

# Sappi Limited

*Ensuring holistic  
value creation*

Investor presentation  
– November 2023

## 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;
- 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;
- currency fluctuations.

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

## Regulation G disclosure

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

Reconciliations 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>



# At a glance Sappi solutions

Sappi is a leading global provider of everyday materials made from woodfibre-based renewable resources.

As a diversified, innovative and trusted leader focused on sustainable processes and products, we are building a more circular economy by making what we should, not just what we can.

Every solution we create supports our goal to make everyday products more sustainable.



Pulp



Graphic papers



Packaging papers



Speciality papers



Biomaterials



Timber products

# Investment case Successfully transitioning from a global graphic paper company to a global woodfibre business



1

Global presence and geographic diversification

2

Long-standing customer relationships supported by product innovation and customer service

3

Clear strategic focus facilitating leading market positions in key product segments

4

Diversified and proactively managed sales structure

5

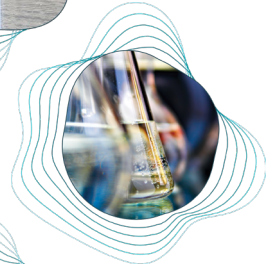
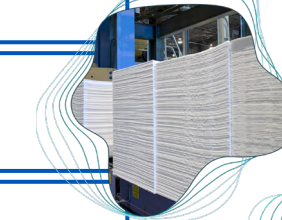
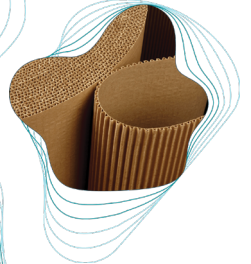
Efficient asset base with a flexible cost structure

6

Innovative R&D focus, leading to growth through new sustainable, biobased and circular products

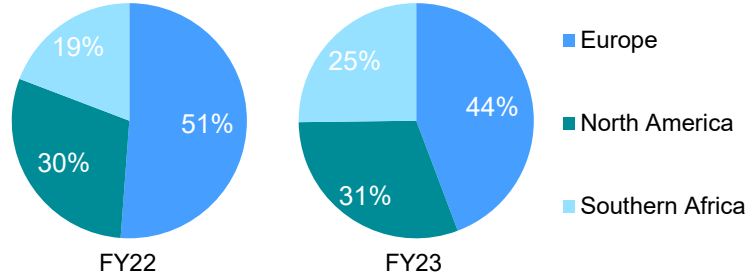
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Strong cash generation and net debt reduction in FY23, positioning the company to meet its **Thrive strategic objectives**

