

Steve Binnie
Chief Executive Officer, Sappi Limited
03 February 2021

sappi

Q1 FY21 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—Q1 FY21

Excluding special items*

DP and Graphic
paper recovery
underway

EBITDA* US\$98m
Up 20% from prior
quarter

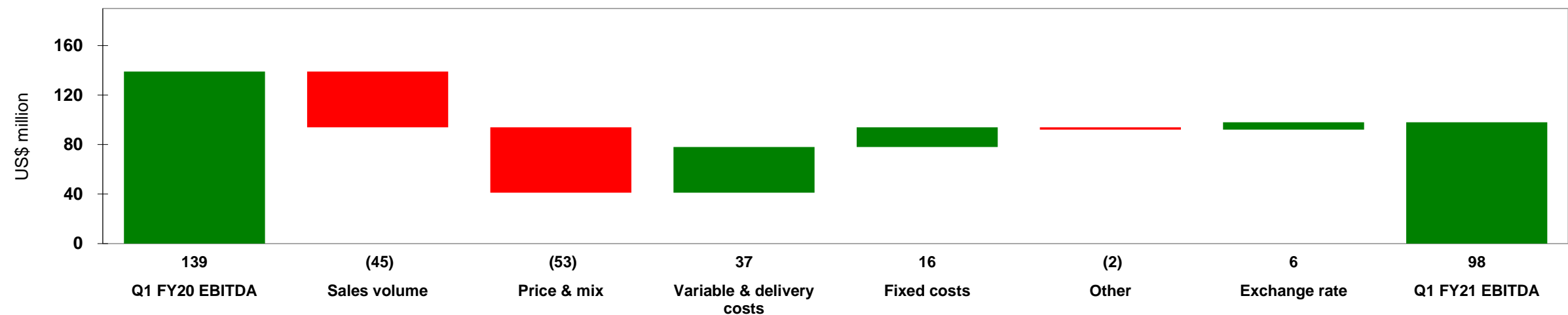
EPS* (1) US cents

- Comprehensive Covid action plans in place
- Profitability in all segments exceeded expectations
- Encouraging growth in packaging and specialities relative to last year
- DP markets tightened considerably ~ market prices rallied by US\$106/ton through the quarter
- Slow recovery in graphic paper demand ~ volumes down 19% from last year
- Issued 5-year convertible bonds with a principal amount of ZAR 1.8 billion

* Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 22 in our Q1 FY21 financial results booklet (available on www.sappi.com) for a definition of special items.

EBITDA* reconciliation

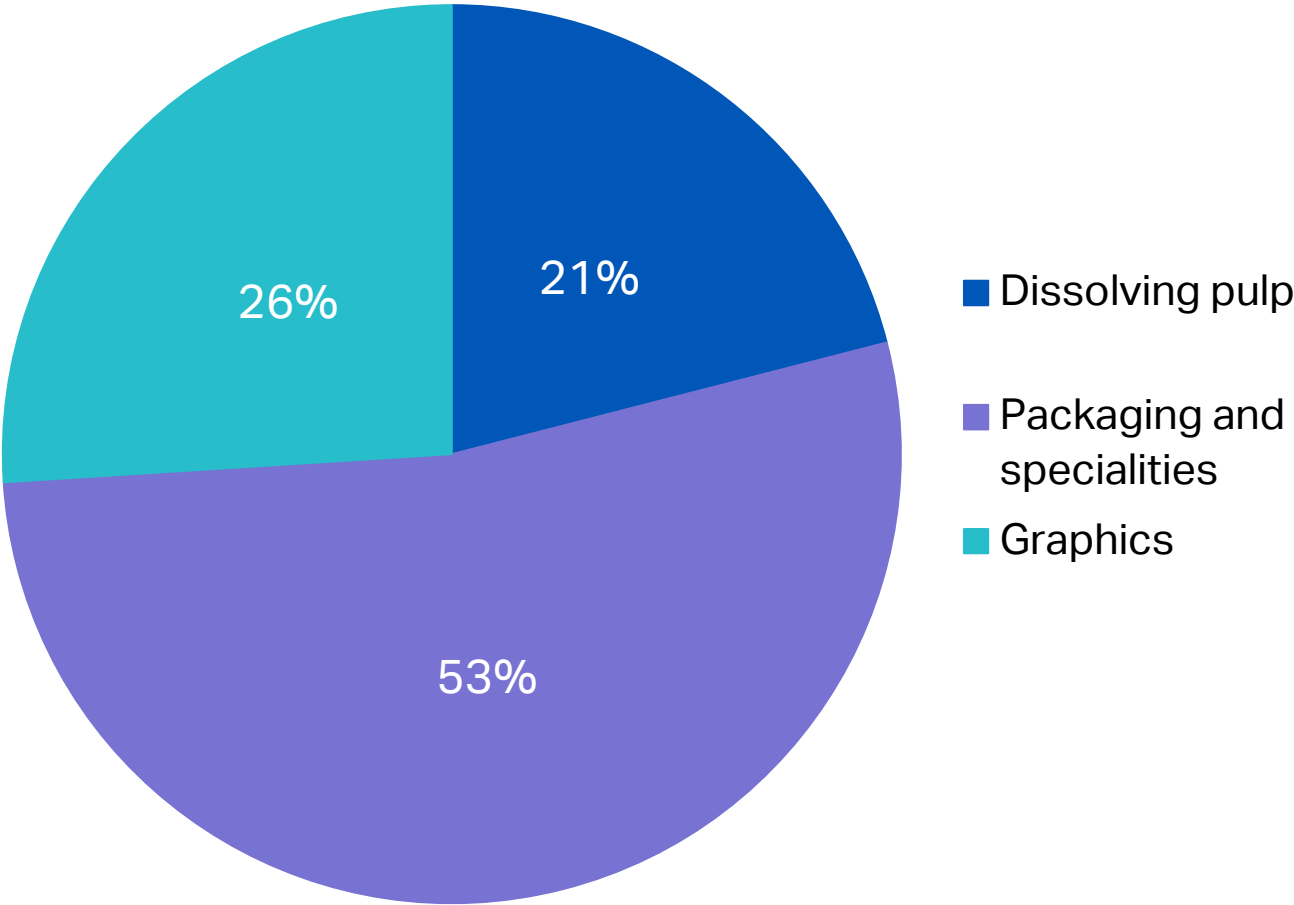
Q1 FY21 to Q1 FY20



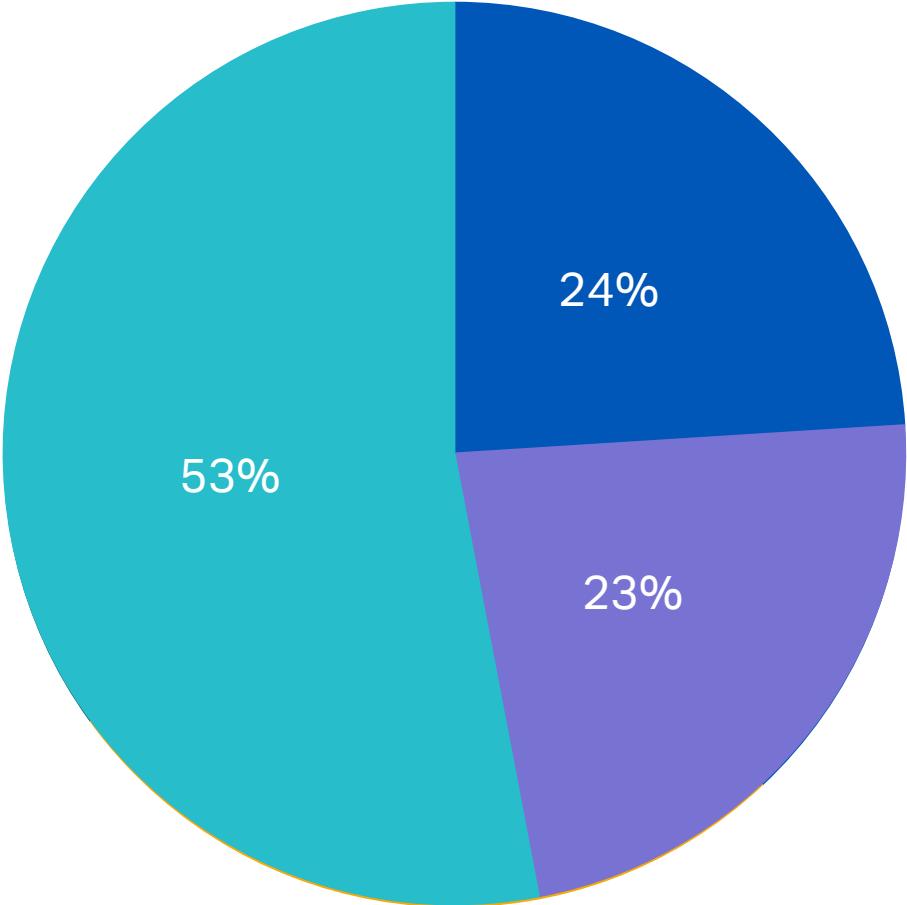
1. All variances were calculated excluding Sappi Forestry.
2. 'Currency conversion' reflects translation and transactional effect on consolidation.
3. EBITDA* = EBITDA excluding special items.

