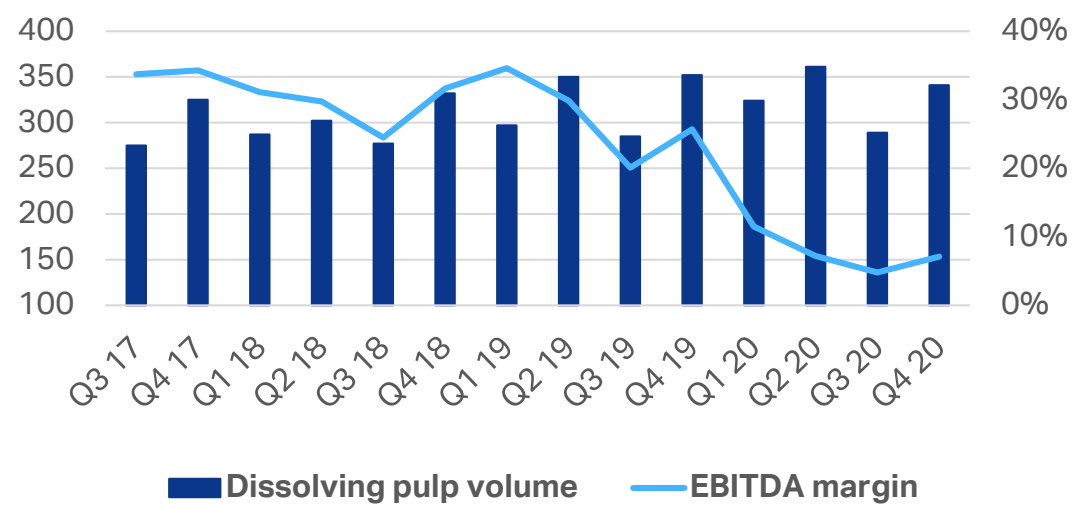
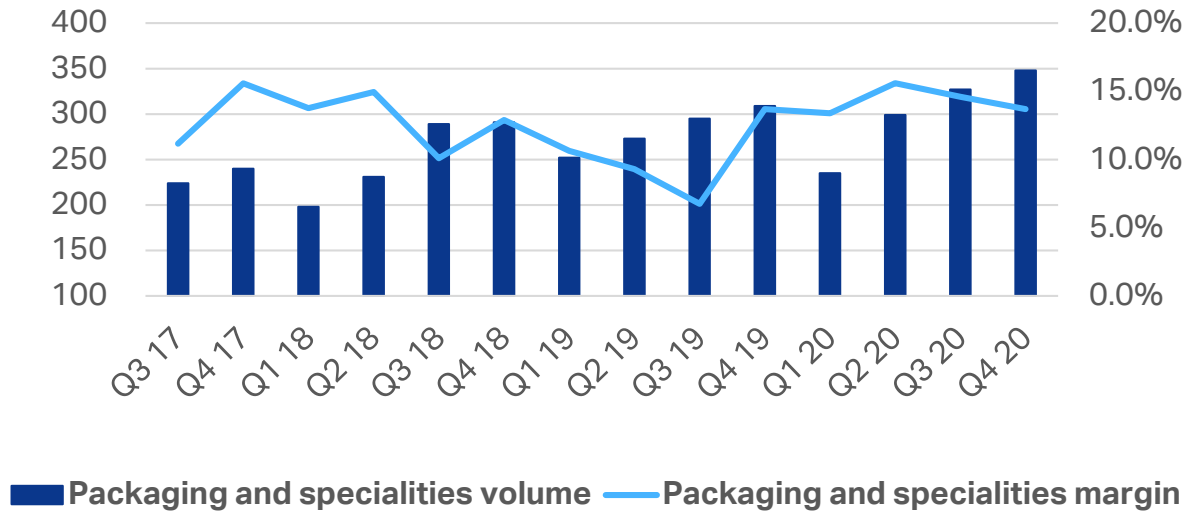
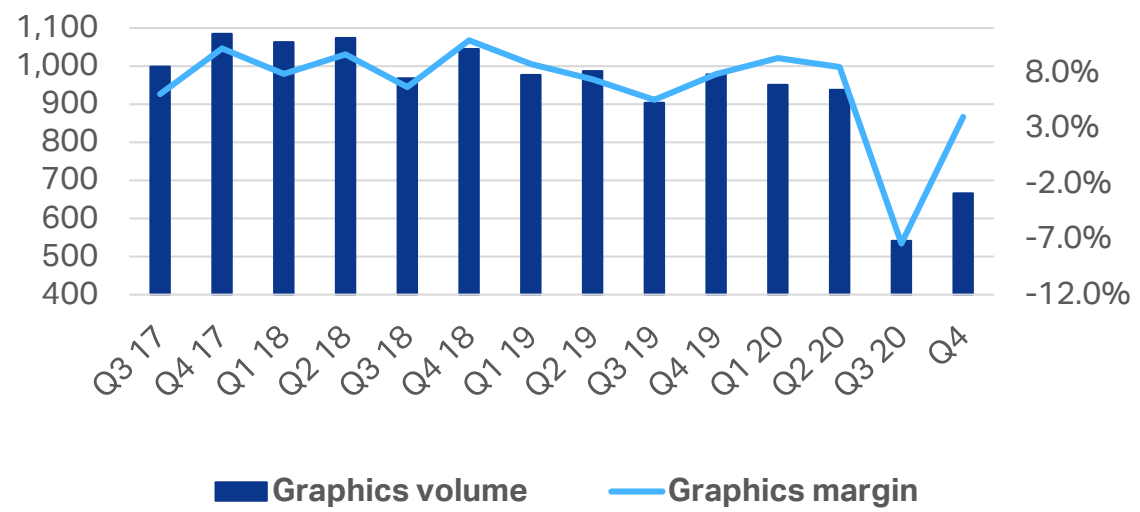


Sales volumes



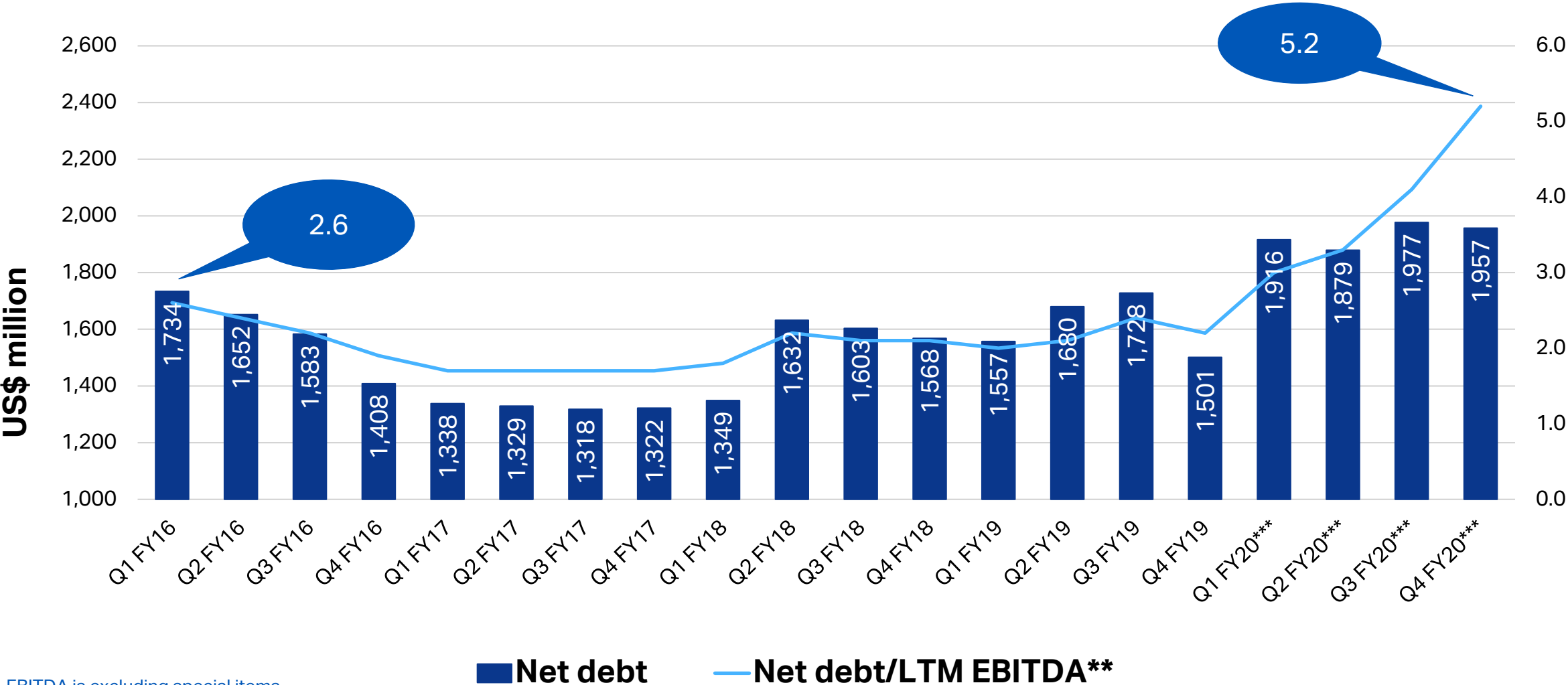
• Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 29 in our Q4 FY20 financial results booklet (available on www.sappi.com) for a definition of special items.
Data above excludes treasury operations and insurance captive.
Sales volumes excludes Forestry operations

Segment volume & EBITDA* margin



EBITDA* = EBITDA excluding special items.