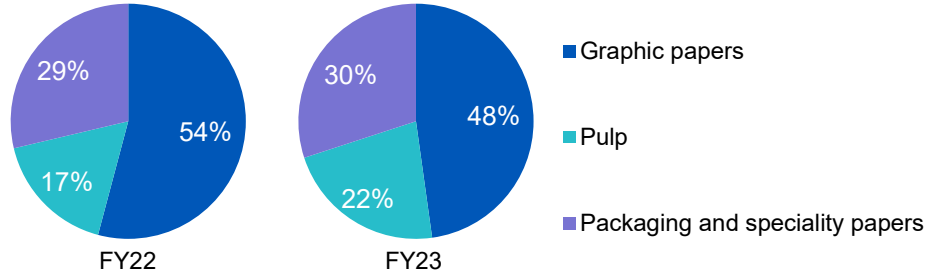




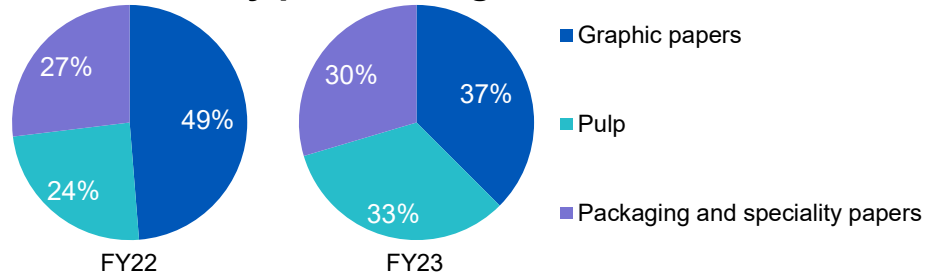
## Sales revenue by region



## Sales revenue by product segment



## EBITDA<sup>(2)</sup> by product segment

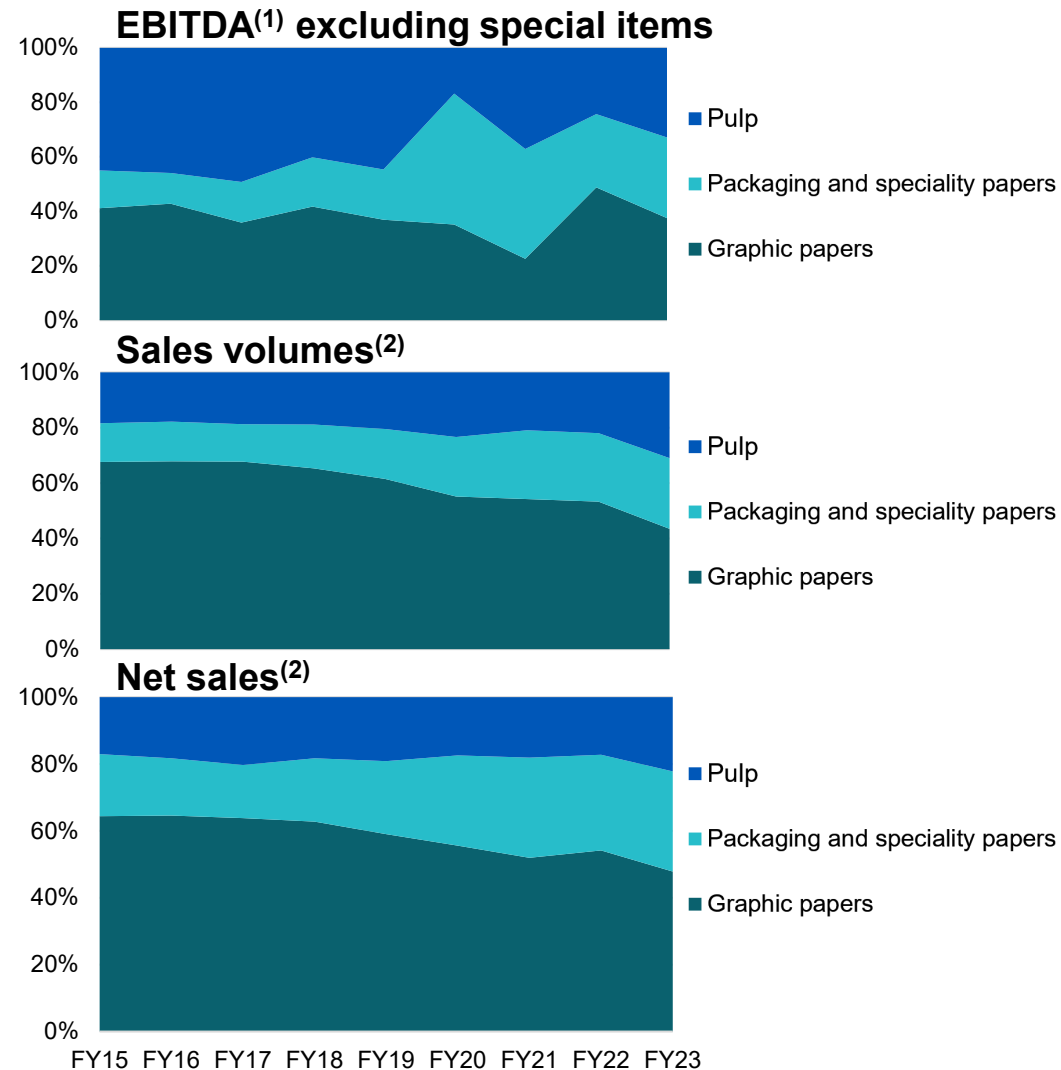


- Globally diversified business with 12,329 employees across 19 production facilities and 21 sales offices globally
- Listed on the Johannesburg Stock Exchange with a market capitalisation of US\$1.23 billion<sup>(1)</sup>
- Market leaders in dissolving pulp and coated woodfree paper
- Growing portfolio of packaging and speciality paper products
- Annual production capacity of 5.5 million tons of paper
- High level of economic pulp integration at the group level; annual production of 2.6 million tons of paper pulp and 1.5 million tons of dissolving pulp
- Strong sustainability focus; biobased, renewable and circular solutions for the global transition to a low-carbon economy
- Strategic focus to reduce exposure to graphic paper and shift capacity to growing and higher-margin packaging and speciality paper markets
- Decisive management actions are taken to strengthen the balance sheet positioning of Sappi for profitable future growth

<sup>(1)</sup> Sappi market capitalisation of ZAR22.51 billion converted using US\$1:ZAR18.288 as at 16 November 2023.

<sup>(2)</sup> EBITDA excluding special items; EBITDA percentage calculated excluding unallocated and eliminations.

# Sappi group Diversified and proactively managed product portfolio



- Ongoing diversification of our product portfolio into the higher margin and growing segments
- The OneSappi harmonisation initiatives to make effective use of resources across the group and achieve cost advantages through efficiency and procurement savings



<sup>(1)</sup> Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 30 in our Q4 FY23 financial results booklet (available on [www.sappi.com](http://www.sappi.com)) for a definition of special items. Data excludes treasury operations and an insurance captive.

<sup>(2)</sup> Sales volumes exclude forestry operations.

# Innovative R&D focus

## Unlocking the full potential of each tree

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



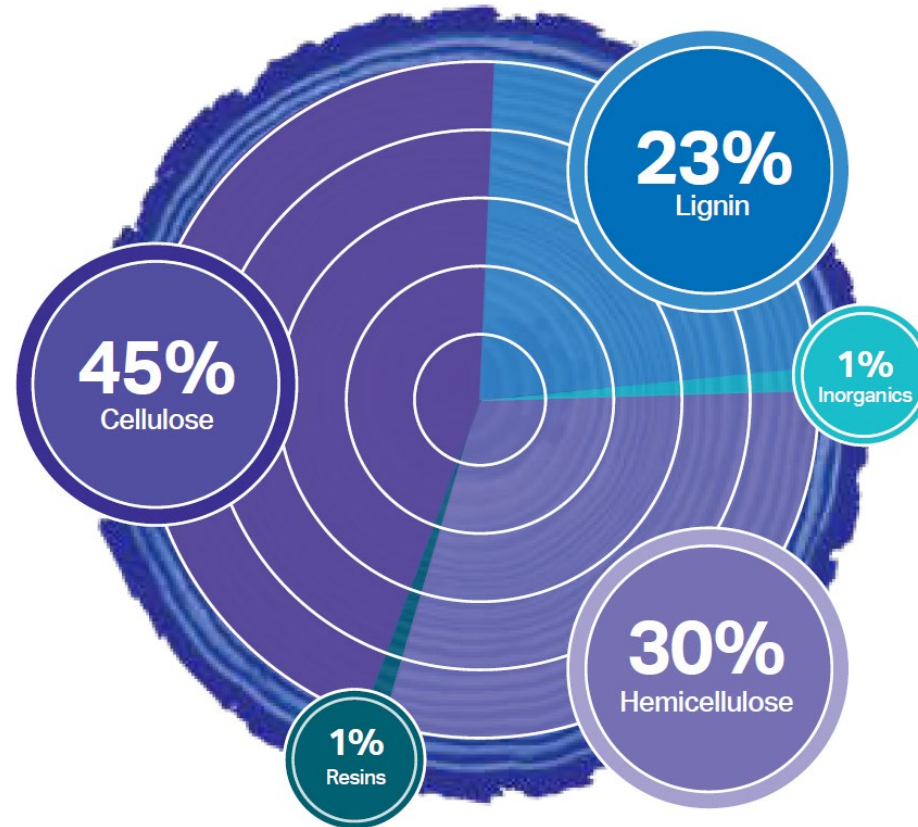
**Dissolving pulp**  
Textiles  
Pharmaceuticals  
Foodstuffs



**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



**Extraction and beneficiation of C5 sugars**  
Furfural  
Xylose  
Xylitol





# Our vision

We will be a sustainable business with an exciting future in woodfibre that provides relevant solutions, delivers enhanced value and is a trusted partner to all our stakeholders.