Product contribution split—LTM

EBITDA excluding special items

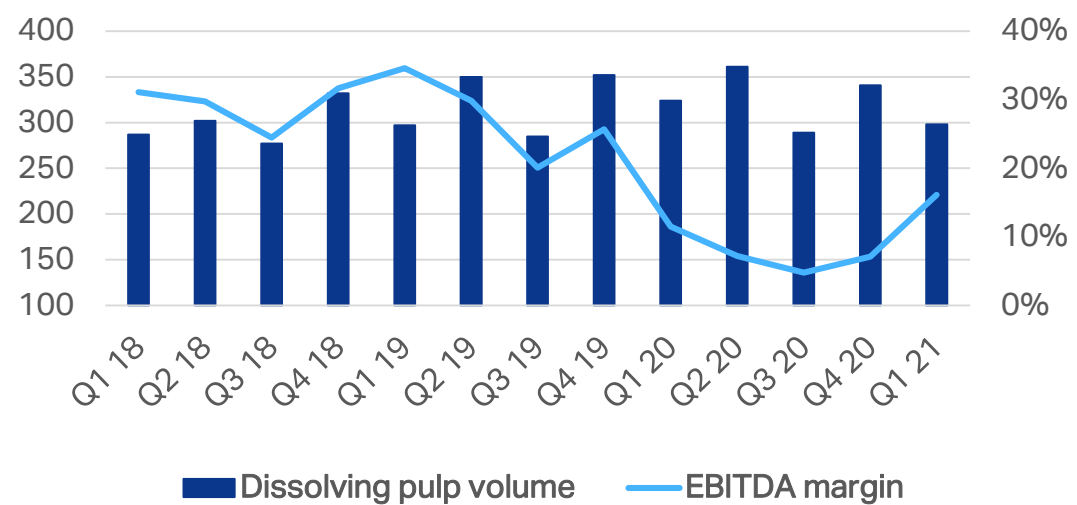
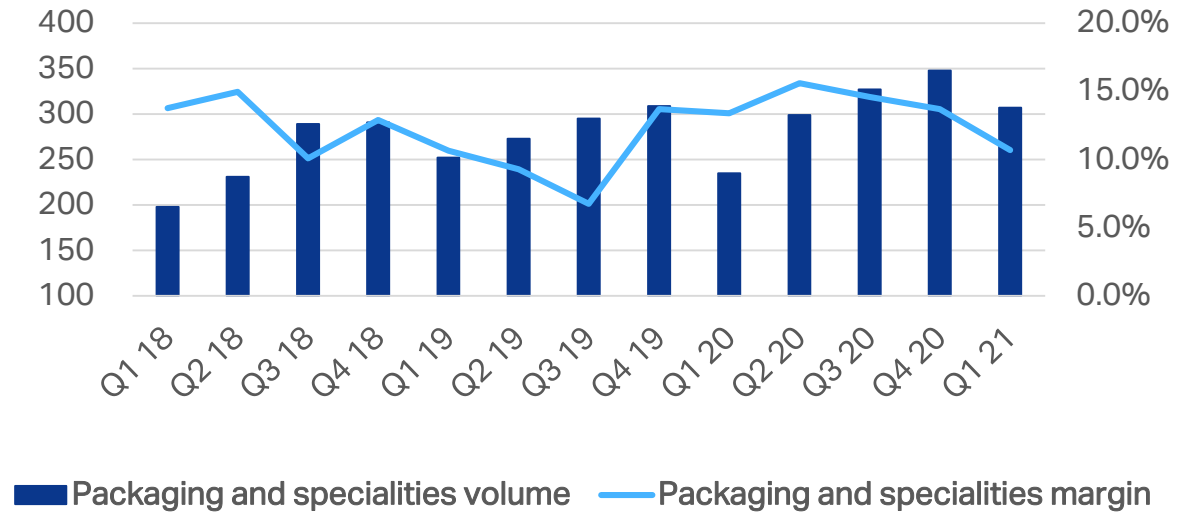
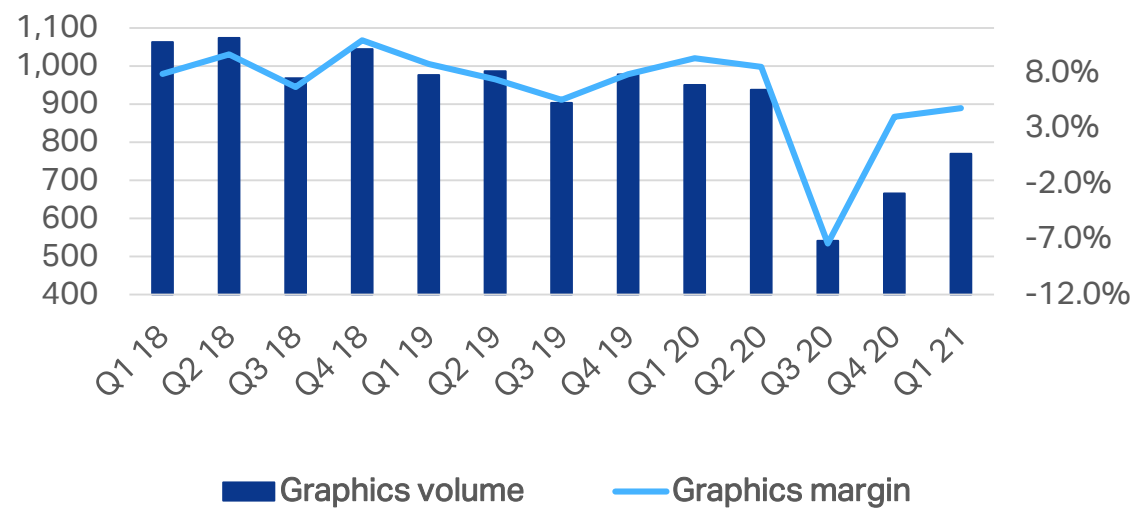


Sales volumes



• Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 22 in our Q1 FY21 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

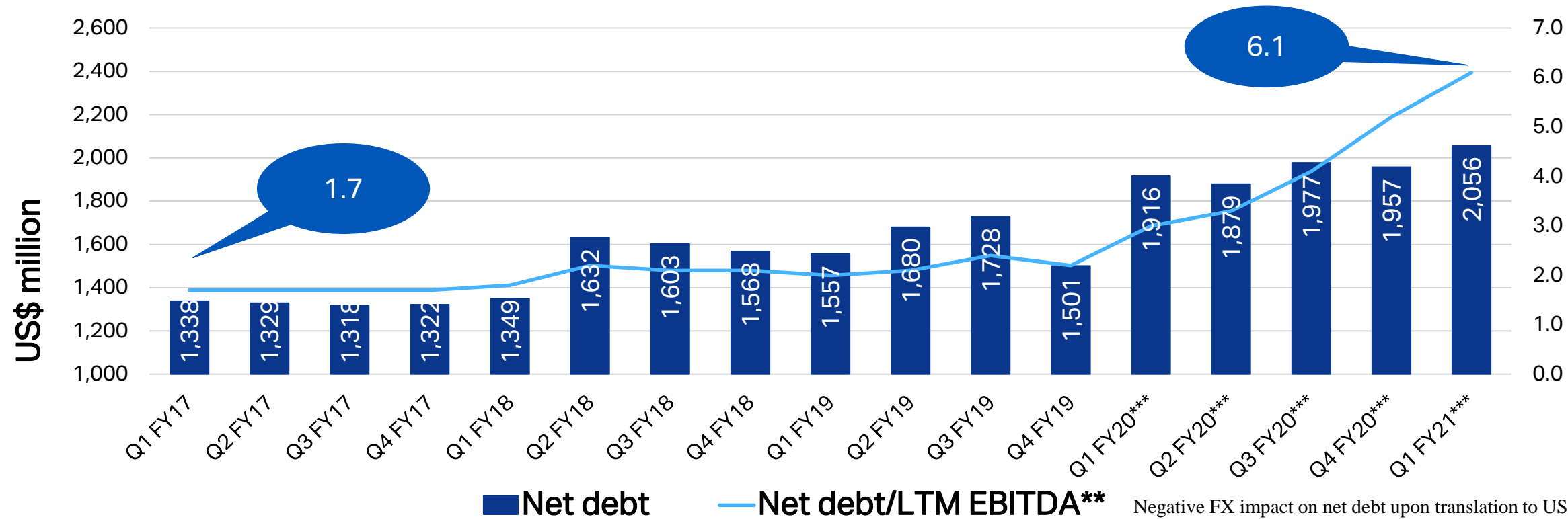


EBITDA* = EBITDA excluding special items.

Net debt/EBITDA* development

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.

	Q3/20		Q4/20		Q1/21
Q3/19	124	Q4/19	185	Q1/20	139
Q4/19	185	Q1/20	139	Q2/20	131
Q1/20	139	Q2/20	131	Q3/20	26
Q2/20	131	Q3/20	26	Q4/20	82
Q3/20	26	Q4/20	82	Q1/21	98
EBITDA: Last Four Quarters	481		378		337

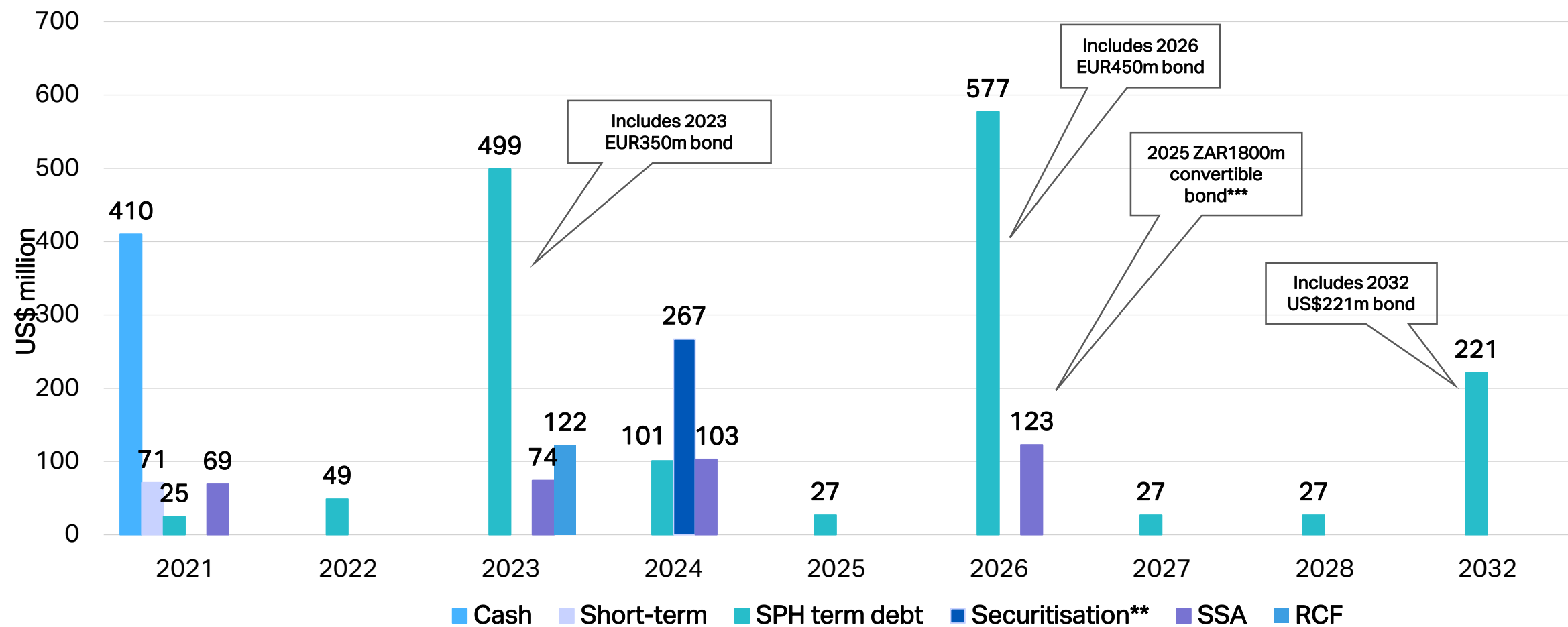


Negative FX impact on net debt upon translation to US\$, due to strengthening EUR and ZAR : (\$67m) in fiscal 2020 and (\$107m) in Q1 of fiscal 2021