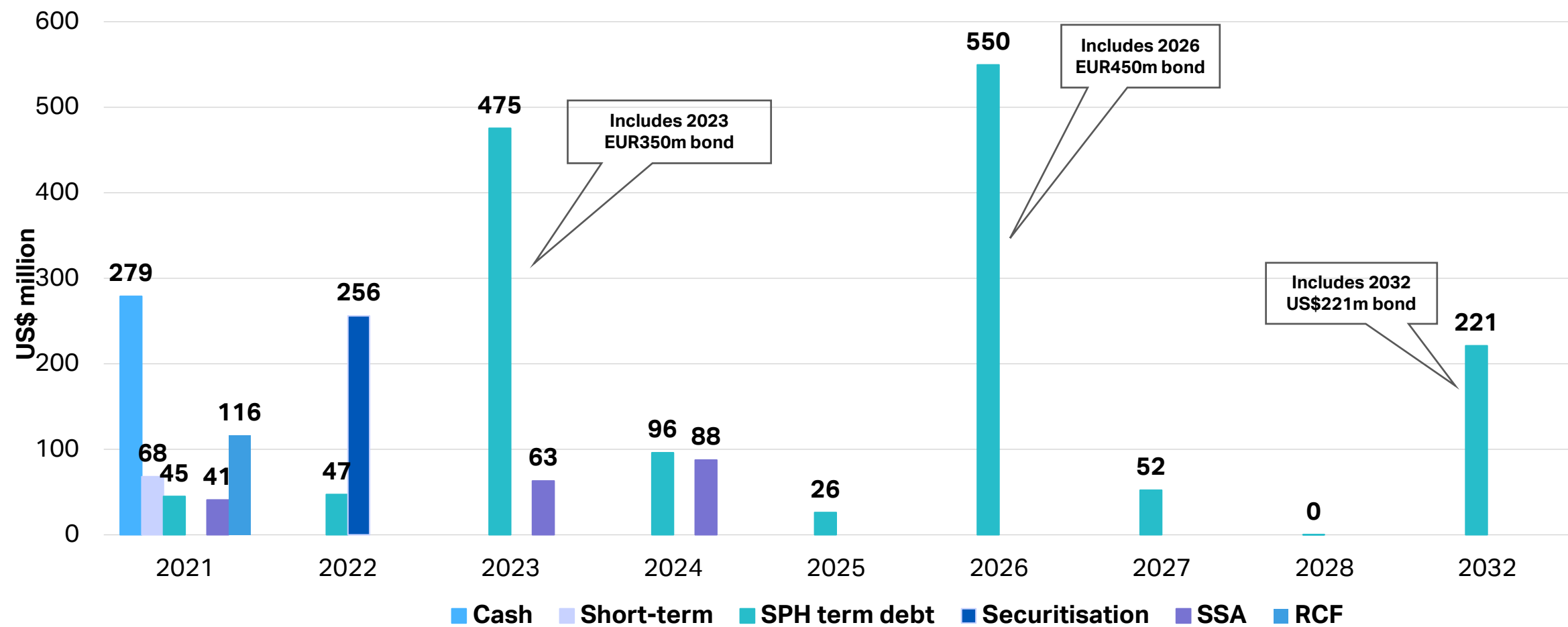
Net debt/EBITDA* development



* EBITDA is excluding special items.
** The covenant Net debt/LTM EBITDA calculation has adjustments and therefore differs from that shown above.
*** FY2020 impacted by IFRS 16 leases (~US\$100m) and Matane acquisition (US\$160m)

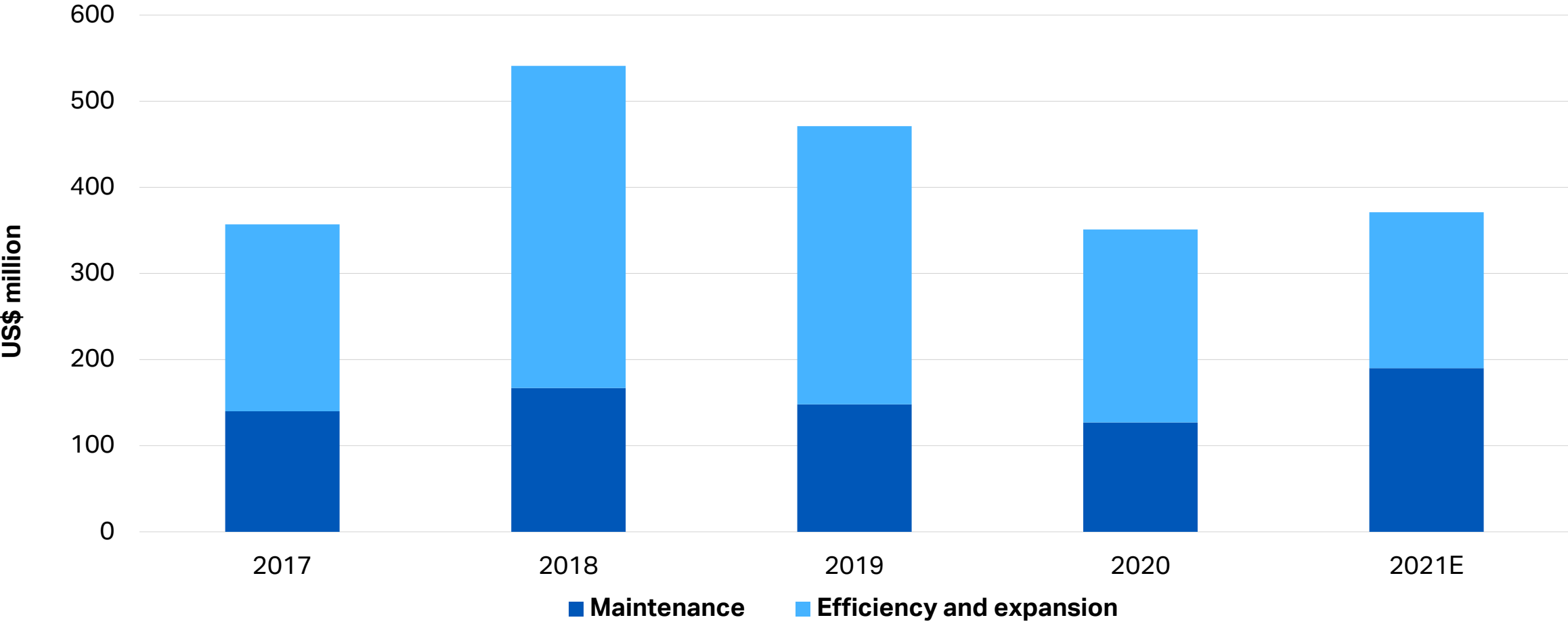
Maturity profile*

Fiscal years



* Graph excludes US\$105 million in IFRS16 leases – Average time to maturity of approximately four years.

Capex



Segmental Overview



**Sales tons -29%
year-on-year**

**Variable costs -8%
year-on-year**

**EBITDA* margin
3.1%**

- Industry CWF and CM shipments 30% and 28% lower for the quarter – progressive improvement each month
- 285kt production curtailment on graphic paper machines, approximately US\$78m EBITDA impact
- Paperboard sales held up - 4% increase in traditional packaging volumes, other grades negatively impacted by Covid-19
- All variable cost categories declined except energy – substantial decrease in fixed costs

* Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 29 in our Q4 FY20 financial results booklet (available on www.sappi.com) for a definition of special items.

**Sales tons 7%*
year-on-year**

**Packaging and
specialities vol +88%
year-on-year**

**Variable costs -14%
year-on-year**

- Excellent sales growth in the packaging and specialities segment
- Graphic paper sales volumes declined 25% but steady improvement in demand through the quarter
- Commercial downtime of 36kt in quarter - US\$9m EBITDA impact
- Lower DP demand resulted in additional paper pulp production at Cloquet
- 14% reduction in variable costs – lower wood and chemical prices – benefits of increased pulp integration

* Volumes down 7% excluding Matane Mill.

** Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 29 in our Q4 FY20 financial results booklet (available on www.sappi.com) for a definition of special items.