- Sustainable products and services
- Understand customer needs
- OneSappi drives agility and alignment
- Optimise value chains
- Grow profitability



# Our vision What it means

## Exciting future in woodfibre

- Investing in market segments with strong growth
- Strengthening our competitive position in mature markets
- Making a clear commitment to innovation
- Leveraging the wide-ranging and significant expertise of our people

## Relevant solutions

- Offering sustainable and practical products and services
- Understanding and responding to evolving customer needs
- Adapting to market supply and demand

## Enhanced value

- Driving greater alignment, delivery, and agility through OneSappi
- Optimising at all levels of the value chain
- Investing in the right product mix
- Expanding value-added services
- Growing profitability

## Trusted partner

- Establishing and maintaining a proactive dialogue with all our stakeholders
- Ensuring sustainable woodfibre use through certification and traceability
- Working with and supporting local communities



# Our business strategy

## Thrive

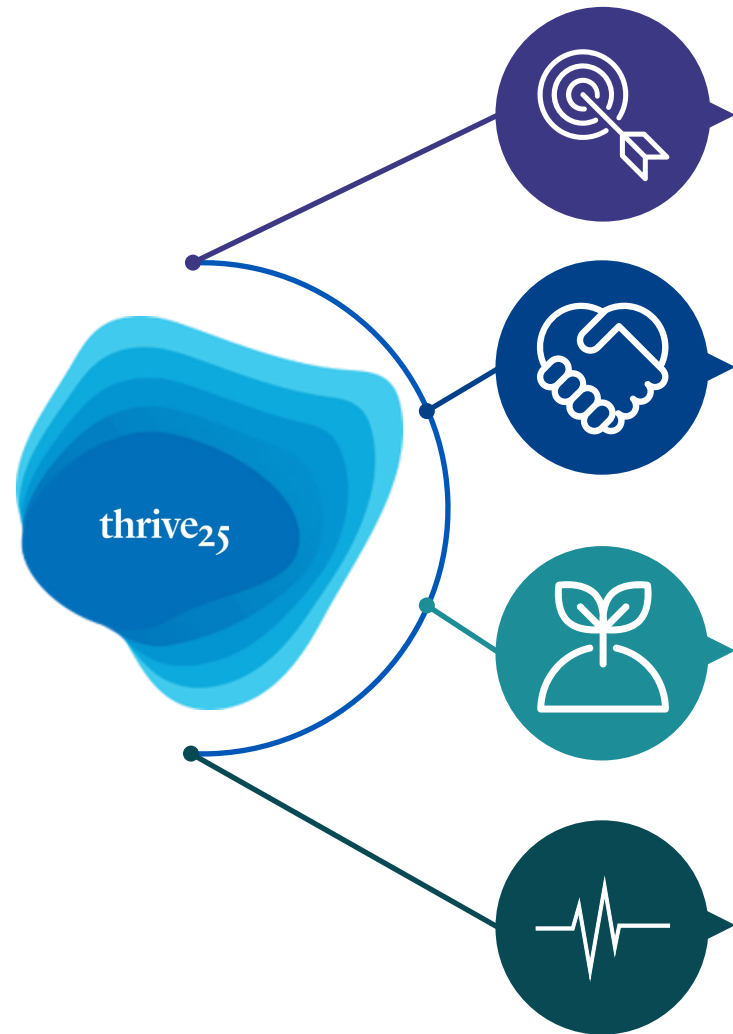
Through **collaboration and innovation**, we will grow profitably, using our strength as a **sustainable and diversified global woodfibre group**, focused on **dissolving pulp, packaging and speciality papers, and biomaterials with an optimised graphic paper business**.

Our strategy demands a clear focus on four key fundamentals:



# Our business strategy

## Thrive



### What this means

#### Drive operational excellence

- Strengthen our safety-first culture
- Continuously improve our cost position
- Continue to maximise the benefits of our global footprint
- Best-in-class production efficiencies

#### Enhance trust

- Improving our understanding of and proactively partnering with all stakeholders
- Driving sustainability solutions
- Meeting the changing needs of every Sappi employee

#### Grow our business

- Grow dissolving pulp (DP) capacity, matching market demand
- Continue to expand and grow packaging and speciality papers (P&SP) in all regions
- Further commercialisation of biotech opportunities
- Reduce exposure to declining graphic papers business

#### Sustain our financial health

- Target net debt: EBITDA<sup>(1)</sup> at 1.5x
- Reduce absolute debt level and improve EBITDA
- Optimise capital management
- Optimise debt maturity profile and finance charges

### Strategic objectives

- Achieve zero fatalities and at least a 10% reduction in LTIFR pa
- Maximise production outputs
- Gain cost advantage through a global footprint
- Optimise supply chain and customer service
- Increase forestry footprint in South Africa
- Improve pulp integration

- Progress towards science-based decarbonisation targets
- Implement the TCFD<sup>(2)</sup> recommendations
- Expand Supplier Code of Conduct
- Maintain forestry certification and BBBEE in SA
- Sustain and/or improve employee engagement
- Sustainability capex spend ~US\$70m per annum

- Continue to grow and optimise packaging and speciality papers
  - Label grades at Gratkorn Mill
  - Somerset Mill PM2 conversion & expansion from CWF to SBS
- Maximise DP volumes to capacity
- Reduce graphic papers exposure in Europe
- Continue to grow and advance biotech opportunities
  - Valida (micro fibrillated cellulose) and Furfural

- Focus on managing fixed and variable costs
- Optimise the graphic papers business
- Focus on maximising cash generation through efficient capex and working capital management
- Long-term target net debt of approximately US\$1bn
- SPH RCF renewed to 2027 with sustainability-linked KPIs