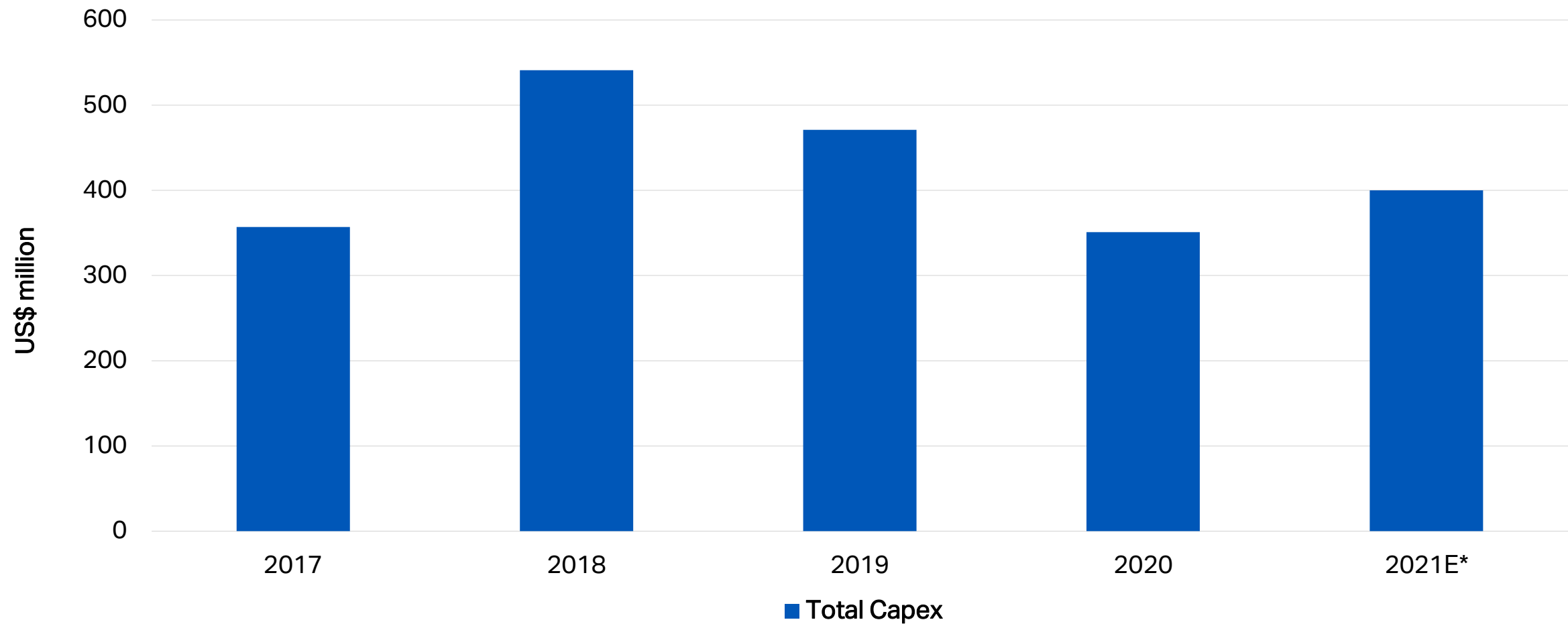
* EBITDA is excluding special items.
 ** The covenant Net debt/LTM EBITDA calculation has adjustments and therefore differs from that shown above.
 *** Quarters impacted by IFRS 16 leases (FY2021 Q1 ~US\$120m) and Matane acquisition (FY2020 Q1 US\$158m)

Maturity profile*

Fiscal years



* Graph excludes US\$120 million in IFRS16 leases – Average time to maturity of approximately four years.
** Securitisation programme has been extended to 2024 post quarter-end and reflected as such above.
*** SSA issued 5-year convertible bonds with a principal amount of ZAR 1.8 billion during the quarter. The bonds are convertible into ordinary shares of Sappi Limited subject to shareholder approval on 03 February 2021.



* Capital expenditure in FY2021 is estimated to be US\$400 million. The value has increased from previous guidance of US\$370 million as a result of a stronger ZAR and Euro relative to the US\$. 9

Segmental Overview



**Sales tons -17%
year-on-year**

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

**EBITDA* margin
6.0%**

- Graphic paper markets challenging due to Covid impact, related lockdowns and global shipping constraints; 125kt commercial downtime
- Packaging and specialities volumes increased quarter on quarter; paperboard and packaging
- Paper selling prices were under pressure due to historically low pulp prices
- CWF and CM shipments progressive improvement each month but 86% and 60% y-o-y
- Cost savings across all major categories

* Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 22 in our Q1 FY21 financial results booklet (available on www.sappi.com) for a definition of special items.

**Sales tons +12%
year-on-year**

**Price per ton (US\$)
-7% year-on-year**

**EBITDA* margin
7%**

- Graphic paper recovery continued; sales 83% of prior year, no commercial downtime, selling price increase expected in FQ2
- Packaging and specialties volumes more than double last year; ramp-up of paperboard, significant improvement in release paper demand
- Healthy DP demand and improved DP selling prices boosted profitability
- Variable cost savings in energy, wood and chemicals

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Sales tons -12%**
year-on-year

Price per ton
(ZAR)**
+4% year-on-year

EBITDA* margin
15.8%

- Higher US\$ DP prices but stronger US\$/ZAR rate reduced pricing benefit
- DP sales volumes down 23% y-o-y; shipping and logistical challenges
- Packaging volumes impacted by Ngodwana shut; resilient demand for containerboard
- Uncoated woodfree, newsprint and tissue lower than last year
- Cash fixed cost up 8%; Ngodwana shut and annual wage increase

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** Sales tons and price per ton excludes Forestry.

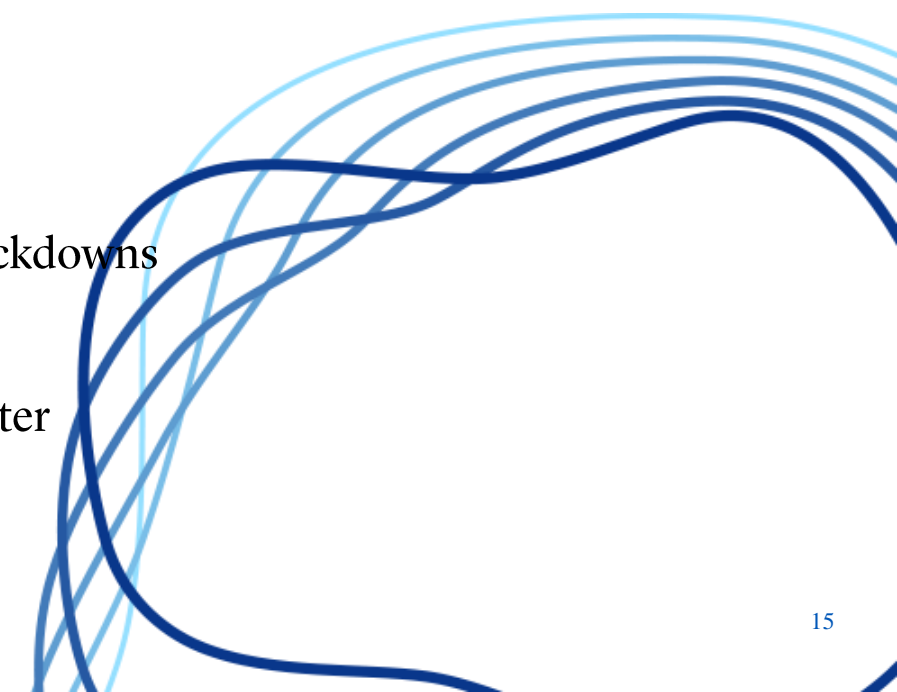
- **Financing activities**
 - Negotiated covenant suspension period until September 2021 – first measurement Dec 2021
- **US\$11m reduction in working capital in the quarter**
- **Capital expenditure commitments**
 - Saiccor Mill expansion project —scheduled start-up Q4 FY2021
- **Procurement savings planned for 2021: US\$69m**

- **Graphic papers**

- Demand continued the slow recovery through to December; volumes 19% lower than last year
- European CWF and CM markets down approximately 21% and US CWF market down approximately 20%
- Newsprint and Office paper continue to be impacted by Covid-19 in SA
- The rapid and significant rise in paper pulp costs will influence margins in coming quarters – selling price increases announced in most of our markets; lag before benefits are realised

- **Packaging and speciality papers**

- Many categories positively affected to date—food and hygiene related products
- Some non-essential products in Europe negatively impacted by Covid related lockdowns
- Continued ramp-up of Somerset and Maastricht
- Lower selling prices linked to depressed pulp prices affected margins in the quarter
- Underlying demand remains resilient

