

FY21 Q3 Results — the period ended June 2021

EBITDA excl special items US\$145 million FY20 Q3 US\$26 million	Profit for the period US\$18 million FY20 Q3 Loss US\$73 million	Net debt US\$2,055 million FY20 Q3 US\$1,977 million	EPS excl special items 5US¢ FY20 Q3 10US¢
--	--	--	---

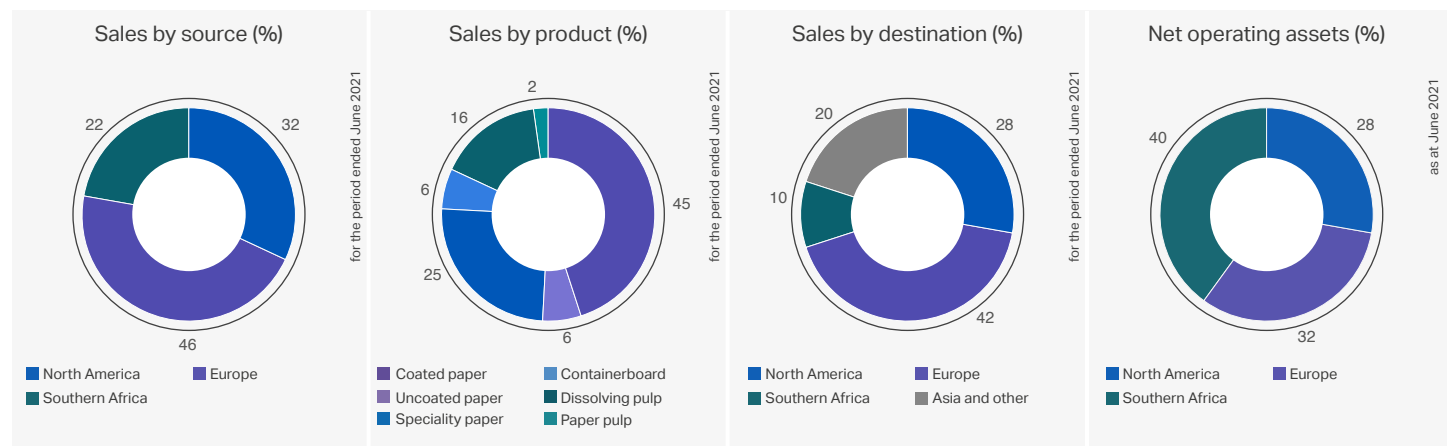
	US\$ million	Quarter ended			Nine months ended	
		Jun 2021	Jun 2020	Mar 2021	Jun 2021	Jun 2020
Key figures	Sales	1,393	907	1,284	3,840	3,517
	Operating profit (loss) excl special items ¹	64	(52)	31	111	62
	Special items loss (gains) ¹	11	20	12	23	56
	EBITDA excluding special items ¹	145	26	112	355	296
	Profit (Loss) for the period	18	(73)	(23)	(22)	(47)
	Basic EPS (US cents)	3	(13)	(4)	(4)	(9)
	EPS excluding special items (US cents) ¹	5	(10)	(1)	3	(1)
	Net debt ¹	2,055	1,977	2,070	2,055	1,977
Key ratios (%)	Operating profit excl special items ¹ to sales	4.6	(5.7)	2.4	2.9	1.8
	ROCE ¹ Operating profit excluding special items ¹ to capital employed	6.4	(5.6)	3.2	3.9	2.3
	EBITDA excl special items ¹ to sales	10.4	2.9	8.7	9.2	8.4
	Net debt to EBITDA excl special items ¹	4.7	4.1	6.5	4.7	4.1
	Covenant leverage ratio	4.7	4.0	6.7	4.7	4.0
	Interest cover ¹	4.8	6.2	3.7	4.8	6.2
	Net asset value per share ¹ (US cents)	362	326	345	362	326

¹ See published results for detail on special items, the definition of the terms, reconciliations and supplemental information about key ratios.

Steady recovery

5US¢ earnings per share, excluding special items, is a substantial improvement on the losses of 1US¢ in Q2 and 10US¢ in the equivalent quarter of the prior year and is indicative of the **steady recovery from the negative impacts of Covid-19**.

Net operating assets and sales distribution



Outlook

A brief period of **civil unrest in South Africa** during July **caused major disruptions** to raw material supplies and forced the temporary closure of the Saiccor, Tugela and Stanger Mills in KwaZulu-Natal which will have an estimated **negative impact** of approximately **US\$16 million on Q4 EBITDA**.

The completion and commissioning of the **Saiccor expansion project** was also negatively impacted by the unrest and ongoing Covid travel restrictions. **Start-up** is projected to be **delayed** until early in the new financial year.