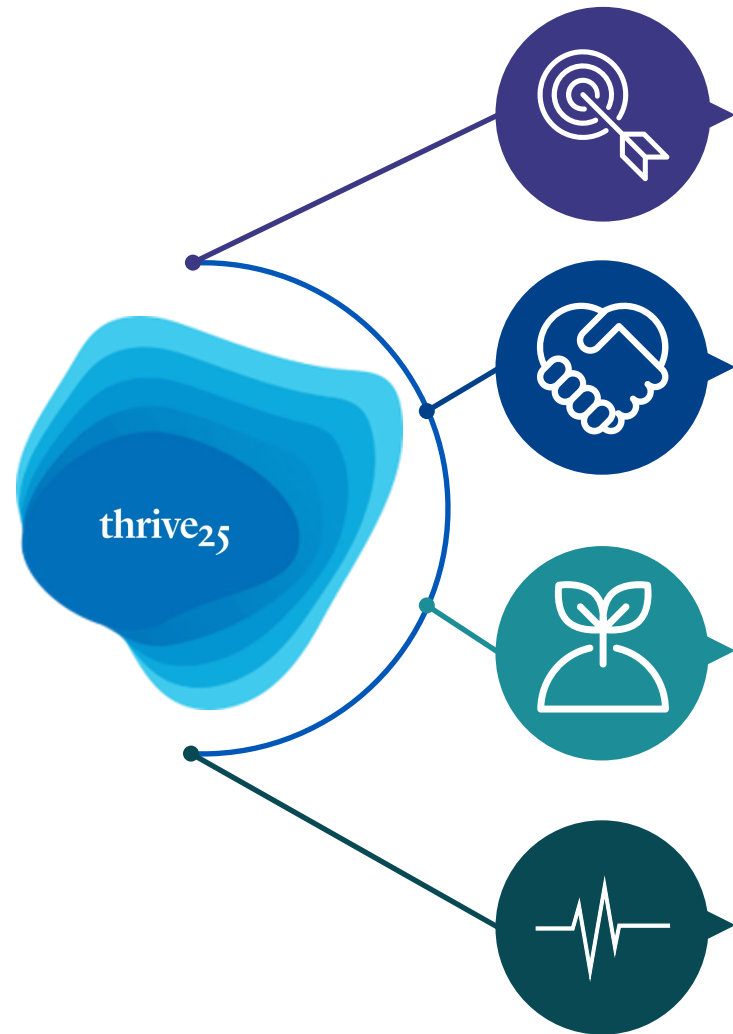
\* Earnings before interest, tax, depreciation and amortisation.

<sup>(1)</sup> EBITDA = EBITDA excluding special items.

<sup>(2)</sup> TCFD = Task Force on Climate-related Financial Disclosures.

# Our business strategy

## Thrive



### What we have achieved in FY23

#### Drive operational excellence

- Zero fatalities
- Lowest ever LTIFR (combined employees and contractors)
- Ngodwana Mill PM1 (kraft linerboard) upgrade completed
- Somerset Mill PM1 (SBS) debottlenecking complete
- Cloquet Mill PM12 (CWF) reel upgrade completed
- Gratkorn Mill PM11 (CWF) modernisation project completed
- Saiccor Mill (DP) operations stabilised
- US\$115 million procurement savings

#### Enhance trust

- Significant improvement in employee participation in the employee engagement survey (94% vs 84% in 2021)
- SSA Level 1 BBBEE contributor
- Expanded Supplier Code of Conduct (79% by spend)
- Expanded EcoVadis platform to assess suppliers (57% by spend)
- Validated science-based decarbonisation targets
  - Gratkorn Mill coal to mixed fuels (phase 2 to 100% biomass)
  - Kirkniemi Mill coal to biomass
  - Saiccor Mill calcium cooking converted to closed-loop magnesium cooking (energy savings)
- All three Sappi regions are platinum-rated on EcoVadis

#### Grow our business

- Saiccor Mill ramping expansion capacity
- Barrier coating technology commissioned at Alfeld Mill
- Gratkorn Mill PM9 wet strength label project in progress (commission end-2024)
- Somerset Mill PM2 conversion and expansion from CWF to SBS initiated and progressing well (commission mid-2025)
- Furfural – class 10 engineering study for commercial scale plant initiated

#### Sustain our financial health

- Net debt reduced to US\$1,085 million
- Net debt: EBITDA 1.5x
- Disciplined capital allocation and value returned to shareholders
  - Dividend
  - Share buy back
- Repurchased portion of 2026 bonds
- Repaid SSA 07 Public Bond
- Rationalising graphic paper capacity in Europe

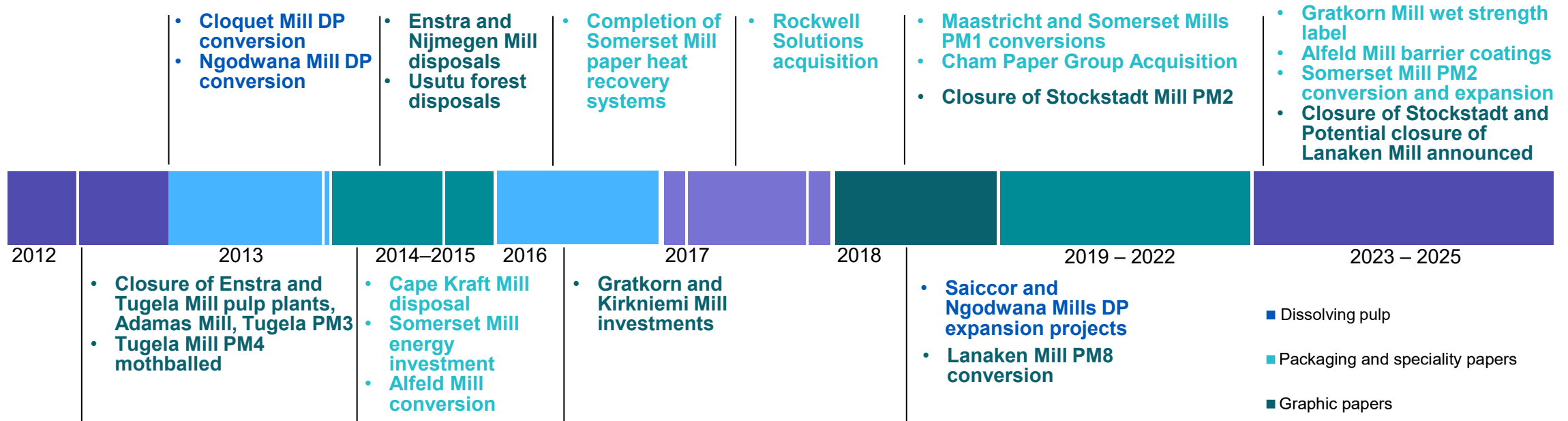


# Clear strategic focus facilitating leading market positions

## Decisive management actions to strengthen product mix and position Sappi for profitable future growth

- Shift graphic paper capacity to margin attractive and growing **packaging and speciality papers** market
- Strengthen leading position in the growing **dissolving pulp (DP)** market – capacity growth from 800,000 tpa in 2012 to 1.5 million tpa in 2022
- Optimise market share in the declining **graphic papers** market