**Sales tons -18%
year-on-year**

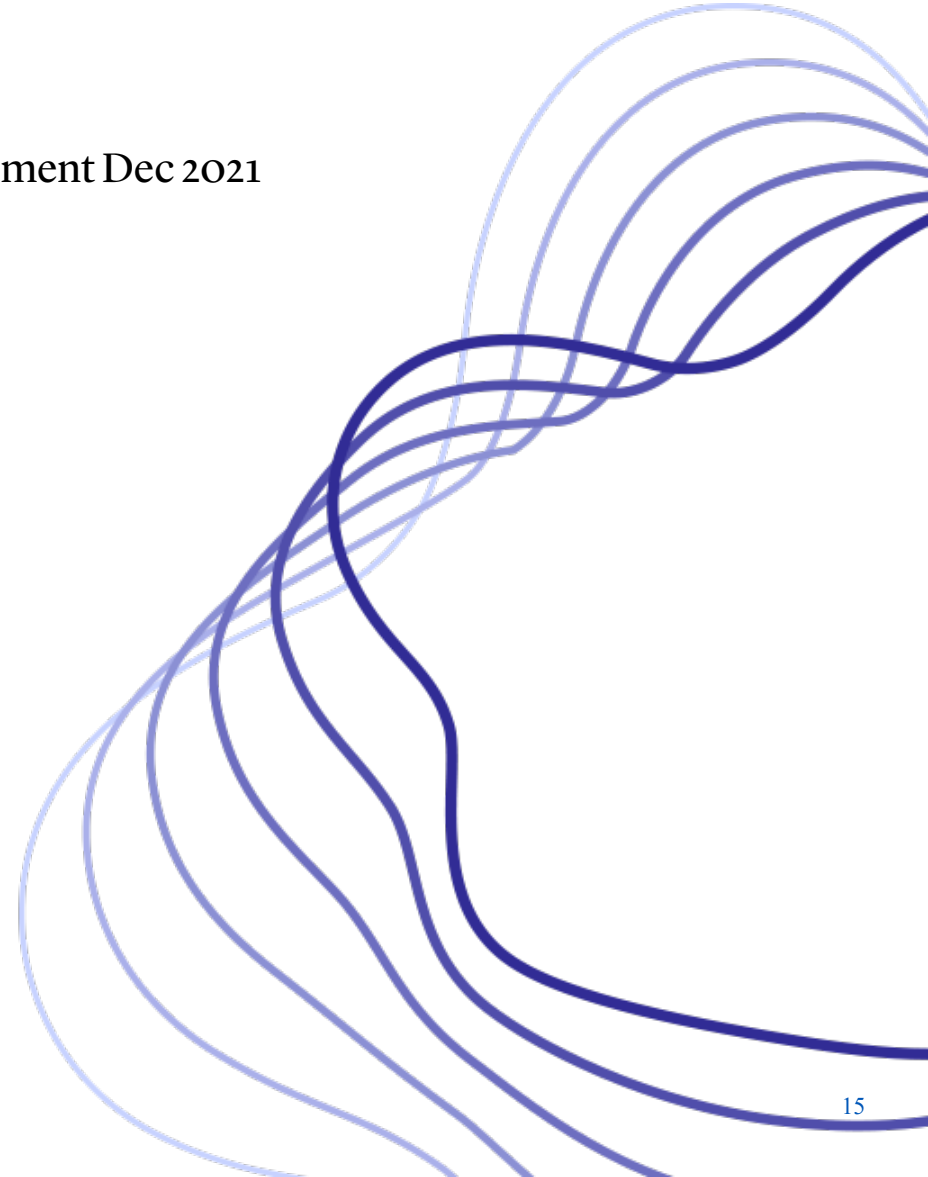
**Variable costs -3%
year-on-year**

**EBITDA* margin
15.3%**

- Significantly impacted by lower DP volumes and prices and weak domestic paper markets
- DP sales volumes 29% below the prior year – 55kt curtailment with US\$12m EBITDA impact
- Packaging volumes and prices flat year-on-year
- Continued Covid-19 impact on newsprint and uncoated woodfree volumes (– 35%)
- 3% decline in variable costs and 10% decline in cash fixed costs

* Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 29 in our Q4 FY20 financial results booklet (available on www.sappi.com) for a definition of special items.

- **Financing activities**
 - Negotiated covenant waiver suspension period until September 2021 – first measurement Dec 2021
- **US\$135m reduction in working capital in the quarter**
- **Capital expenditure commitments**
 - Saiccor Mill expansion project — completion now expected in Q3 FY2021
- **Procurement savings achieved for 2020: US\$108m**
- **Fixed costs savings of \$37m in the quarter**



- **Graphic papers**

- Demand experienced a slow recovery through to September with volumes 32% lower than last year
- Quarterly demand declines of approximately -31% in Europe for CWF and CM, and -27% in US for CWF.
- Newsprint and Office paper continue to be impacted by Covid-19 in SA
- Prices drifted downwards on lower costs—industry managing excess capacity through temporary shutdowns, closures and conversions

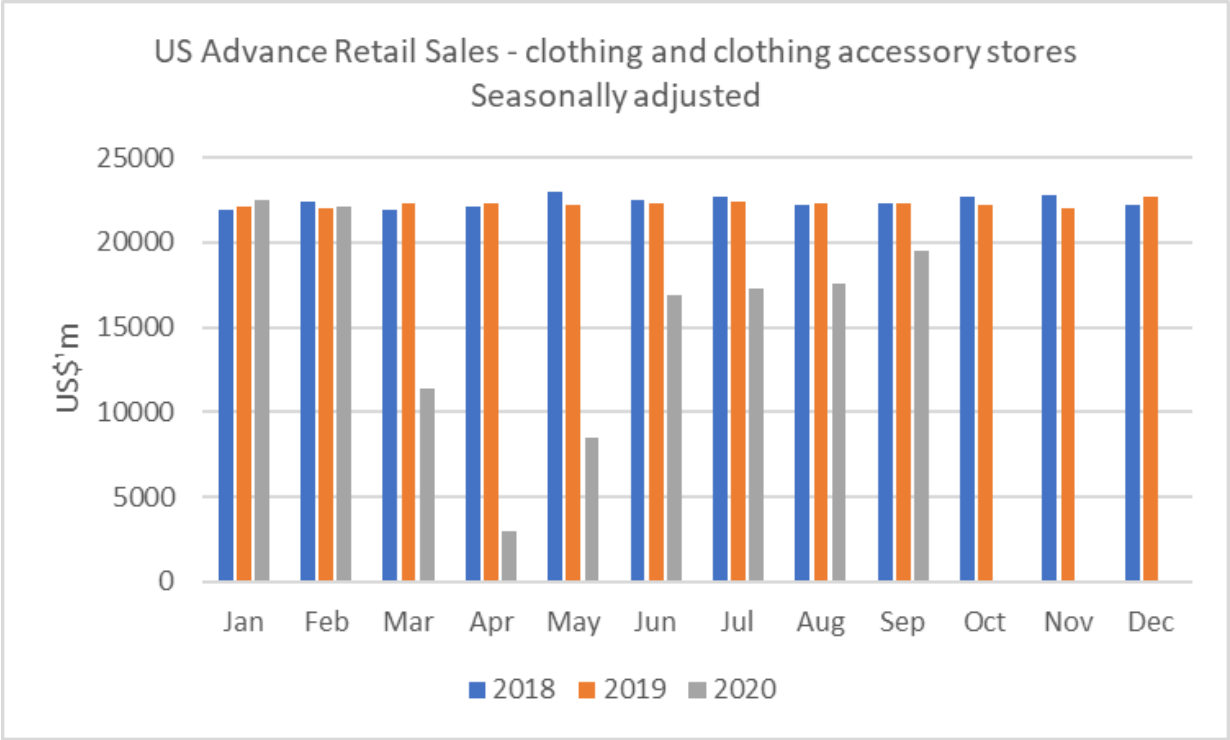
- **Packaging and speciality papers**

- Many categories positively affected to date—food and hygiene related products
- Others negatively impacted by lockdowns—advertising or industry related
- Trials for new products resumed, continued ramp up of Somerset and Maastricht
- Lower pulp and chemical prices supported margins

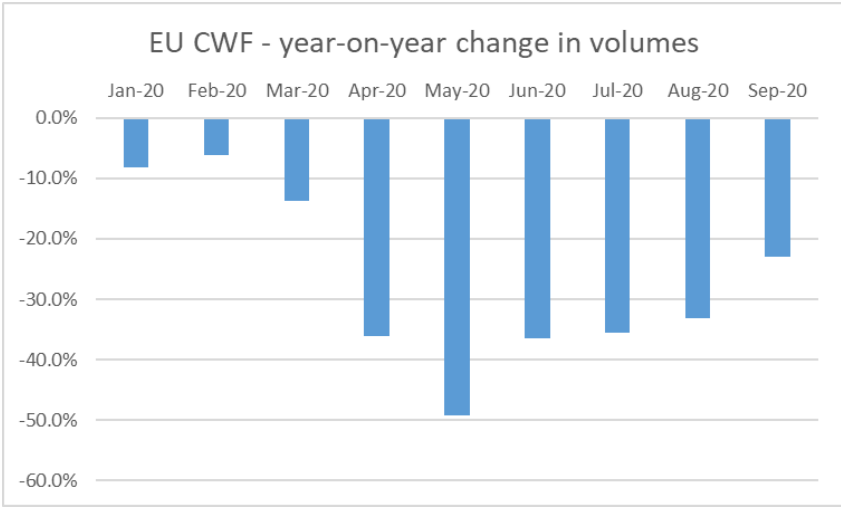
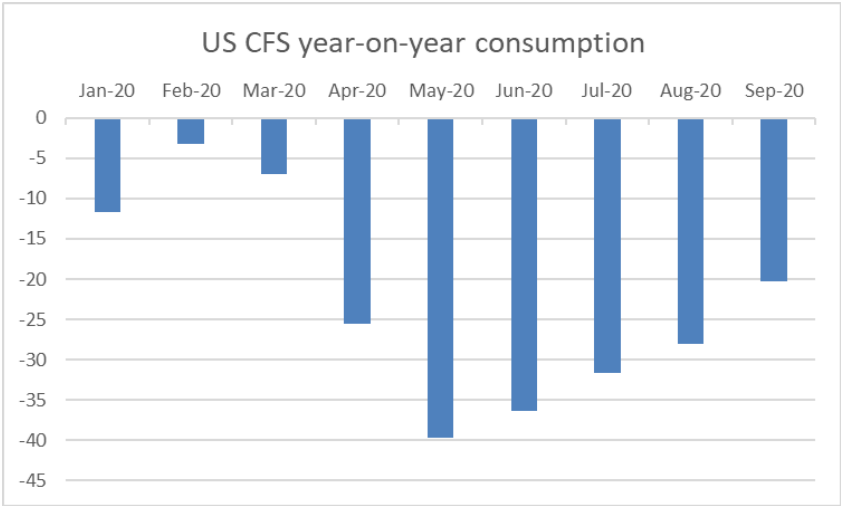