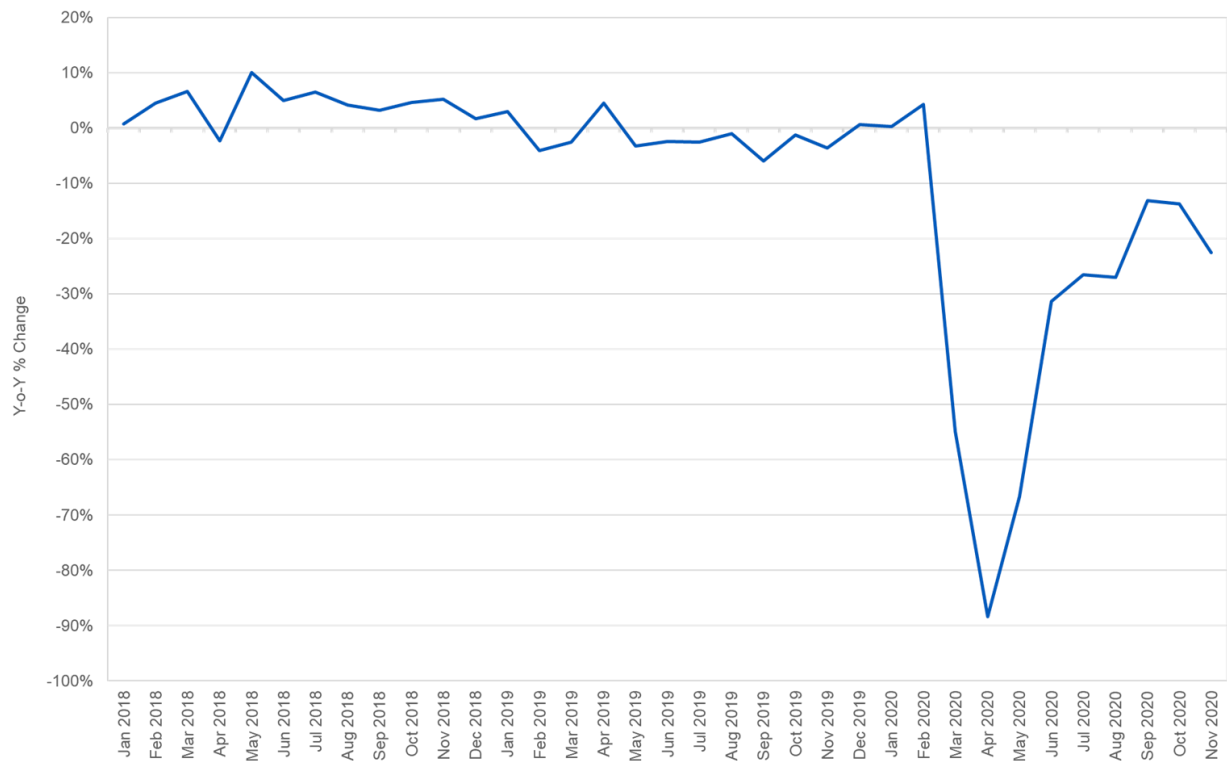


- **Dissolving pulp**

- Pronounced recovery of pricing and demand in DP markets
- Market prices rallied by US\$106/ton through the quarter; DP capacity curtailment, resurgent VSF demand and prices, higher paper pulp prices and weaker US\$/Renminbi exchange rate; Chinese market price currently US\$895/ton
- DP volumes excluding BCTMP 16% lower than last year; shipping challenges, Ngodwana maintenance shut and temporary halt of calcium line at Saiccor
- 53,000 tons of BCTMP sales volumes included in the segment in Q12021
- Q2 challenges; global shipping and container availability, and oxygen availability at Ngodwana