## Successful transition to a global woodfibre company:



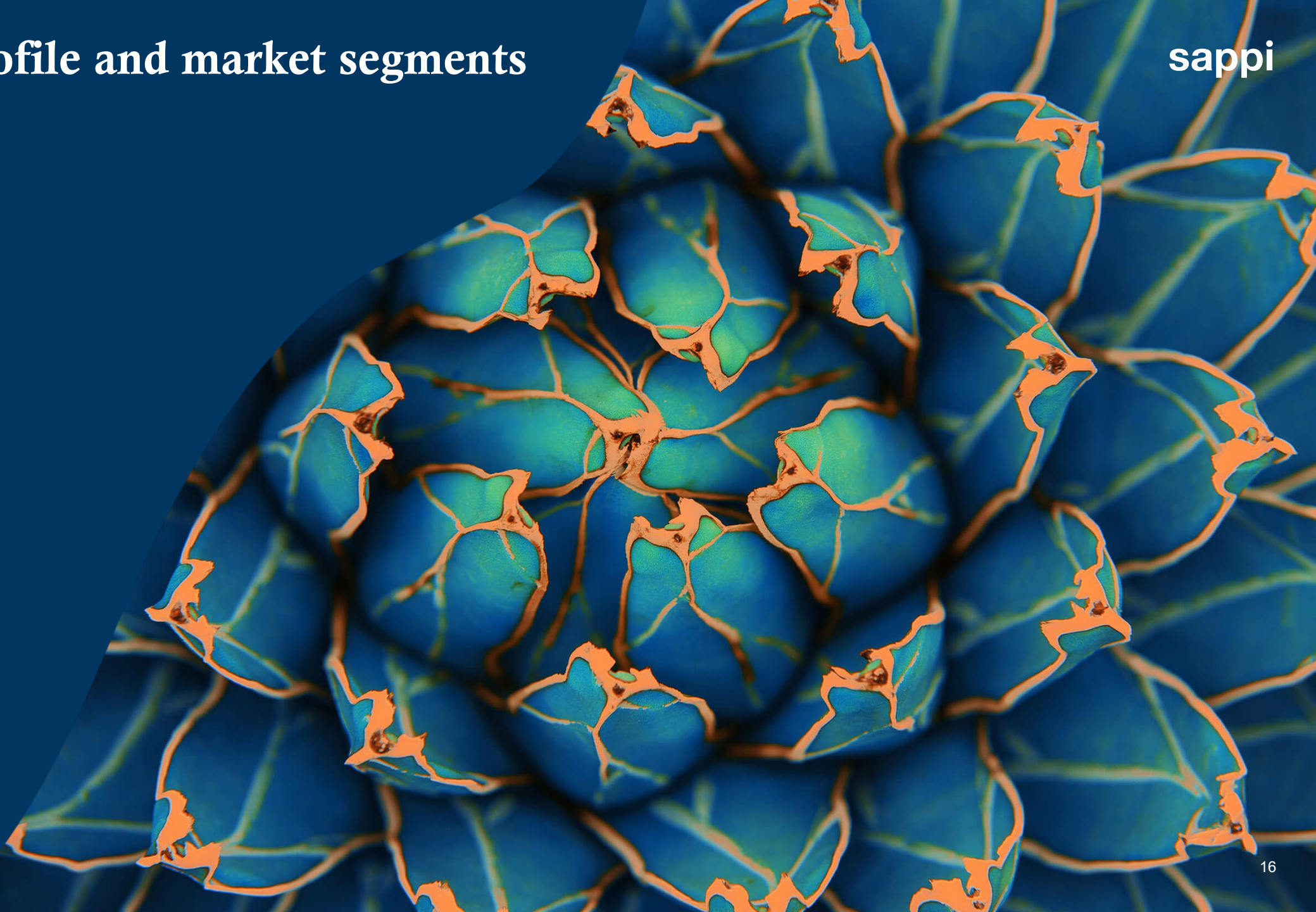
# Strategic capital projects FY18–FY23

Investments in packaging and speciality papers, dissolving pulp and decarbonisation

	Sappi Europe	Sappi North America	Sappi Southern Africa
Strategic growth	<ul style="list-style-type: none"> <li>• <u>Cham Paper acquisition</u></li> <li>• <u>Conversion of Maastricht Mill to produce high-quality solid bleached board</u></li> </ul>	<ul style="list-style-type: none"> <li>• <u>Conversion of PM1 at Somerset Mill to solid bleached paperboard</u></li> <li>• <u>Acquisition of Matane high-yield pulp mill</u></li> </ul>	<ul style="list-style-type: none"> <li>• <u>Expansion of Saiccor dissolving pulp mill</u></li> </ul>
Organic growth	<ul style="list-style-type: none"> <li>• <u>Expanded lightweight packaging and speciality paper capacity at Alfeld Mill</u></li> <li>• <u>Investment at Gratkorn Mill for wet-strength label papers</u></li> <li>• <u>Implementation of barrier coating technology at Alfeld Mill</u></li> </ul>	<ul style="list-style-type: none"> <li>• <u>Debottlenecking of Cloquet dissolving pulp mill</u></li> </ul>	<ul style="list-style-type: none"> <li>• <u>New woodyard and debottlenecking of Saiccor dissolving pulp mill</u></li> <li>• <u>Quality upgrade of Ngodwana Mill kraft linerboard machine</u></li> </ul>
Decarbonisation	<ul style="list-style-type: none"> <li>• <u>Decommissioning of coal-fired boiler 9 at Stockstadt Mill</u></li> <li>• <u>Electric boiler at Maastricht Mill</u></li> <li>• <u>Fuel switching of the boiler at Kirkniemi Mill</u></li> <li>• <u>Fuel switching of the boiler at Gratkorn Mill</u></li> </ul>	<ul style="list-style-type: none"> <li>• <u>Closure of energy complex at Westbrook Mill</u></li> </ul>	<ul style="list-style-type: none"> <li>• <u>Significantly reduced carbon footprint of Saiccor Mill</u></li> </ul>