The **outlook for the dissolving pulp (DP) segment remains positive** despite a gradual weakening of market pricing in Q3. **Demand** from Sappi's DP customers **remains strong** and much of the benefit of the elevated Q3 pricing will be realised in Q4 due to the lag in contractual pricing.

The **underlying demand** in the **packaging and specialties segment remains robust** particularly in South Africa and North America and opportunities for further growth in sales volumes exist in Europe.

The **outlook for graphic paper in Q4 is encouraging** and market conditions are anticipated to steadily recover, as activities in the travel and entertainment sectors normalise. This improvement in combination with global industry capacity closures are expected to tighten market supply and allow for price increase traction. However, purchased pulp, chemicals and logistics cost inflation are anticipated to continue into Q4 and negatively impact margins.

Global logistical challenges are still adversely **impacting deliveries in all regions**, but especially so in South Africa due to the brief period of civil unrest in July and a cyber-attack on Transnet, the South African port operator, which severely disrupted port, rail and road operations.

Liquidity headroom within the group **remains strong** with US\$405 million cash on hand and US\$690 million available from the undrawn committed revolving credit facilities in South Africa and Europe.

Given the favourable conditions for DP and packaging and specialties combined with tighter graphic paper markets, despite the loss of production volumes from the South African civil unrest and higher raw material costs, **we expect an improvement in Q4 EBITDA** relative to the third quarter.

Covid-19

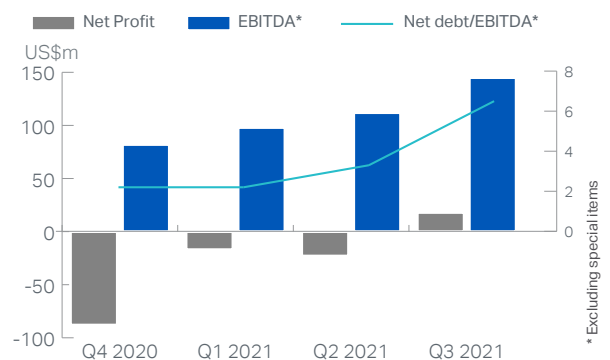
Although many businesses have reopened and Covid-related restrictions have loosened, a new wave of infections is developing in countries around the globe. The negative impact of Covid-19 on global economic activity has diminished but the continuing uncertainties represent an ongoing risk to business performance. Our focus is to **keep our employees safe and encourage participation in vaccination programmes**.

Share issue

Finance charges normalised compared to the two prior quarters without further charges associated with the revaluation of the equity option for the South African subsidiary's convertible bond. Subsequent to quarter-end, the group has received conversion notices for the convertible bond of just over 26% of the initial offering of ZAR1,800 million.

The convertible bond will be settled by the issue of **approximately 14 million Sappi Limited shares**.

Q-on-Q earnings, profit & debt



Our purpose

Sappi exists to build a thriving world by unlocking the power of renewable resources to benefit people, communities, and the planet.

Our business strategy

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.

Our strategy demands a clear focus on four key fundamentals:

- Grow our business
- Sustain our financial health
- Drive operational excellence
- Enhance trust

Our sustainability strategy

We will create long-term value for all stakeholders from relevant sustainable woodfibre products and through ongoing improvement in key areas.

Our commitment to sustainability underpins our strategy and is based on being a trusted, transparent, and innovative partner in building a biobased circular economy.

Europe



10 Production facilities
15 Sales offices

Sales volumes increased 10% from the prior quarter as Covid-related lockdown measures were relaxed and economic activity resumed.

Delivery costs were 6% higher due to ongoing **container availability and vessel space limitations** resulting in longer export delivery lead times which constrained sales.

Sales volumes in the graphics segment increased quarter-on-quarter as a result of **improved customer activity and market share gains** due to industry capacity closures. Coated woodfree and coated mechanical sales reached 94% and 79% of pre-Covid 2019 levels respectively. Nevertheless, the region took 85,000 tons commercial downtime. The **improved demand enabled selling price increases to gain traction at quarter-end**, but these were insufficient to offset rapidly escalating purchased pulp input costs and consequently profit margins deteriorated compared to Q2.

Packaging and specialties sales volumes increased 9% from the prior quarter. Demand for paperboard and self-adhesives was strong, however, consumer packaging and digital solutions remained relatively weak but is expected to improve steadily with the resumption of retail activity.

Fixed costs were well controlled but, driven by sharp increases in purchased pulp, latex and energy costs, **variable costs were 10% higher**.



Marco Eikelenboom
Chief Executive Officer
Sappi Europe

North America



4 Production facilities
6 Sales offices

An improvement in demand and higher selling prices across all three product segments enabled the North American business to deliver an **excellent performance**.