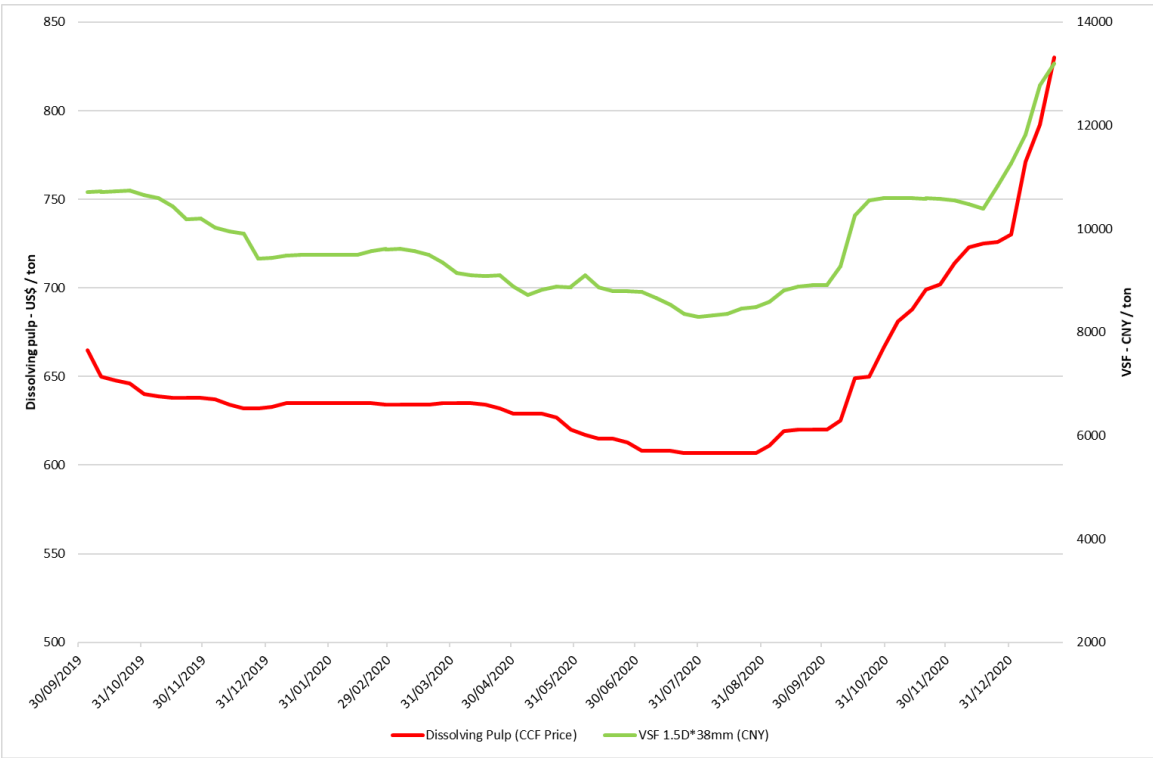
Road to recovery

Retail Clothing Sales in USA – Y-O-Y % Change



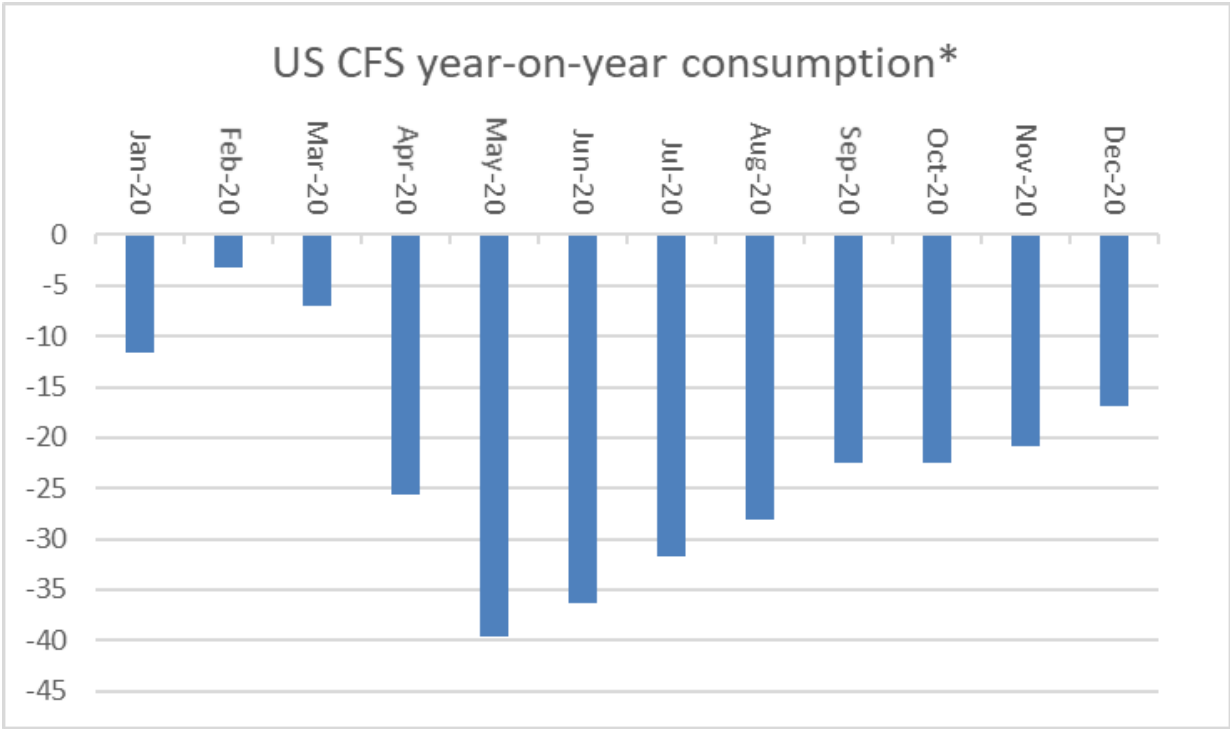
Source: Internal & US Treasury

VSF vs Dissolving Pulp pricing

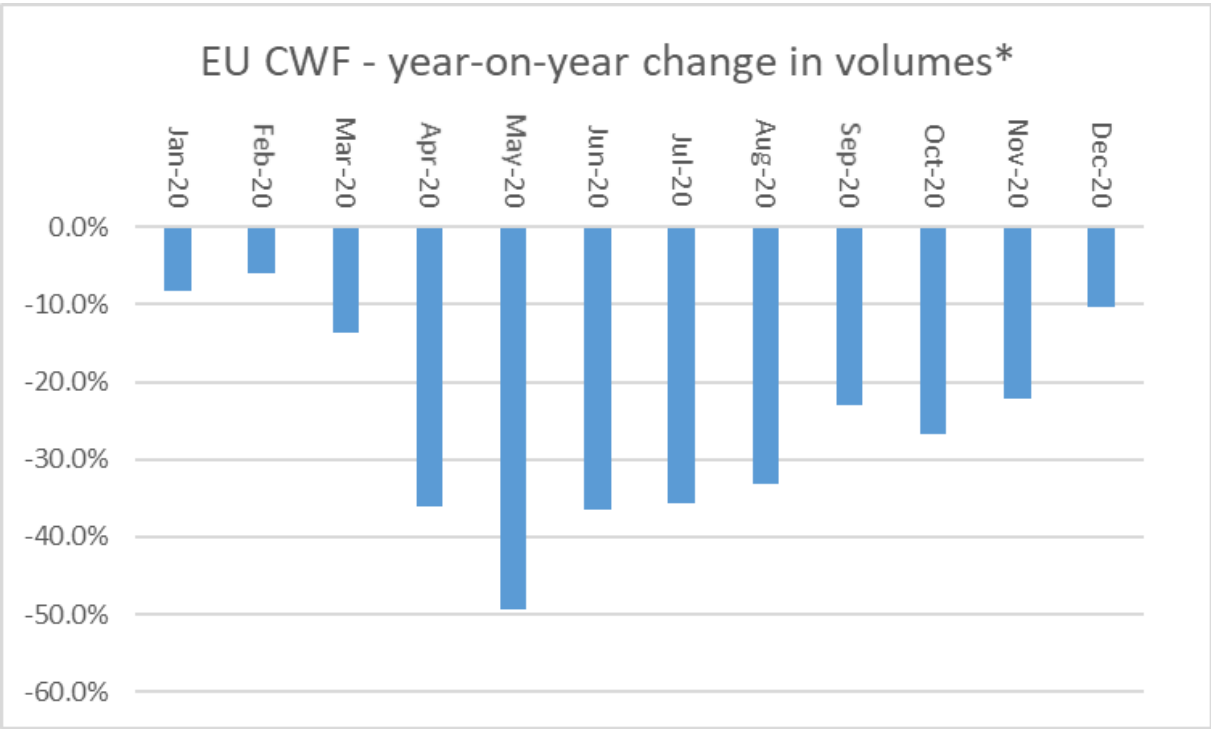


Source: CCF group

Road to recovery cont.



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



* Volumes sold by European producers

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, optimising 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

- **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

- **Sustain our financial health**

- Covenant suspension through to September 2021
- Convertible bond to fund remaining Saiccor capex and protect liquidity
- Estimated capex for FY2021 US\$400

- **Drive operational excellence**

- Group efficiency and procurement saving initiatives planned in FY21: US\$69m
- Saiccor Mill expansion scheduled start-up Q4 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



- Global resurgence of Covid infections, associated lockdowns and restrictions on economic activity expected to stall the graphic paper market recovery, particularly in Europe
- Full benefit of rising DP pricing will be phased through future quarters; mentioned challenges may constrain DP production
- Underlying demand for packaging and speciality products remains resilient; continued ramp-up in North America and Europe
- Graphic paper selling price increases announced to combat significant rise in paper pulp cost; lag before benefit is realised
- Q2 earnings will be tempered by production curtailment related to oxygen availability at Ngodwana, global logistical challenges and negative impact of Covid on our European graphics segment; we expect second quarter EBITDA to improve relative to the prior quarter



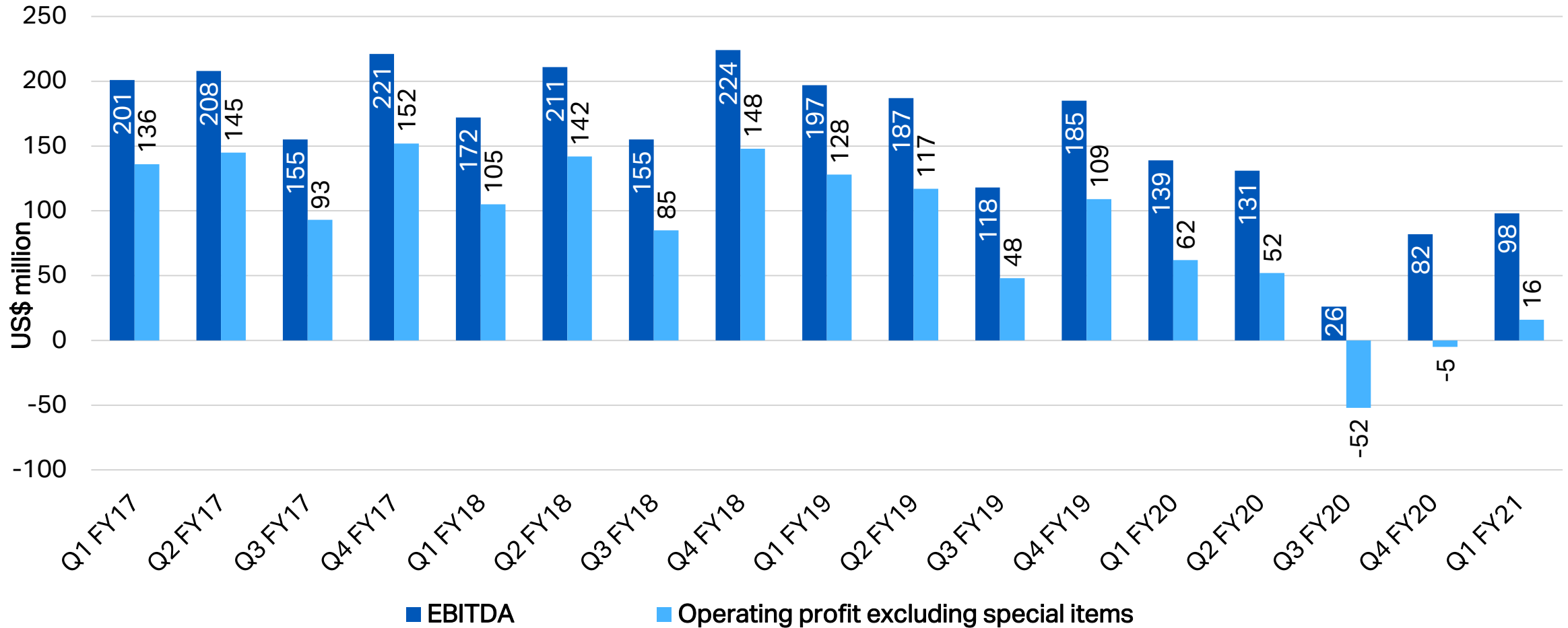
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Supplementary information



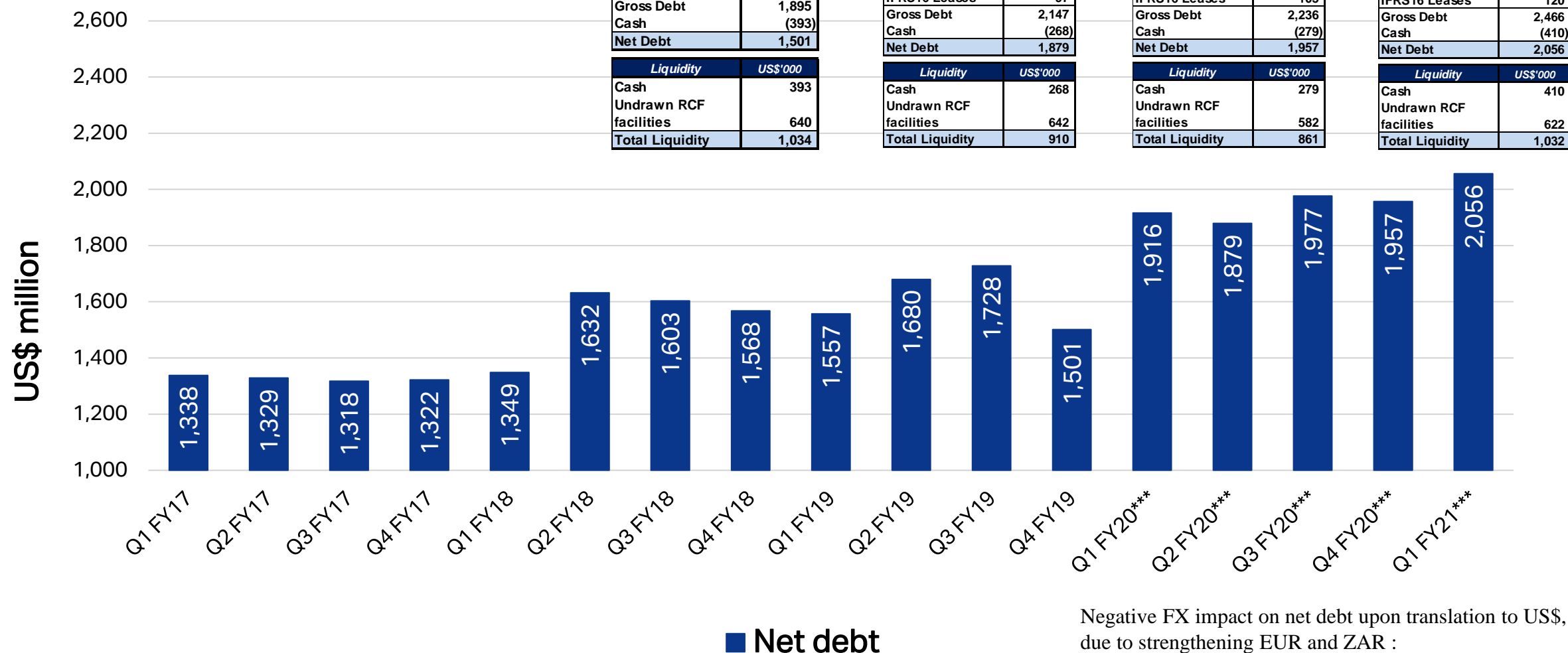
EBITDA and operating profit

Excluding special items*



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Net debt and liquidity development



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

Dec-20	US\$'000
Long-Term Debt	1,770
Securisation	267
Short-Term Debt	308
IFRS16 Leases	120
Gross Debt	2,466
Cash	(410)
Net Debt	2,056
Liquidity	US\$'000
Cash	410
Undrawn RCF facilities	622
Total Liquidity	1,032

Negative FX impact on net debt upon translation to US\$, due to strengthening EUR and ZAR :
 (\$67m) in fiscal 2020 and (\$107m) in Q1 of fiscal 2021