# Financial profile and market segments

sappi

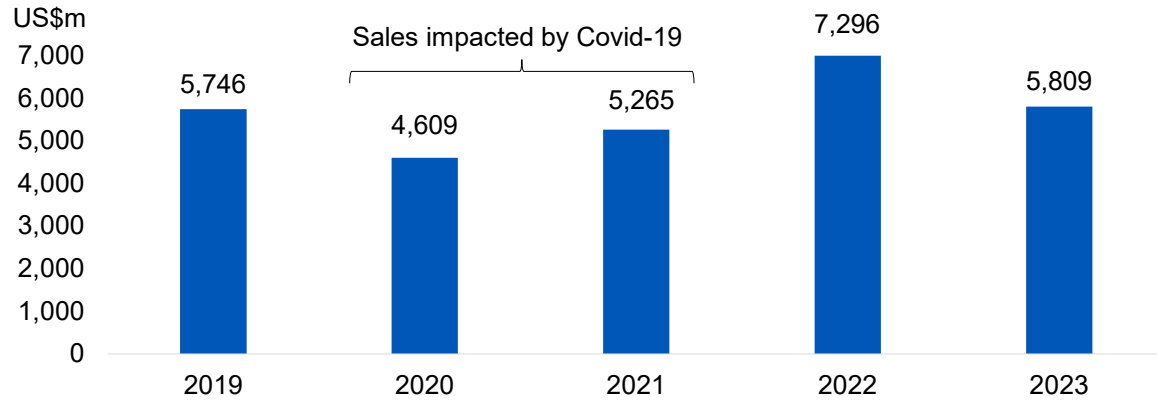




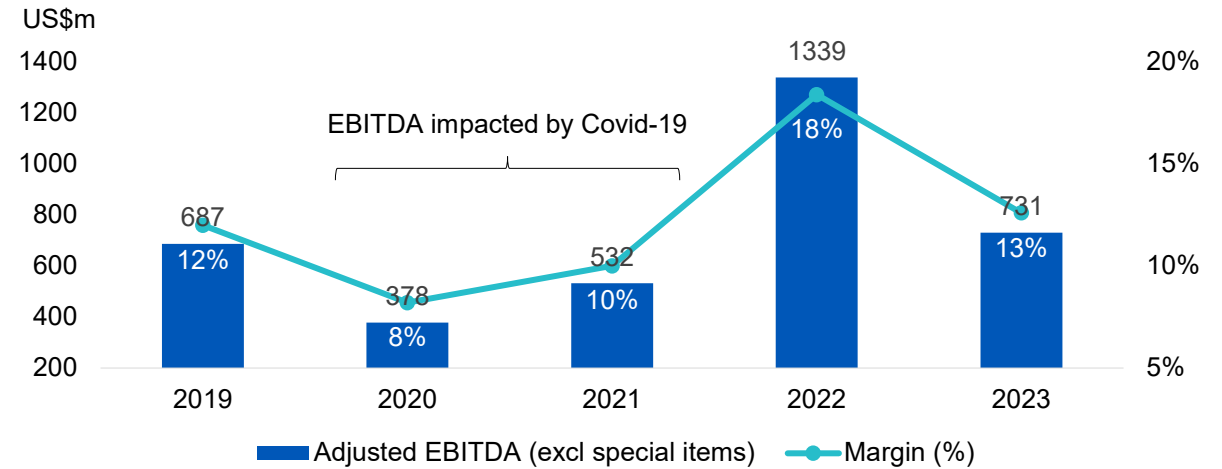
# Key historical financial metrics

Strong sales, disciplined capex and positive cash flow

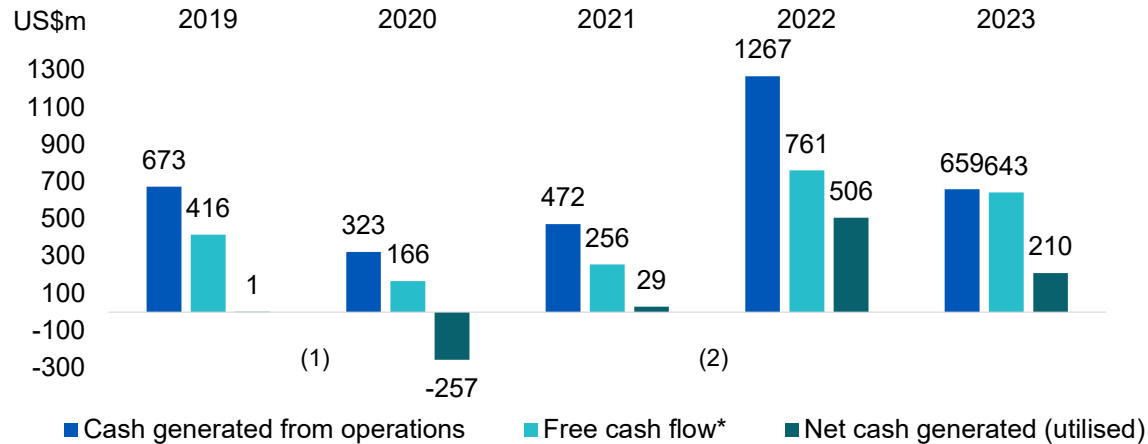
### Sales



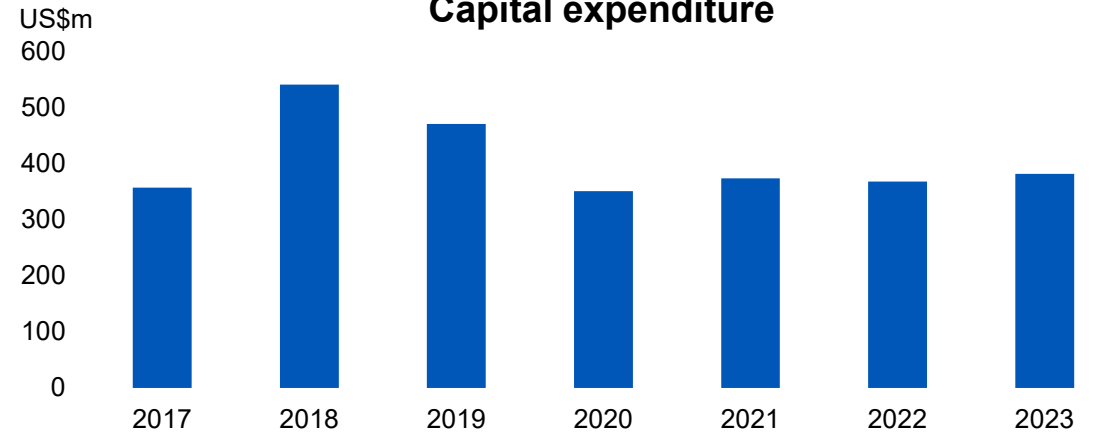
### Adjusted EBITDA, excluding special items



### Key cash flow items



### Capital expenditure



<sup>(1)</sup> Cham Paper acquisition, fully funded by cash. <sup>(2)</sup> Matane Mill acquisition, fully funded by debt.  
 \* Free cash flow = Cash generated from operations less working capital, less maintenance and regulatory/environmental capex.

Note: Capital expenditure for FY2024 is estimated to be in the region of US\$500 million including approximately US\$154 million for the Somerset PM2 conversion and expansion project.

# Graphic papers

43% of sales volume | 37% of EBITDA (FY2023<sup>(1)</sup>)

Maximising cash generation and leadership position in a structurally declining market

## Overview

- Second largest global producer of coated woodfree paper and coated mechanical paper<sup>(2)</sup>
- Estimated market shares of coated woodfree paper based on production capacity<sup>(3)</sup>:
  - 13% globally
  - 32% in Europe, and
  - 47% in North America

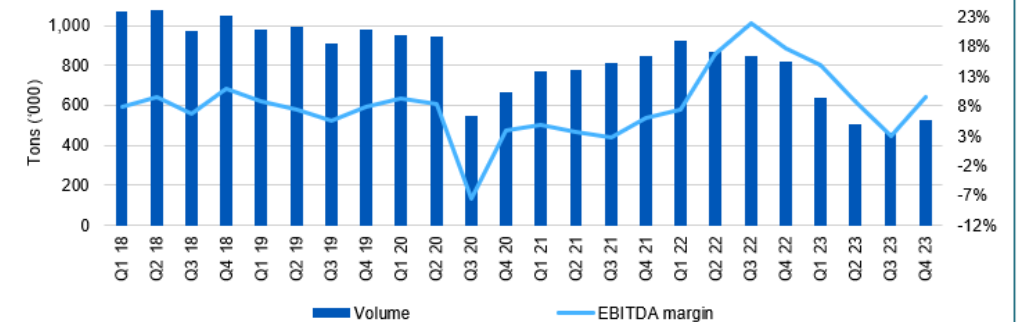
## Trends and developments

- Long-term structural decline was driven by digital media (~5% pa)
- Material capacity reductions in the market since 2019 of ~25% in the US and ~20% in Europe
- Strengthen leadership position and market share