- **Dissolving pulp**

- Industry demand for DP recovered faster than expected
 - Global clothing retail sales rebounded and supply chain inventory levels refilled
- Market conditions for DP have improved, with strong demand and pricing that has recovered during October; Chinese market price US\$680/ton
- Sappi's volumes will be constrained until Saiccor expansion project completion (Q3 2021) by additional paper pulp production at Cloquet (paper vs DP price spread) and calcium line operating rate at Saiccor: Opportunities to increase volumes being investigated
- 90,000 tons of BCTMP and kraft paper pulp sales volumes included in the segment in Q42020



Source: US Federal Reserve



Source: Sappi estimate, PPPC, AF&PA and Eurograph

Our business strategy

How we'll get there

sappi

Through collaboration and innovation we will grow profitably, using our strength as a sustainable and diversified global woodfibre group, focused on dissolving pulp, graphic, packaging and speciality papers, and biomaterials.

Sappi's 2025 strategy

Four key fundamentals
Two phases

Our Strategy

Four key fundamentals

Grow our business

Committing to core business segments while investing in innovation, growth opportunities, and ongoing customer relationships

Sustain financial

Reducing and managing our debt, growing EBITDA, maximizing product value, optimizing processes globally and strategically disposing of non-core assets

Drive operational excellence

Strengthening our safety-first culture and reducing resource use while enhancing efficiency and making smart data investments

Enhance Trust

Improving our understanding of – and proactively partnering with clients and communities, driving sustainability solutions, and meeting the changing needs of every employee at Sappi.

Phase 1

Strengthen balance sheet (2021–2023)

Objective

Reduce debt and
maximise cash
generation

Strategy

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

Phase 2

Invest for profit growth (2023+)

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

Group strategy Update

- **Drive operational excellence**

- Group efficiency and procurement saving initiatives in FY20: US\$108m
- Saiccor Mill expansion completion in Q3 FY21—will improve efficiency and lower costs once complete

- **Enhance trust**

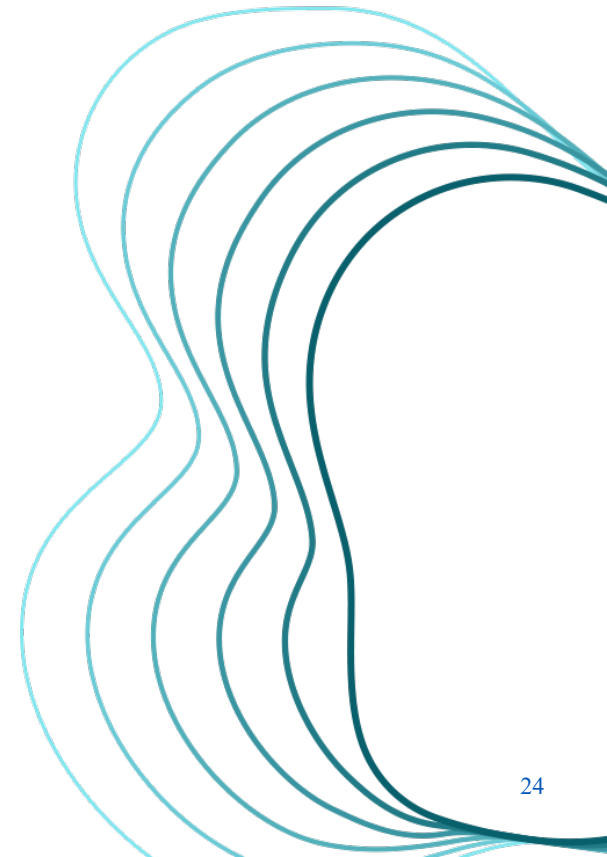
- Commitment to set Science Based Targets
- Following TCFD recommendations on climate related disclosure
- Supplier Code of Conduct

- **Sustain our financial health**

- Covenant suspension through to September 2021
- Strict focus on cash generation and liquidity
- Estimated capex for FY2021 US\$370

- **Grow our business**

- Ramp up of board grades at Somerset and Maastricht Mills
- Transfer barrier coating and technology to Alfeld: pursue opportunities for growth
- Complete Saiccor expansion



- Underlying performance of the business expected to improve in the first quarter.
- Demand for most packaging and speciality products remains robust – shuts at Somerset and Ngodwana will impact volumes and profitability in segment
- DP market conditions and pricing have improved; FQ1 volumes marginally higher than preceding quarter
- Graphic paper demand continues to improve; second wave Covid-19 infections in Europe could lead to a slowing of the recovery
- Liquidity headroom remains good; covenant suspension period extended to September 2021
- FY2021 capital expenditure estimated at US\$370m; includes approximately US\$100m related to Saiccor expansion project and postponements of major shuts
- First quarter EBITDA expected to be slightly below that of the fourth quarter of FY2020