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

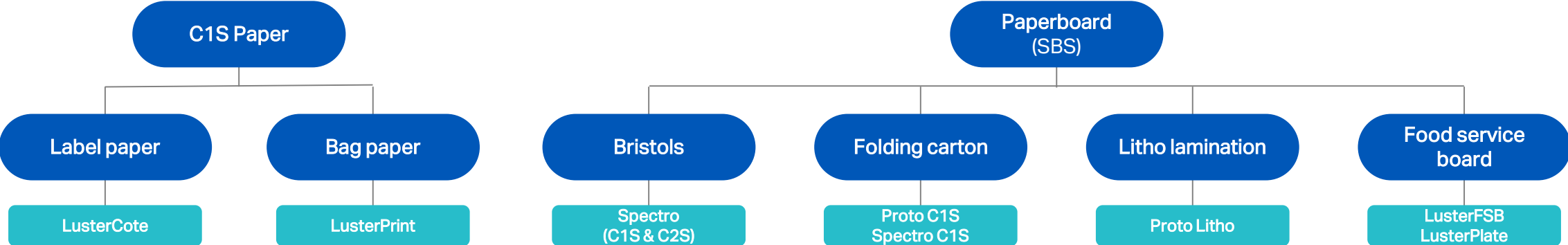
Sappi Europe

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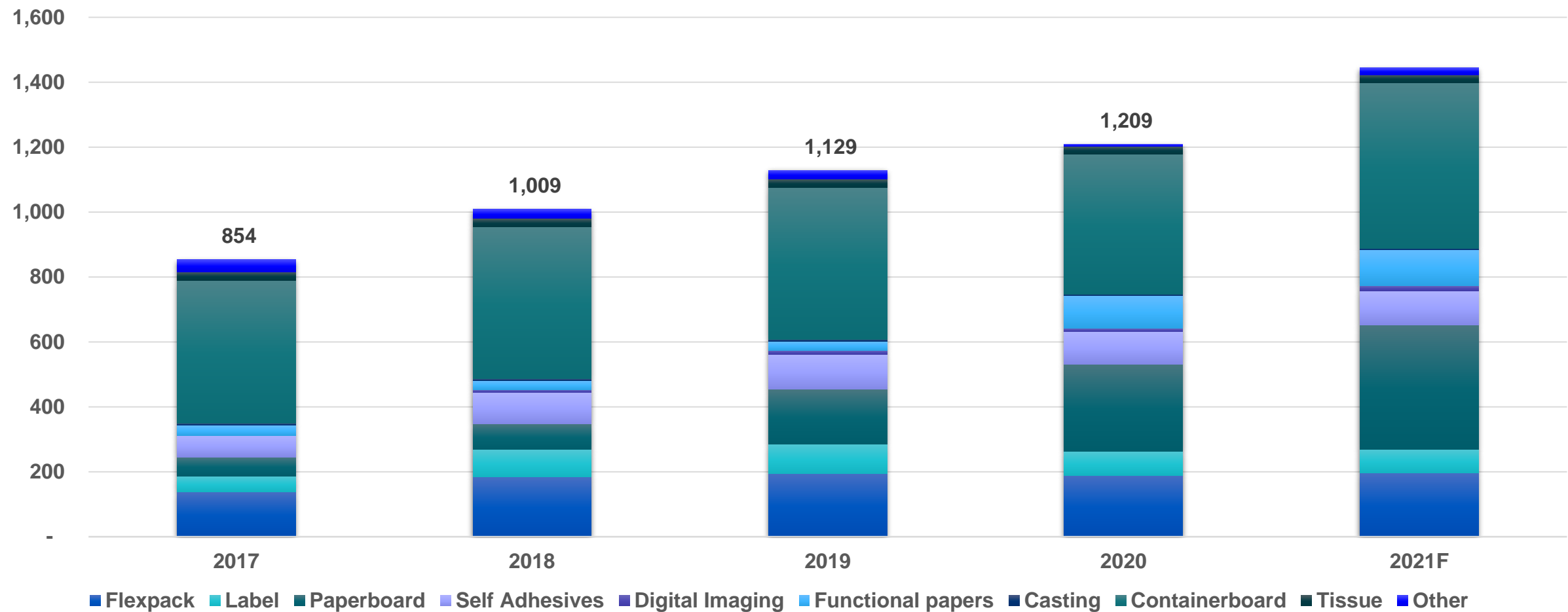


Packaging and speciality papers

Sappi North America



Packaging and speciality papers volume growth 2017 to 2021



Sustainability focus

EU consumer and brand owner

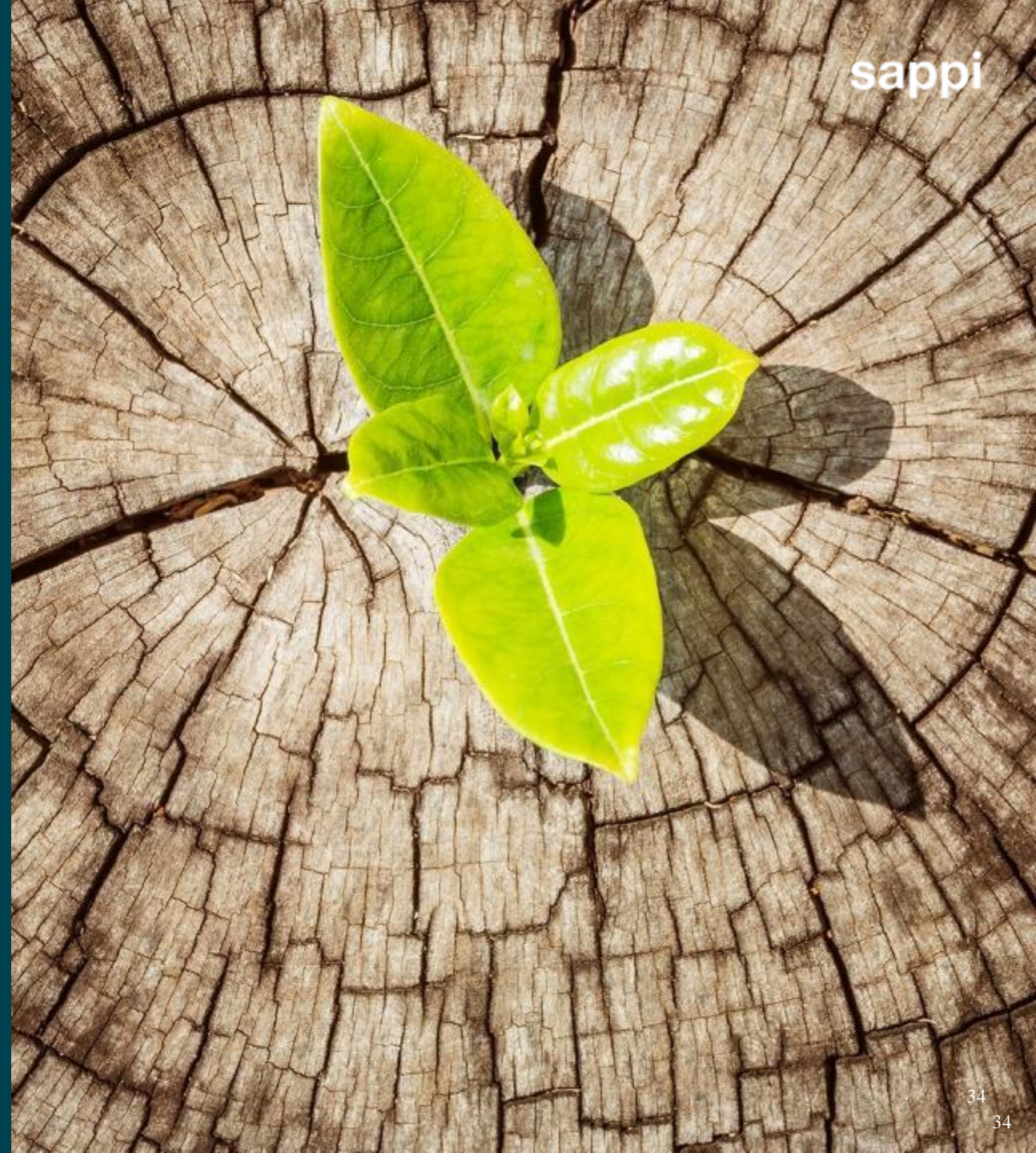
- **Desired outcome**

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

- **Consequences**

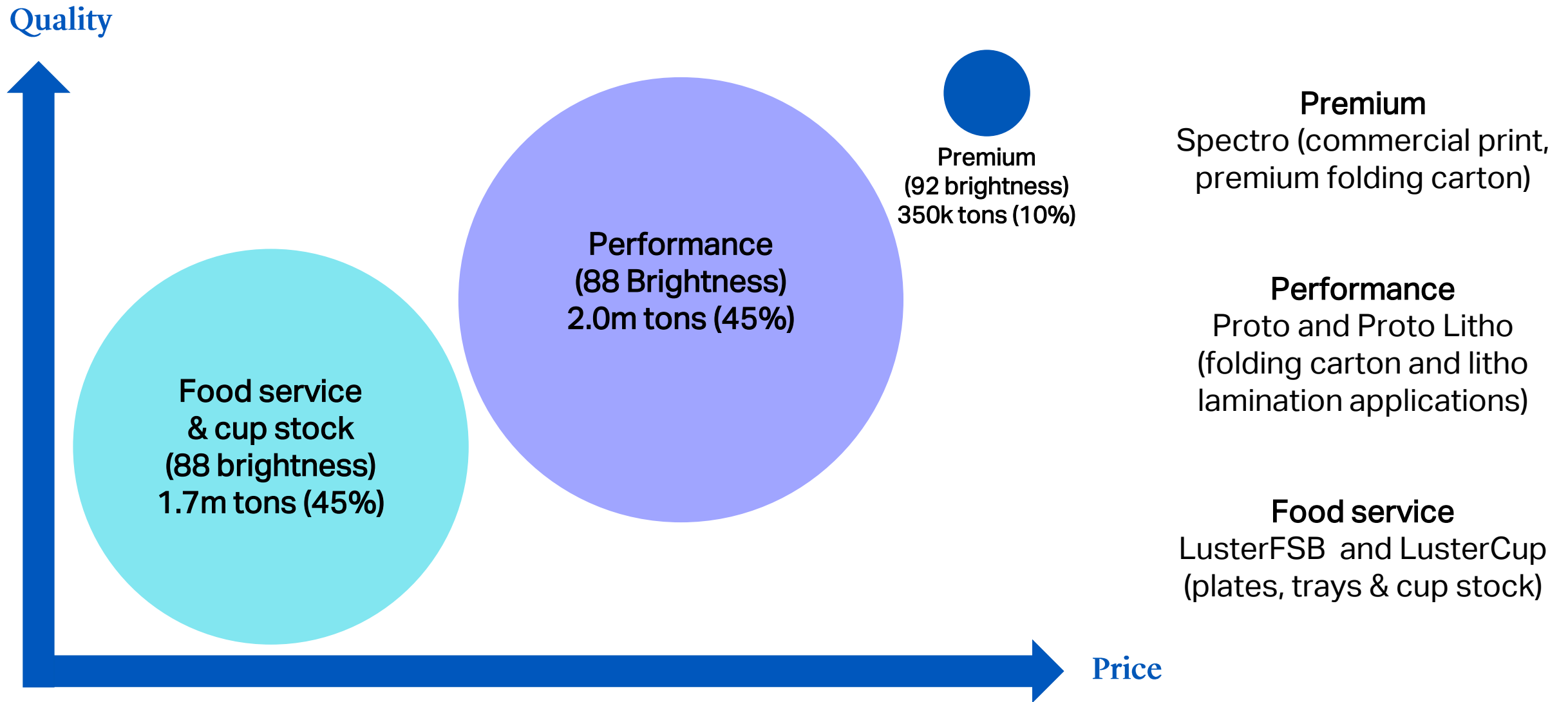
- Product design requires a 'designed for recycling' approach
- Recycling systems to be established and/or heavily expanded
- Rewards easy to recycle packaging
- Replacement for paper laminates and aluminium
- Huge potential for barrier papers and board
- Low carbon footprint is a competitive advantage