- Optimise product mix and carousel assets; become more cost-efficient

- Other than coated woodfree paper, graphic paper products include:
  - Uncoated woodfree paper
  - Coated mechanical paper, and
  - Newsprint



## Segment sales volumes (US\$m) & EBITDA<sup>(2)</sup> margin (%)



<sup>(1)</sup> Sales volumes excluding forestry in Southern Africa; EBITDA excluding unallocated and eliminations.

<sup>(2)</sup> EBITDA excluding special items.

<sup>(3)</sup> RISI World Graphic Paper Capacity Report (Updated August 2023).

# Packaging and speciality papers

26% of sales volume | 30% of EBITDA (FY2023<sup>(1)</sup>)

Increasing capacity to capitalise on a resilient and growing market

## Overview

- High product diversification and attractive end-markets
- Opportunity for growth at attractive margins

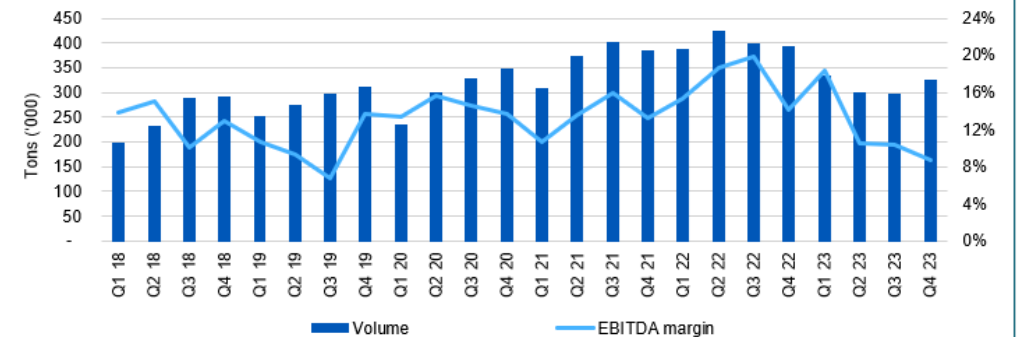
## Trends and developments

- Market drivers:
  - Legislative changes
  - Customers' and manufacturers' demand for sustainable and environmentally-friendly packaging solutions
- Underlying demand has proven resilient during Covid-19
- Increase capacity, including shifts from graphic paper
- Improve sales mix and production efficiencies
- Create innovative product solutions focused on sustainability

- Packaging and speciality paper products include:
  - Paperboard
  - Flexible packaging
  - Containerboard
  - Label & self-adhesive
  - Casting & release
  - Dye sublimation, and
  - Tissue



## Segment sales volumes (US\$m) & EBITDA<sup>(2)</sup> margin (%)



<sup>(1)</sup> Sales volumes excluding forestry in Southern Africa; EBITDA excluding unallocated and eliminations.