Steadily **recovering graphics demand** combined with industry capacity closures in 2020 resulted in a tight regional market balance and customer demand for Sappi grades exceeded capacity. The benefit of the higher selling prices in the segment were partially offset by increased variable costs, predominantly due to the rise in purchased pulp costs.

The **packaging and specialties segment volumes grew 38% year-on-year** and 7% compared to the prior quarter.

The final ramp-up of paperboard grades on the converted Somerset machine facilitated growth. Optimisation of the product mix to higher margin grades contributed to the substantial improvement in EBITDA margin for the segment.

Higher selling prices for DP and BCTMP significantly improved profitability for the quarter. Approximately 11,000 tons of DP sales volumes were delayed into the fourth quarter due to logistical challenges and vessel movements at quarter-end.

Fixed costs were up 4% on the prior quarter primarily due to the annual maintenance shut at Cloquet and Matane. **Variable costs increased 5%** quarter-on quarter due to increased raw material costs, particularly purchased pulp, which was partially offset by lower energy costs.



Mike Haws
President and Chief
Executive Officer
Sappi North America

Southern Africa



5 Production facilities 6 Sales offices
534,000ha Plantations

Despite the extended Saiccor maintenance shut, the region delivered a **significant improvement in EBITDA** due to the increase in dissolving pulp (DP) prices.

The stronger ZAR/US\$ exchange rate partially offset some of the US\$ price benefits.

DP sales volumes were negatively impacted by 40,000 tons of lost production from the extended Saiccor shut as well as a movement of 10,000 tons of sales into Q4 due to vessel delays.

DP demand from both contract and spot customers remained **strong** and the machines were fully sold.

Higher sales prices and variable cost savings in the **packaging segment** led to **improved profitability** compared to the second quarter and offset weaker printing paper and tissue demand and pricing.

Fixed costs were 2% higher than the prior quarter due to increased personnel costs and maintenance costs associated with the Saiccor shut.

Variable cost savings across all of the mills were partially offset by unfavourable usage at Saiccor due to plant instability during the extended start-up after the shut. Overall variable costs for the region were 2% below the prior quarter.

Delivery costs were negatively impacted by port congestion and limited vessel space availability, which necessitated the use of alternative higher-cost shipping lines.



Alex Thiel
Chief Executive Officer
Sappi Southern Africa

Our values As OneSappi, we do business safely, with integrity and courage, making smart decisions that we execute with speed.

Sappi and COVID-19: Supplying consumers with useful essential goods

Our products and services continue to add value to people's lives. As a business in the forestry, pulp and paper industry, supplying chemicals, pulp, paper and packaging material for food products, cleaning, hygiene products and medical and hospital supplies – amongst a host of other essential services – Sappi plays a crucial role in ensuring that these essential goods reach the consumer. Our supply chain customers need the required raw materials and products from Sappi in order to produce and deliver to the broader public.

Dissolving pulp

Products produced:

Dissolving pulp, a sustainable raw material used in multiple products that meet critical needs of people around the globe every day.

Consumer end uses:

Products related to fashion and food, household comfort, personal beauty and hygiene, as well as a healthy lifestyle. Examples include pharmaceuticals (tablets), non-wovens (wipes, feminine hygiene products), diapers and food packaging products.

Packaging and speciality papers

Products produced:

Packaging and speciality papers provide an extensive range of innovative products and services, increasing the attractiveness, efficiency, effectiveness and profitability of brands.

Consumer end uses:

End products in different segments, including flexible packaging and labels for food, and non-food (eg cleaning and medical) products, paperboard for food products and COVID-19 test kit packaging, pet food bags, as well as containerboard for corrugated boxes to transport goods.

Graphic papers

Products produced:

Graphic papers, consisting of coated, coated mechanical, uncoated and newsprint paper.

Consumer end uses:

Communication and brand building, with end uses that include magazines, newsprint, medical brochures, pamphlets and posters for public info and health campaigns, catalogues and direct mail.

Casting and release papers

Products produced:

Casting and release papers, surface textures for synthetic leathers, coated materials, films and laminates.

Consumer end uses:

Used to impart texture and gloss to commonly used items, including clothing and foot apparel, decorative laminates, automotive interiors/ exteriors and more.

Biomaterials

Products produced:

Biomaterials, extracting more value from trees in new and adjacent markets.

Consumer end uses:

Mostly used to provide a natural resource solution as an alternative to fossil-based composites.

Forestry

Products produced:

Forestry – R&D facilities, nurseries, planting, harvesting and forestry management services.

Consumer end uses:

Sappi requires the woodfibre from our trees to manufacture essential products required by consumers. The company employs worldclass scientists, engineers and foresters focused on innovative, sustainable products.