4EverGreen initiative just started with more than 60 participants



Paperboard segments

North America



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

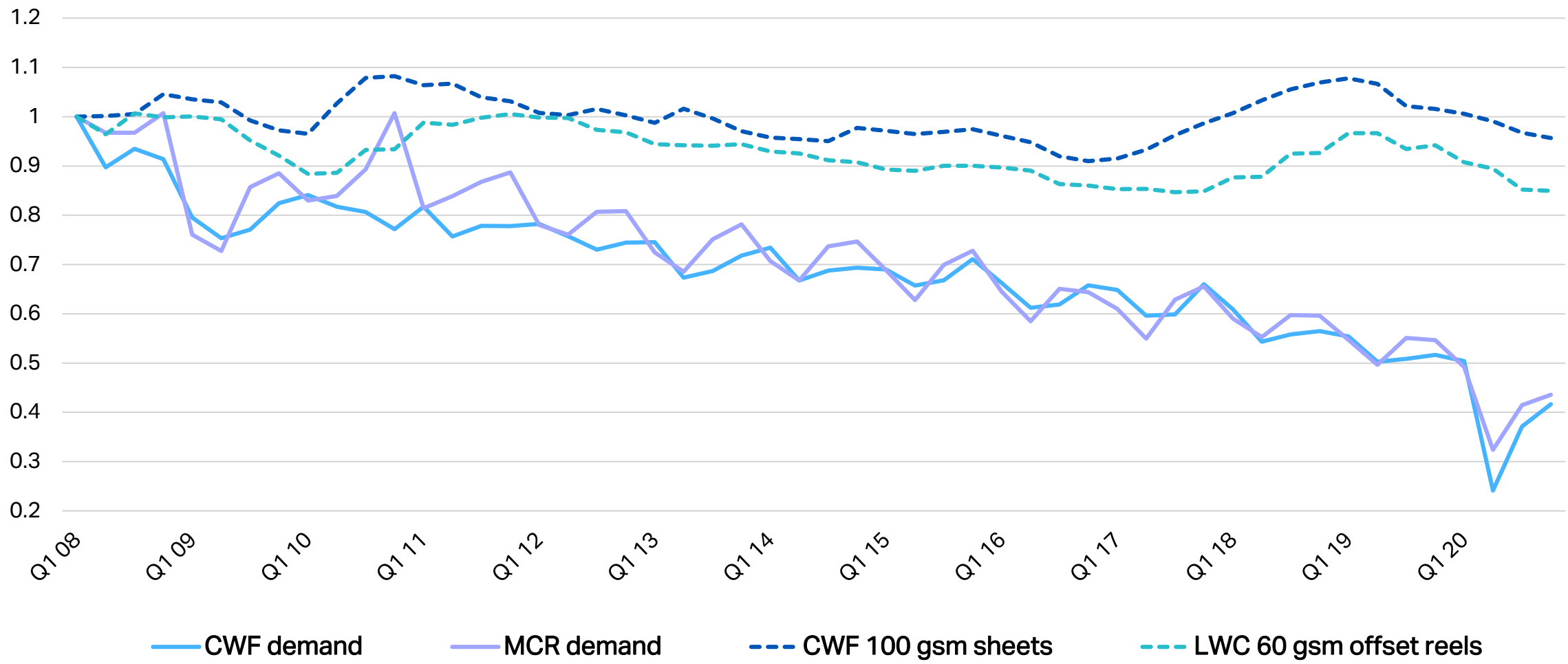
	Q1 FY21	Q4 FY20	Q1 FY20
Tons sold ('000)	658	570	795
Sales (EURm)	482	422	619
Price/Ton (EUR)	733	740	779
Cost/Ton* (EUR)	733	774	737
Operating profit excluding special items** (EURm)	-	(19)	33

* 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 calendar 1Q 2008.

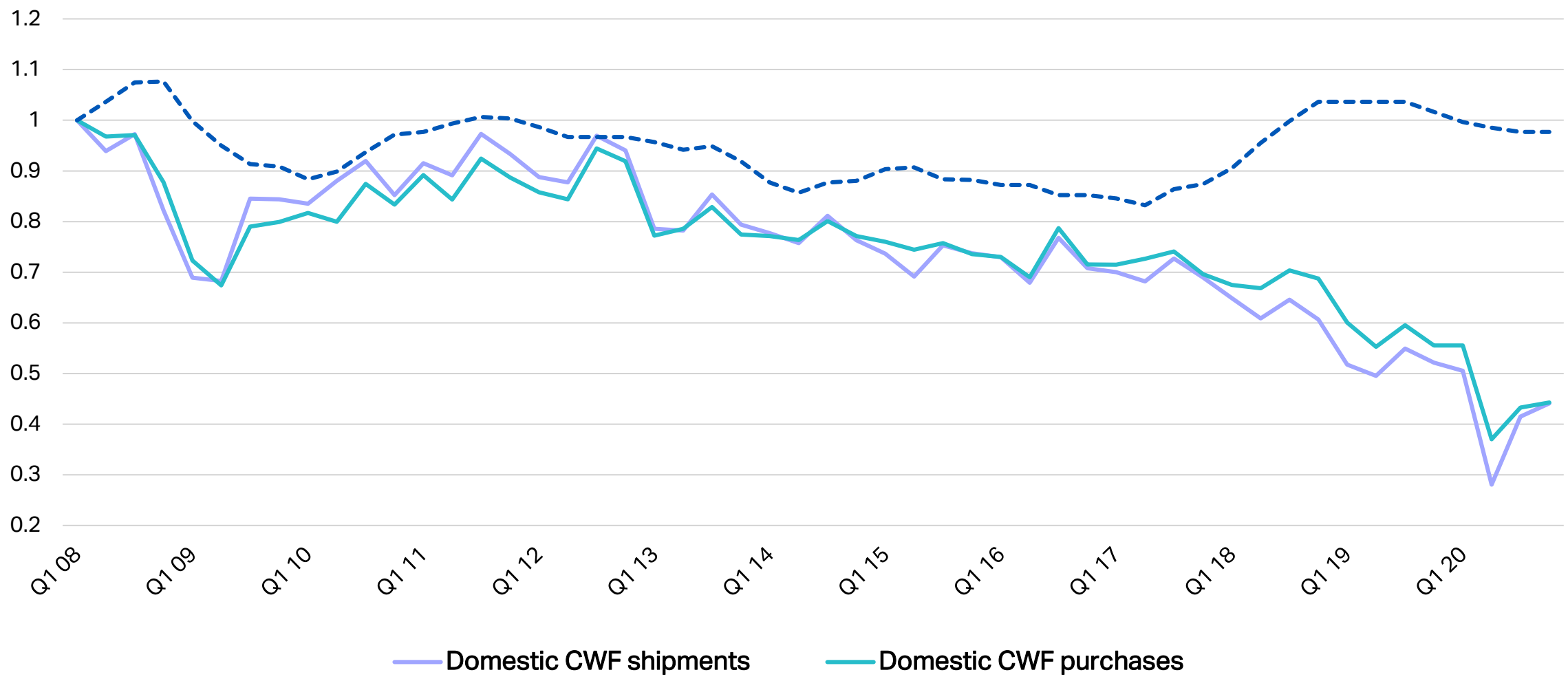
	Q1 FY21	Q4 FY20	Q1 FY20
Tons sold ('000)	421	416	377
Sales (US\$m)	384	361	370
Price/Ton (US\$)	912	868	981
Cost/Ton* (US\$)	917	868	979
Operating profit excluding special items** (US\$m)	(2)	-	1

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

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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.