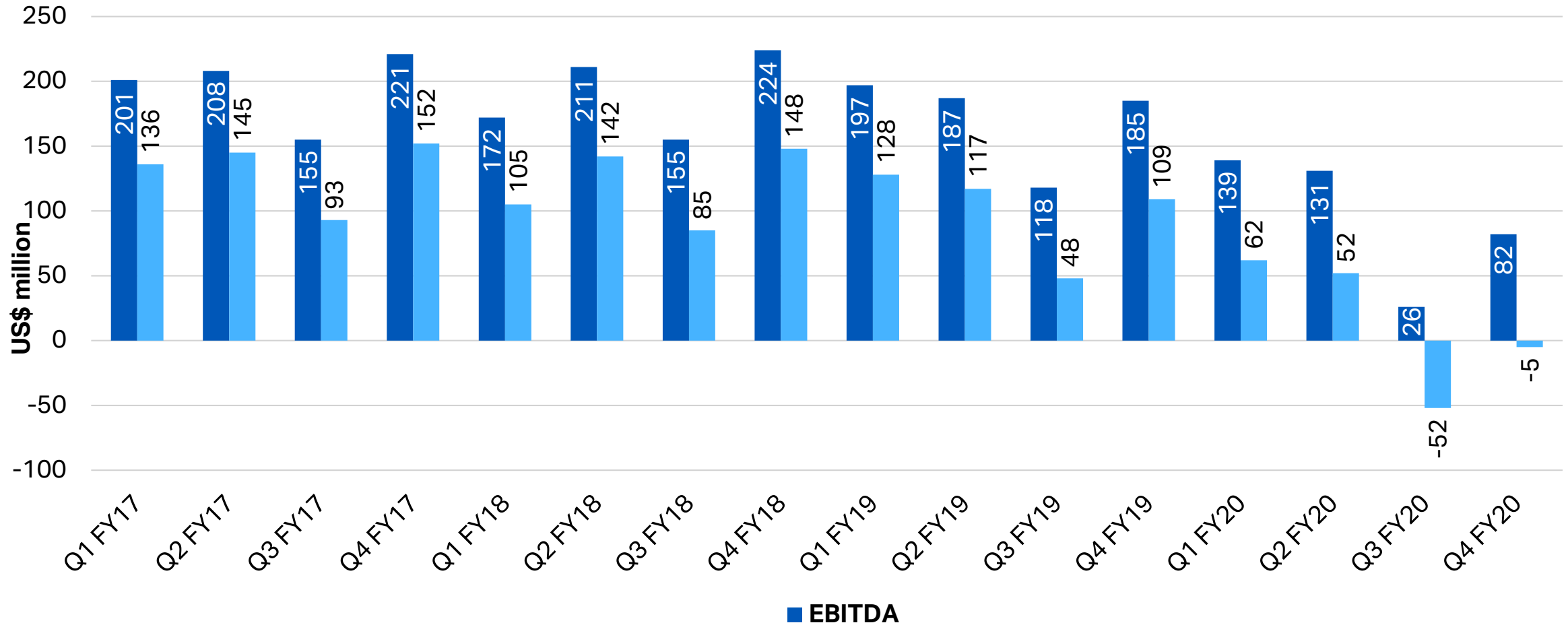
Thank you

Supplementary information



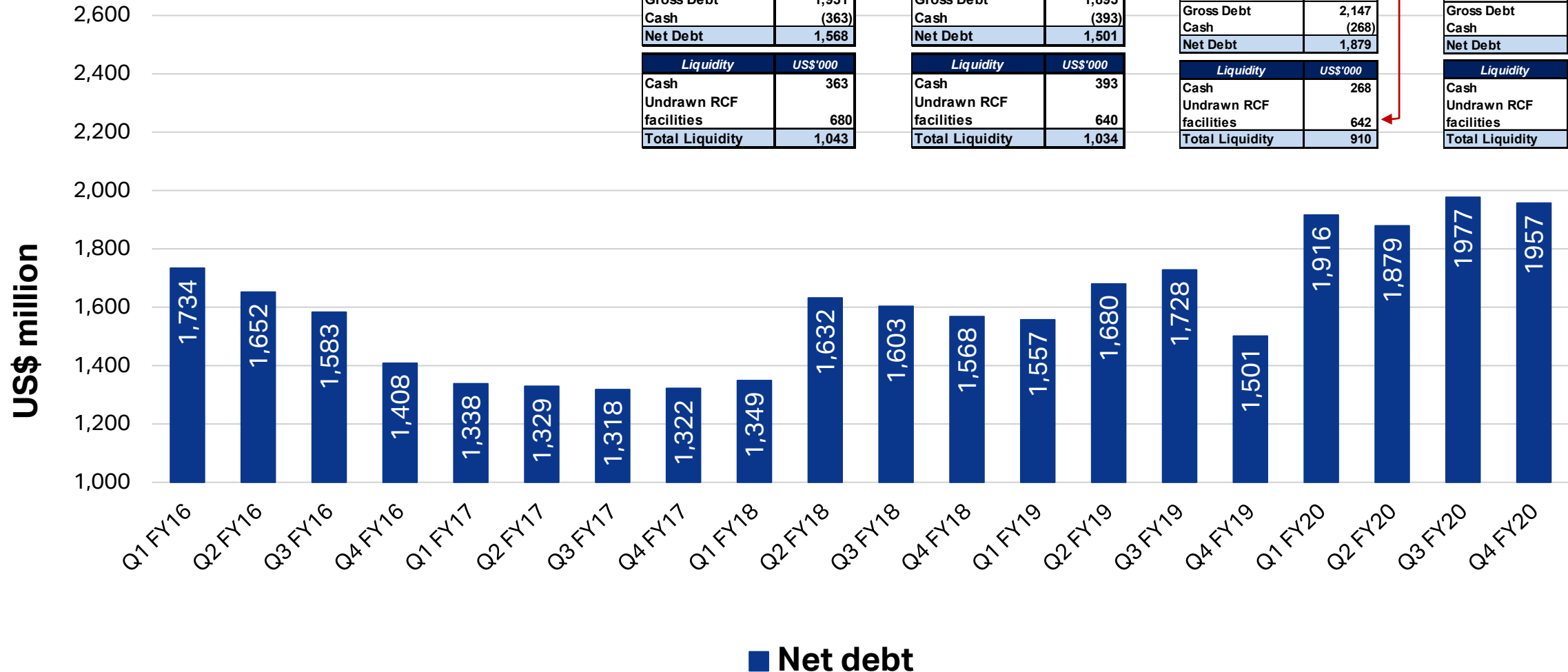
EBITDA and operating profit

Excluding special items*



* Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 29 in our Q4 FY20 financial results booklet (available on www.sappi.com) for a definition of special items.

Net debt and liquidity development



Sep-18	US\$'000
Long-Term Debt	1,471
Securisation	376
Short-Term Debt	84
Gross Debt	1,931
Cash	(363)
Net Debt	1,568

Liquidity	US\$'000
Cash	363
Undrawn RCF facilities	680
Total Liquidity	1,043

Sep-19	US\$'000
Long-Term Debt	1,465
Securisation	366
Short-Term Debt	64
Gross Debt	1,895
Cash	(393)
Net Debt	1,501

Liquidity	US\$'000
Cash	393
Undrawn RCF facilities	640
Total Liquidity	1,034

Mar-20	US\$'000
Long-Term Debt	1,616
Securisation	347
Short-Term Debt	87
IFRS16 Leases	97
Gross Debt	2,147
Cash	(268)
Net Debt	1,879

Liquidity	US\$'000
Cash	268
Undrawn RCF facilities	642
Total Liquidity	910

Sep-20	US\$'000
Long-Term Debt	1,649
Securisation	256
Short-Term Debt	225
IFRS16 Leases	105
Gross Debt	2,236
Cash	(279)
Net Debt	1,957

Liquidity	US\$'000
Cash	279
Undrawn RCF facilities	582
Total Liquidity	861

Global packaging and speciality papers production sites



Alfeld Mill (Germany)

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



Stockstadt Mill (Germany)

Label paper, flexible packaging, containerboard



Condino Mill (Italy)

Flexible packaging, silicone base paper, dye sublimation paper



Somerset Mill (USA)

Label paper, paperboard, flexible packaging



Tugela Mill (South Africa)

Containerboard



Maastricht Mill (Netherlands)

Paperboard



Lanaken Mill (Belgium)

Functional paper



Rockwell Solutions (Scotland)

Functional papers and flexible packaging



Cloquet Mill (USA)

Label paper



Ngodwana Mill (South Africa)

Containerboard



Ehingen Mill (Germany)

Containerboard



Carmignano Mill (Italy)

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



Westbrook Mill (USA)