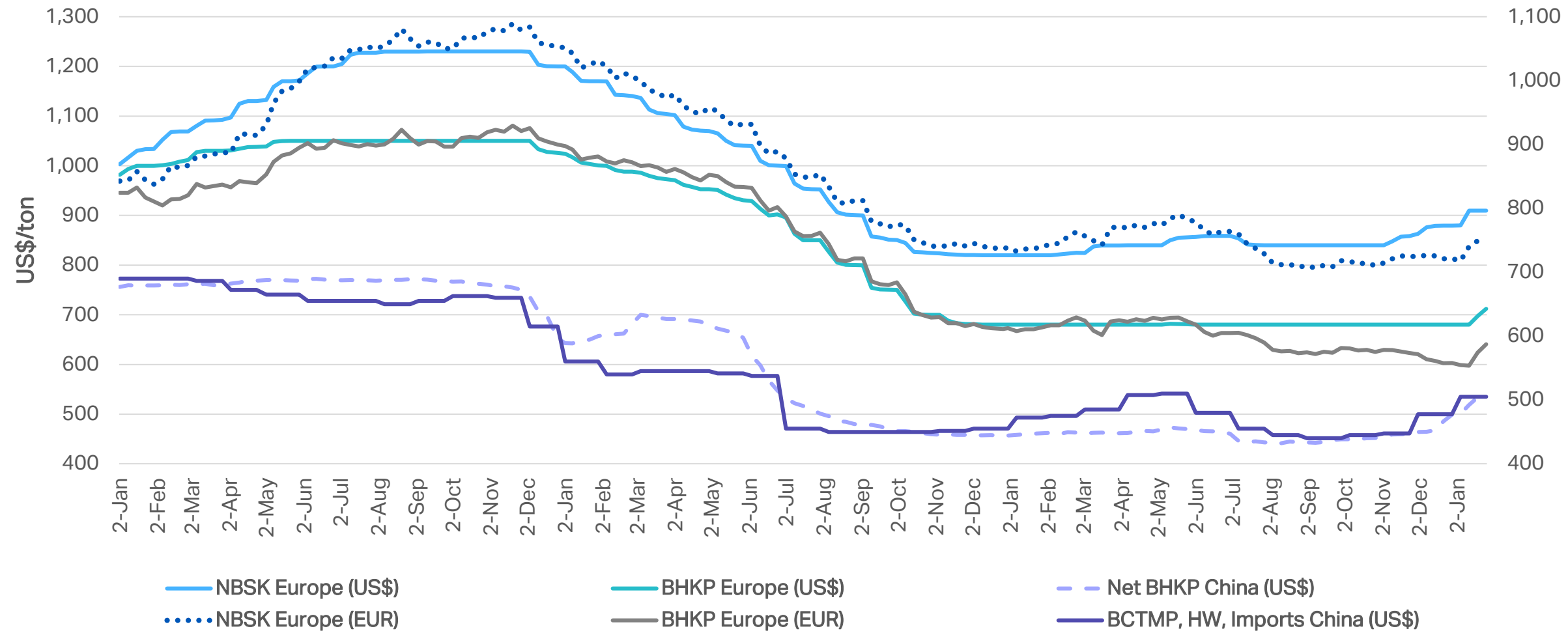
	Q1 FY21	Q4 FY20	Q1 FY20
Tons sold*** ('000)	296	369	338
Sales*** (ZARm)	3,222	3,914	3,549
Price/Ton*** (ZAR)	10,885	10,607	10,500
Cost/Ton* (ZAR)	9,983	9,778	9,541
Operating profit excluding special items** (ZARm)	267	306	324

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

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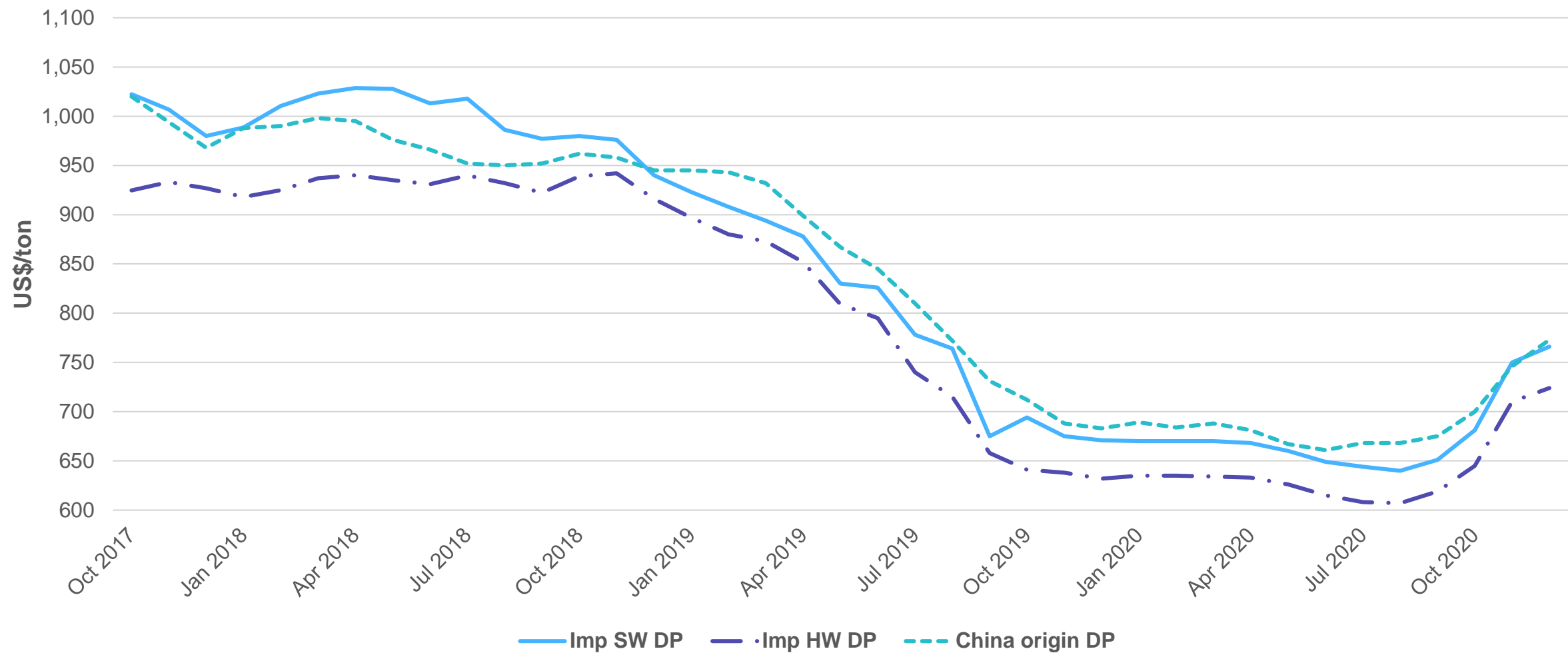
*** Tons sold, sales and price per ton excludes Forestry.

Paper pulp prices



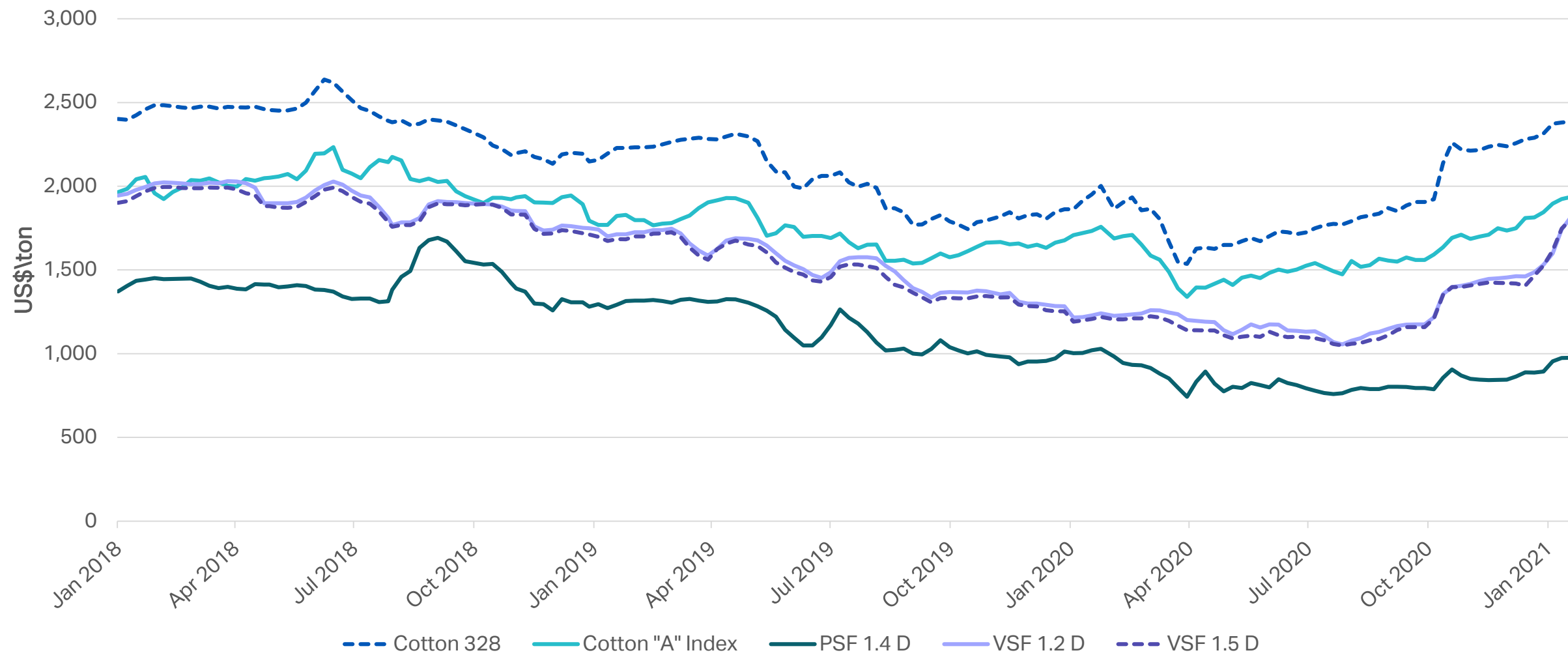
Source: FOEX, CCF group, RISI.

Dissolving pulp prices



Source: CCF group.

Textile fibre prices



Cash flow

US\$m	Q1 FY21	Q4 FY20	Q1 FY20
Cash generated from operations	98	46	136
Movement in working capital	11	135	(76)
Finance costs paid	(34)	(7)	(35)
Finance income received	3	2	2
Taxation (paid) refund	11	4	(32)
Cash generated from operating activities	89	180	(5)
Cash utilised in investing activities	(89)	(92)	(273)
Capital expenditure	(82)	(95)	(112)
Proceeds on disposal of assets	-	1	-
Acquisition of subsidiary	-	-	(158)
Other non-current asset movements	(7)	2	(3)
Net cash generated (utilised)	-	88	(278)

EBITDA and operating profit

Excluding special items* reconciliation to reported operating profit

US\$m	Q1 FY21	Q4 FY20	Q1 FY20
EBITDA excluding special items*	98	82	139
Depreciation and amortisation	(82)	(87)	(77)
Operating profit excluding special items*	16	(5)	62
Special items* - gains (losses)	-	(39)	(7)
Plantation price fair value adjustment	4	6	6
Acquisition cost	-	(1)	(5)
Net restructuring provisions	-	(16)	(1)
PPE impairments	-	(4)	-
Equity investment impairments	-	(9)	-
Fire, flood, storm and other events	(4)	(15)	(7)
Operating profit	16	(44)	55

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Thank you