Casting and Release paper

Packaging and speciality papers

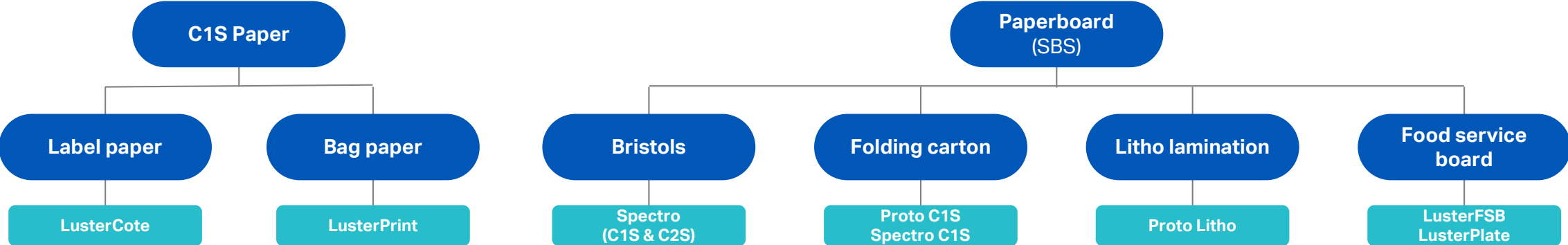
Sappi Europe

sappi

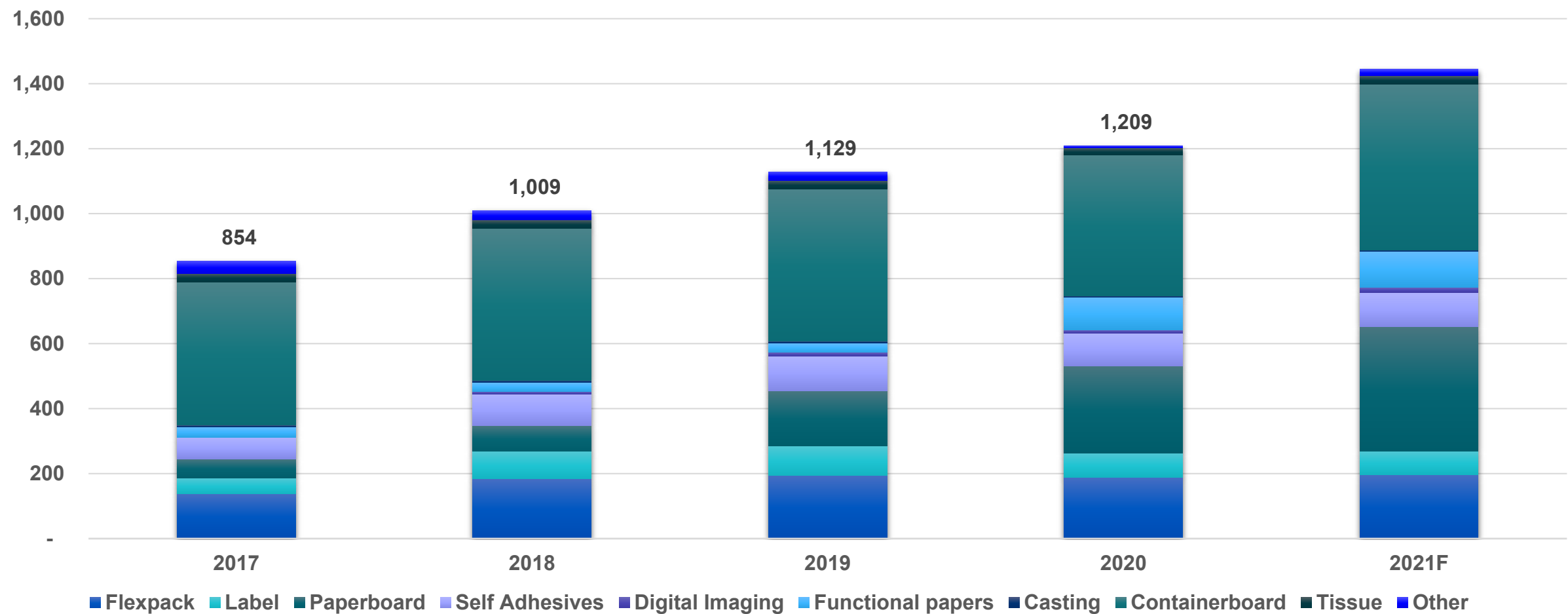


Packaging and speciality papers

Sappi North America



Packaging and speciality papers volume growth 2017 to 2021



Sustainability focus

EU consumer and brand owner

- **Desired outcome**

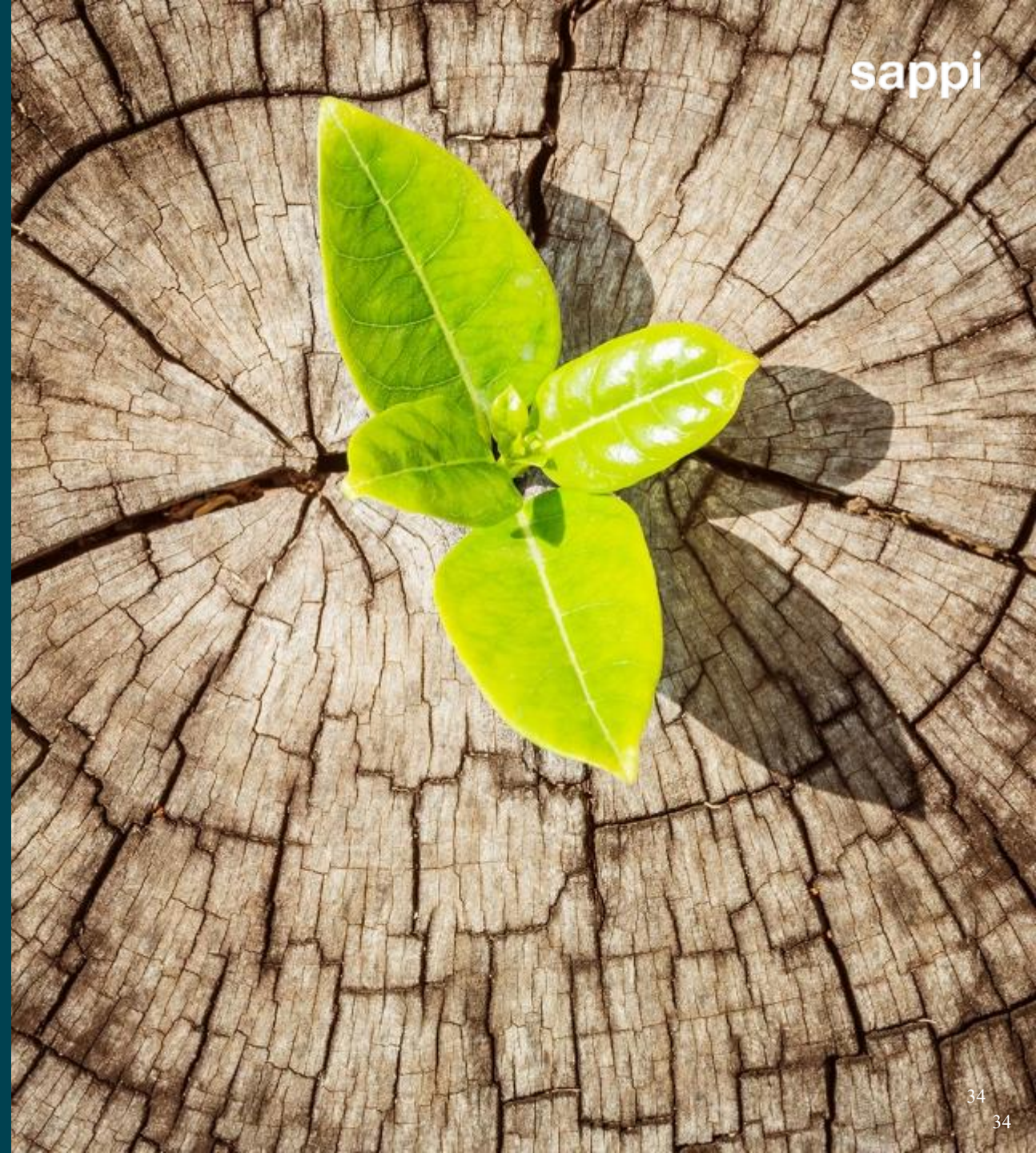
- Prevent or reduce the impact of packaging waste on the environment by avoiding and recycling packaging waste; preference for Monomaterials

- **Consequences**

- Product design requires a 'designed for recycling' approach
- Recycling systems to be established and/or heavily expanded
- Rewards easy to recycle packaging
- Replacement for paper laminates and aluminium
- Huge potential for barrier papers and board
- Low carbon footprint is a competitive advantage

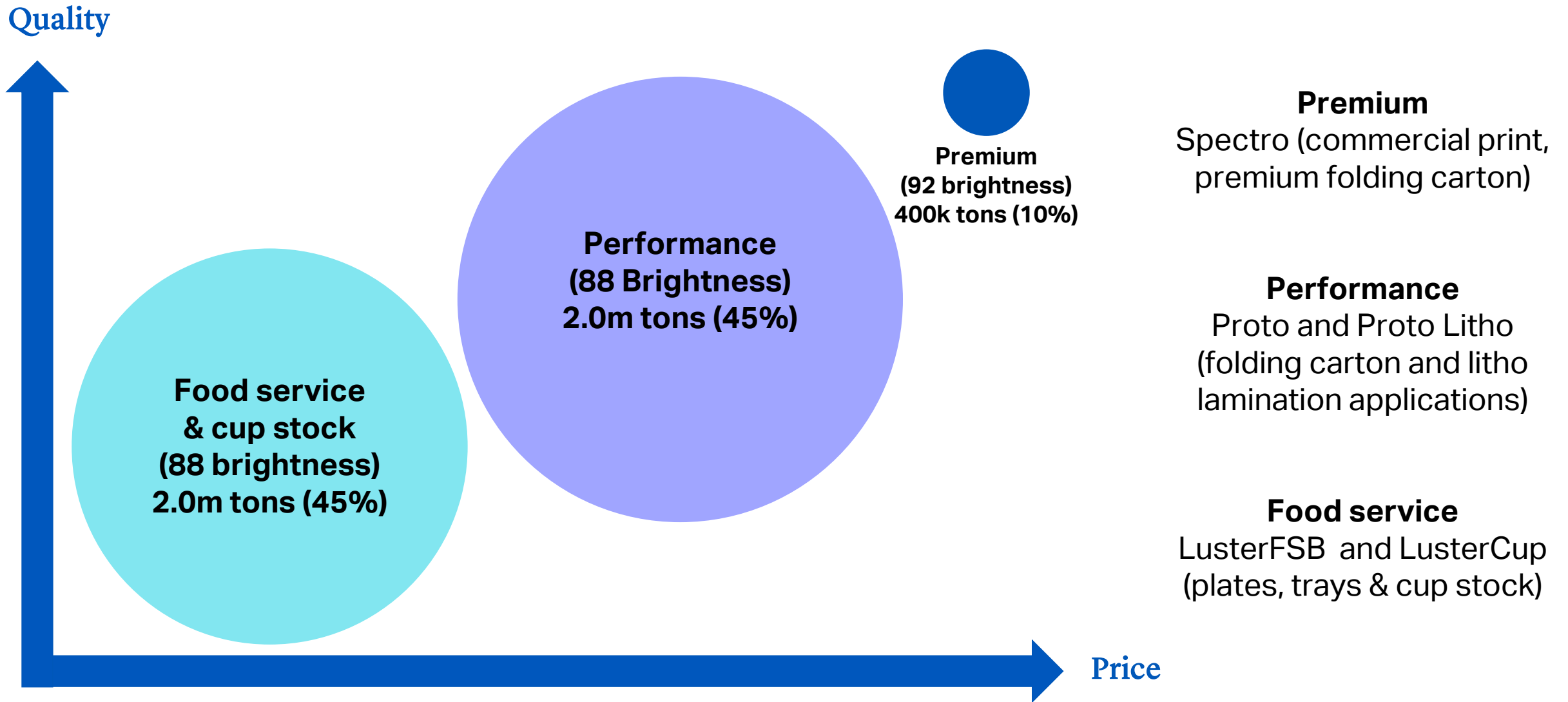
4EverGreen initiative just started with more than 60 participants

sappi



Paperboard segments

North America



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

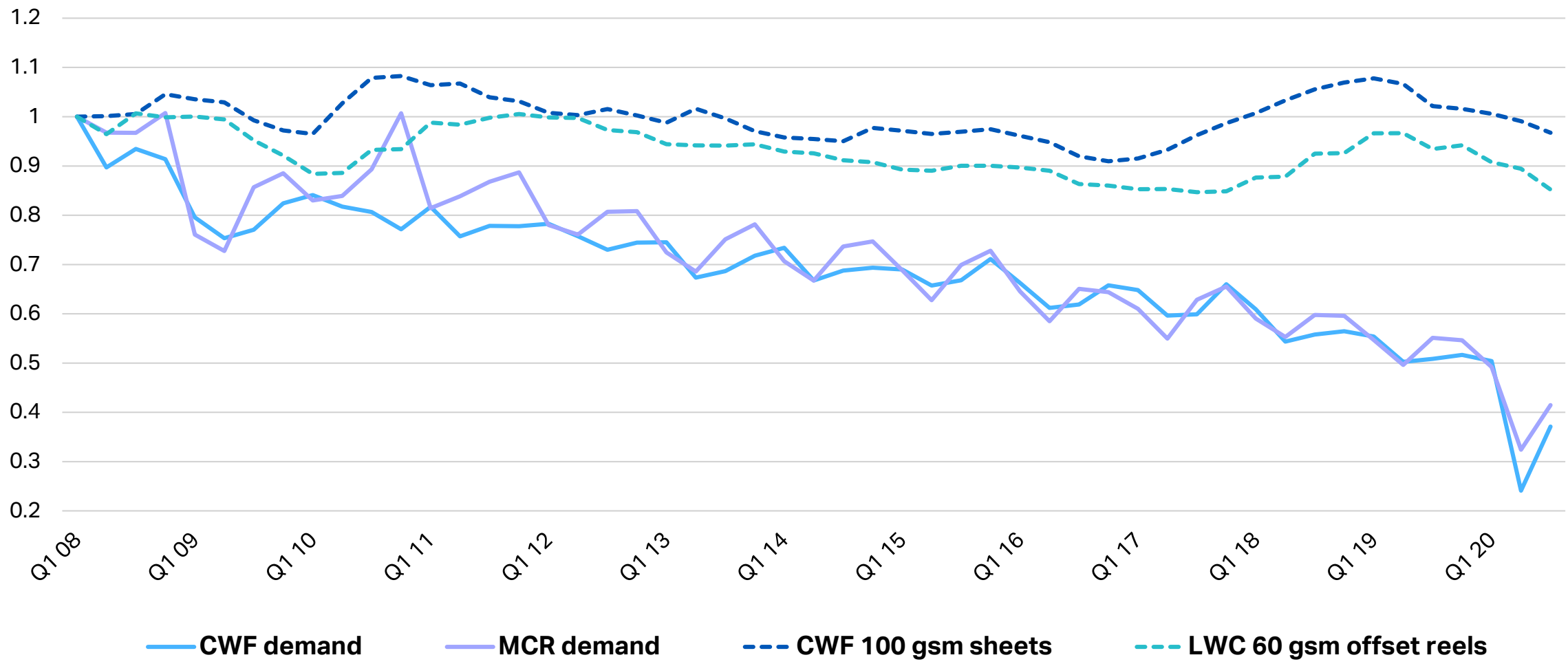
	Q4 FY20	Q3 FY20	Q4 FY19
Tons sold ('000)	570	540	801
Sales (EURm)	422	420	633
Price/Ton (EUR)	740	778	790
Cost/Ton* (EUR)	774	837	764
Operating profit excluding special items** (EURm)	(19)	(32)	21

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

** Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 29 in our Q4 FY20 financial results booklet (available on www.sappi.com) for a definition of special items.

Coated paper deliveries and prices

Western Europe



Western Europe shipments including export.
Source: Cepifine, Cepiprint and RISI indexed to calendar 1Q 2008.

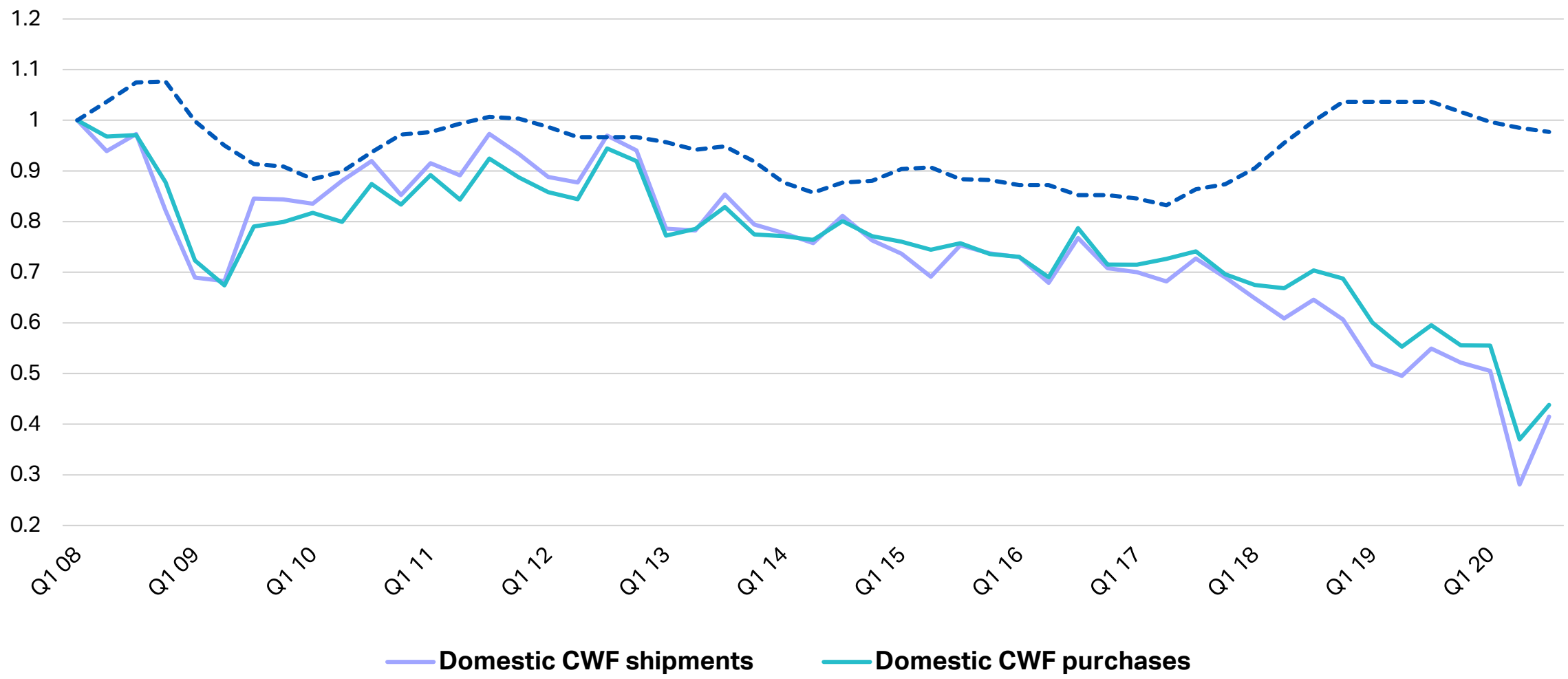
	Q4 FY20	Q3 FY20	Q4 FY19
Tons sold ('000)	416	307	388
Sales (USDm)	361	267	394
Price/Ton (USD)	868	870	1,015
Cost/Ton* (USD)	868	974	972
Operating profit excluding special items** (USDm)	-	(32)	17

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

** Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 29 in our Q4 FY20 financial results booklet (available on www.sappi.com) for a definition of special items.

Coated paper deliveries and prices

United States of America



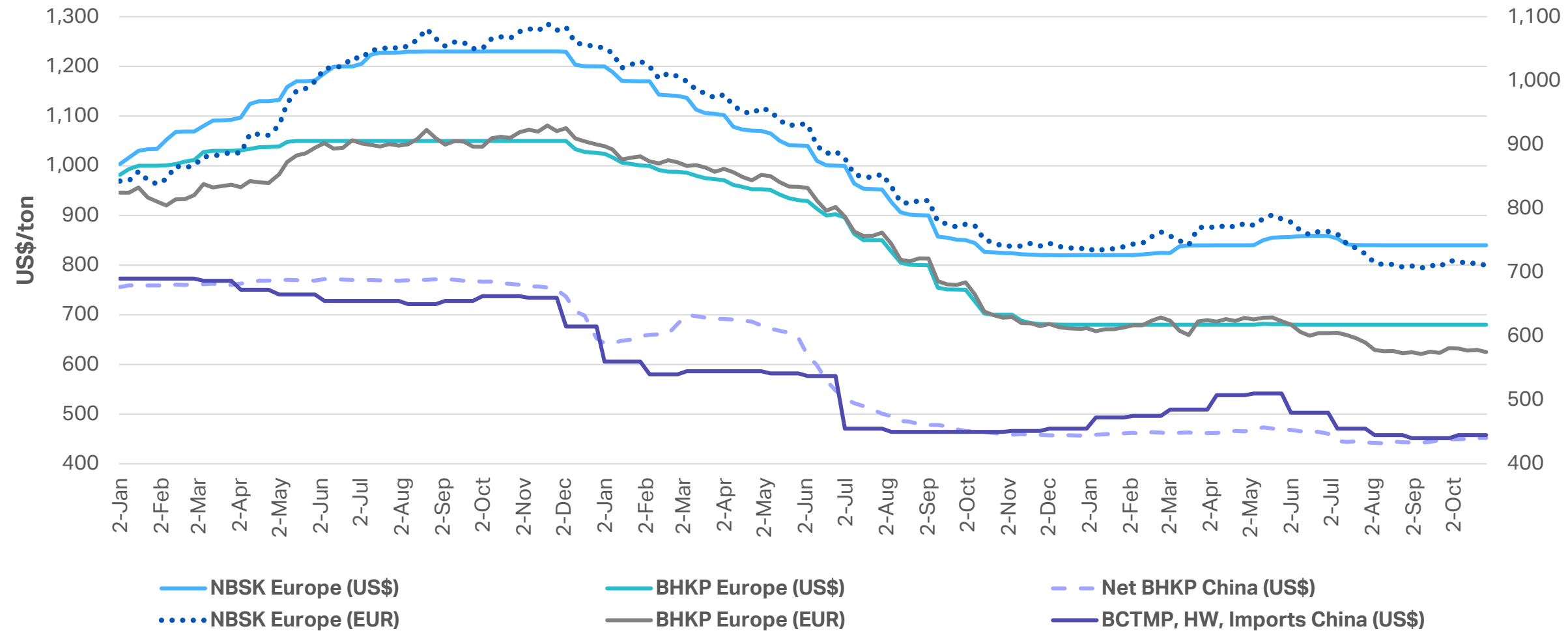
US industry purchases defined as industry shipments, plus imports, less exports.
Source: AF&PA and RISI indexed to calendar Q1 FY08.

	Q4 FY20	Q3 FY20	Q4 FY19
Tons sold ('000)	369	310	450
Sales (ZARm)	3,914	3,506	5,144
Price/Ton (ZAR)	10,608	11,310	11,431
Cost/Ton* (ZAR)	9,779	10,452	9,213
Operating profit excluding special items** (ZARm)	306	266	998

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

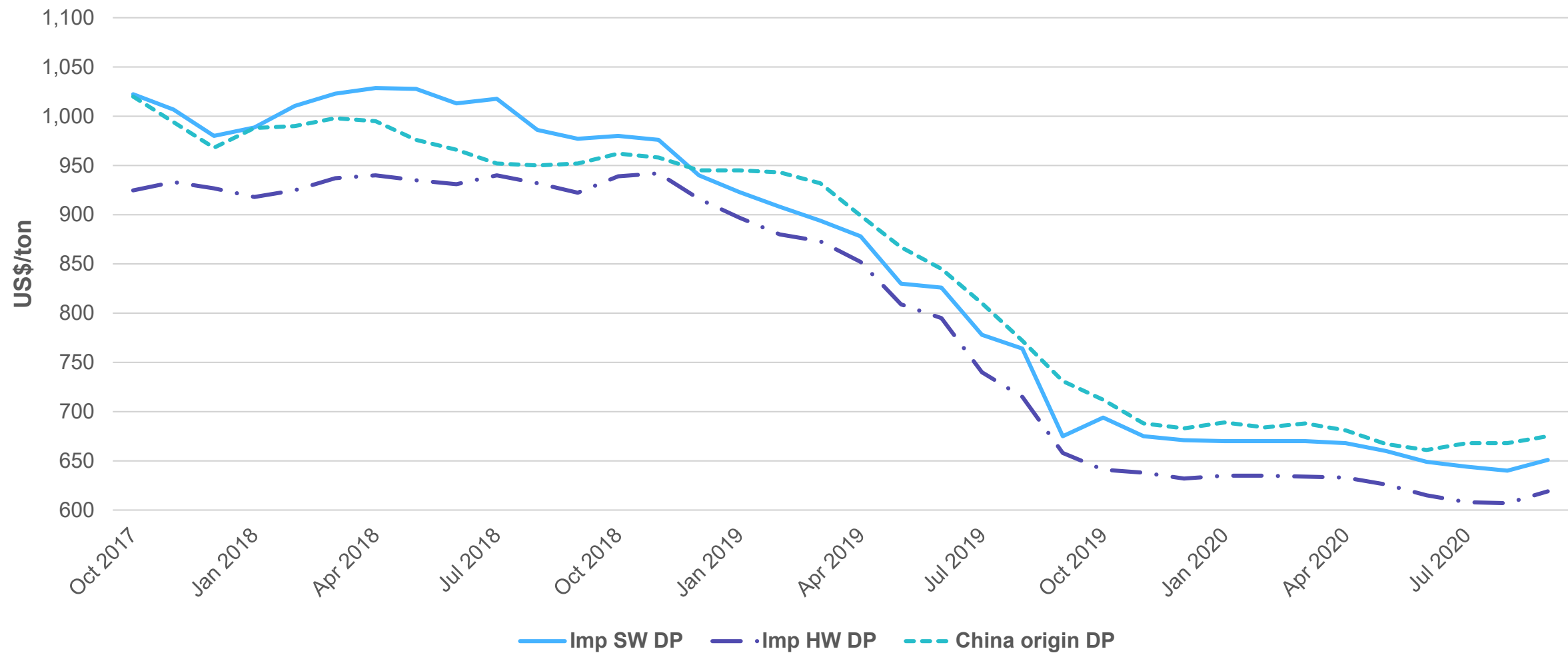
** Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 29 in our Q4 FY20 financial results booklet (available on www.sappi.com) for a definition of special items.

Paper pulp prices



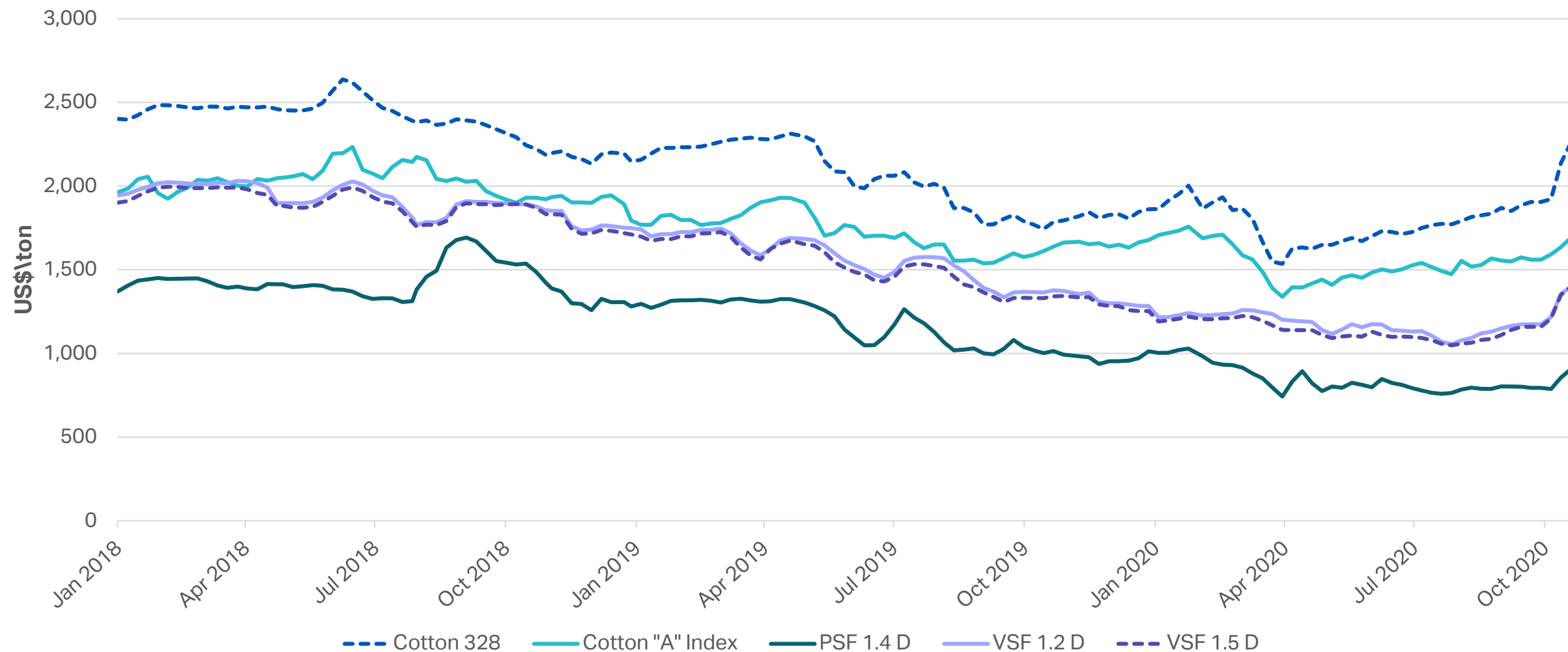
Source: FOEX, CCF group, RISI.

Dissolving pulp prices



Source: CCF group.

Textile fibre prices



Cash flow

US\$m	Q4 FY20	Q3 FY20	Q4 FY19
Cash generated from operations	46	25	176
Movement in working capital	135	20	132
Finance costs paid	(7)	(48)	(5)
Finance income received	2	1	3
Taxation (paid) refund	4	(13)	-
Dividend paid	-	-	-
Cash generated from operating activities	180	11	306
Cash utilised in investing activities	(92)	(78)	(133)
Capital expenditure	(95)	(74)	(135)
Proceeds on disposal of assets	1	-	1
Acquisition of subsidiary	-	(2)	-
Other non-current asset movements	2	(2)	1
Net cash generated (utilised)	88	(67)	173

EBITDA and operating profit

Excluding special items* reconciliation to reported operating profit

US\$m	Q4 FY20	Q3 FY20	Q4 FY19
EBITDA excluding special items*	82	26	185
Depreciation and amortisation	(87)	(78)	(76)
Operating profit excluding special items*	(5)	(52)	109
Special items* - gains (losses)	(39)	(20)	(12)
Plantation price fair value adjustment	6	5	5
Acquisition cost	(1)	-	(2)
Net restructuring provisions	(16)	(5)	-
Profit (loss) on disposal and written off assets	-	1	(7)
PPE impairments	(4)	-	(7)
Equity investment impairments	(9)	(10)	-
Fire, flood, storm and other events	(15)	(11)	(1)
Operating profit	(44)	(72)	97

* Refer to page 29 in our Q4 FY20 results booklet (available on www.sappi.com) for a definition of special items.

Thank you