<sup>(2)</sup> EBITDA excluding special items.



31% of sales volume | 33% of EBITDA (FY2023<sup>(1)</sup>)

Strengthen Sappi's leading position and optimise production processes

## Overview

- World's largest non-integrated manufacturer of dissolving pulp (DP) by sales and volume (1.5 million tpa capacity<sup>(2)</sup>)
- Estimated global market share of 15% in the DP market
- Textiles industry is dominating end-market with viscose staple fibre (VSF) making up ~70% of global DP demand
- Low-cost and efficient dissolving pulp assets
- Multi-year sales contracts

## Trends and developments

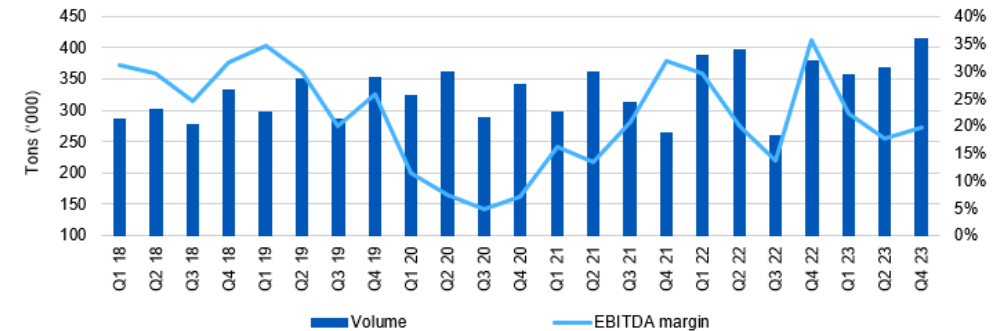
- Market drivers:
  - Global textile demand growth
  - Strong focus on sustainability by textile brand owners
- Optimise product mix (grow lyocell pulp volumes)
- FQ1 2024 focus on annual maintenance shuts at all DP mills

## Dissolving pulp pricing drivers

- Textile fibre pricing is the leading indicator for DP pricing
- Paper pulp prices – the differential between DP and paper pulp price incentivises capacity swing between grades
- DP capacity – operational and financial challenges constraining short-term supply
- No new announcements for capacity additions



## Segment sales volumes (US\$m) & EBITDA<sup>(3)</sup> margin (%)



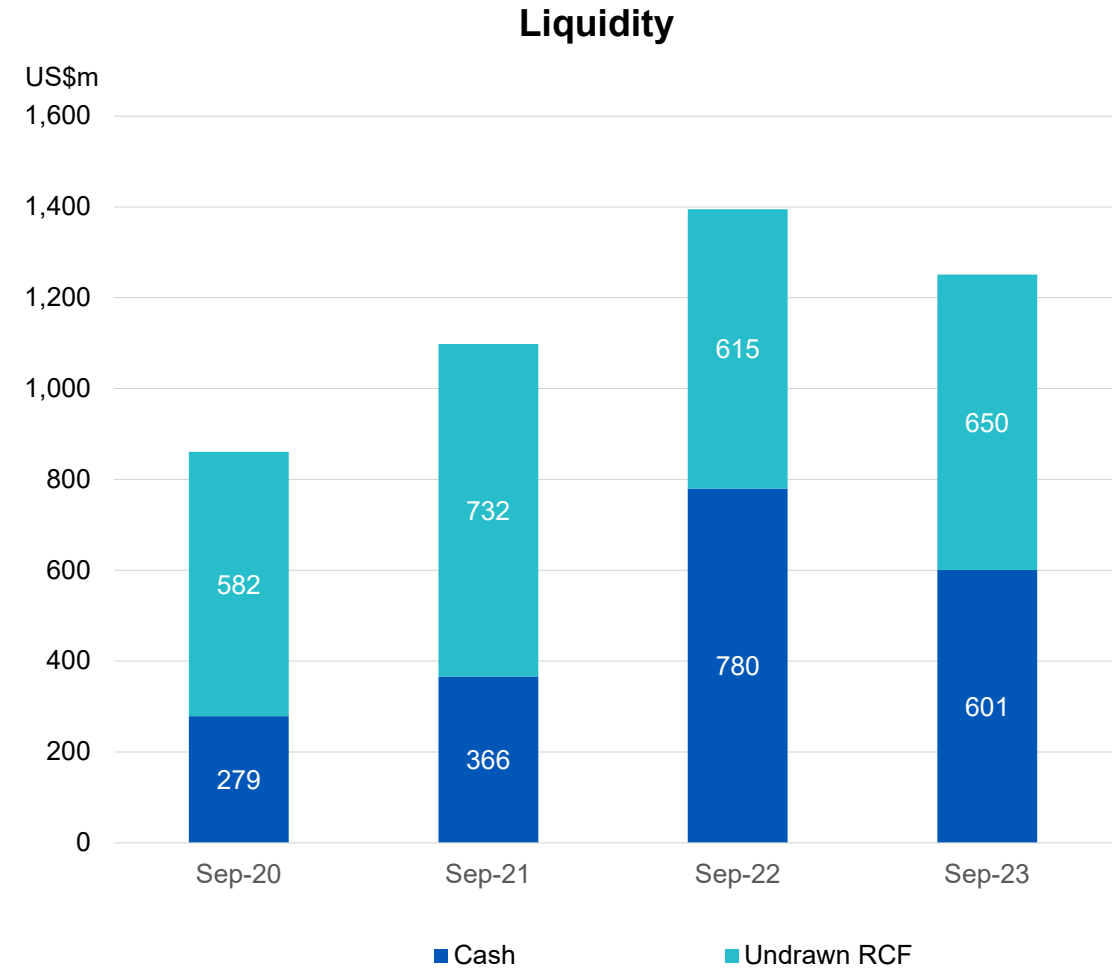
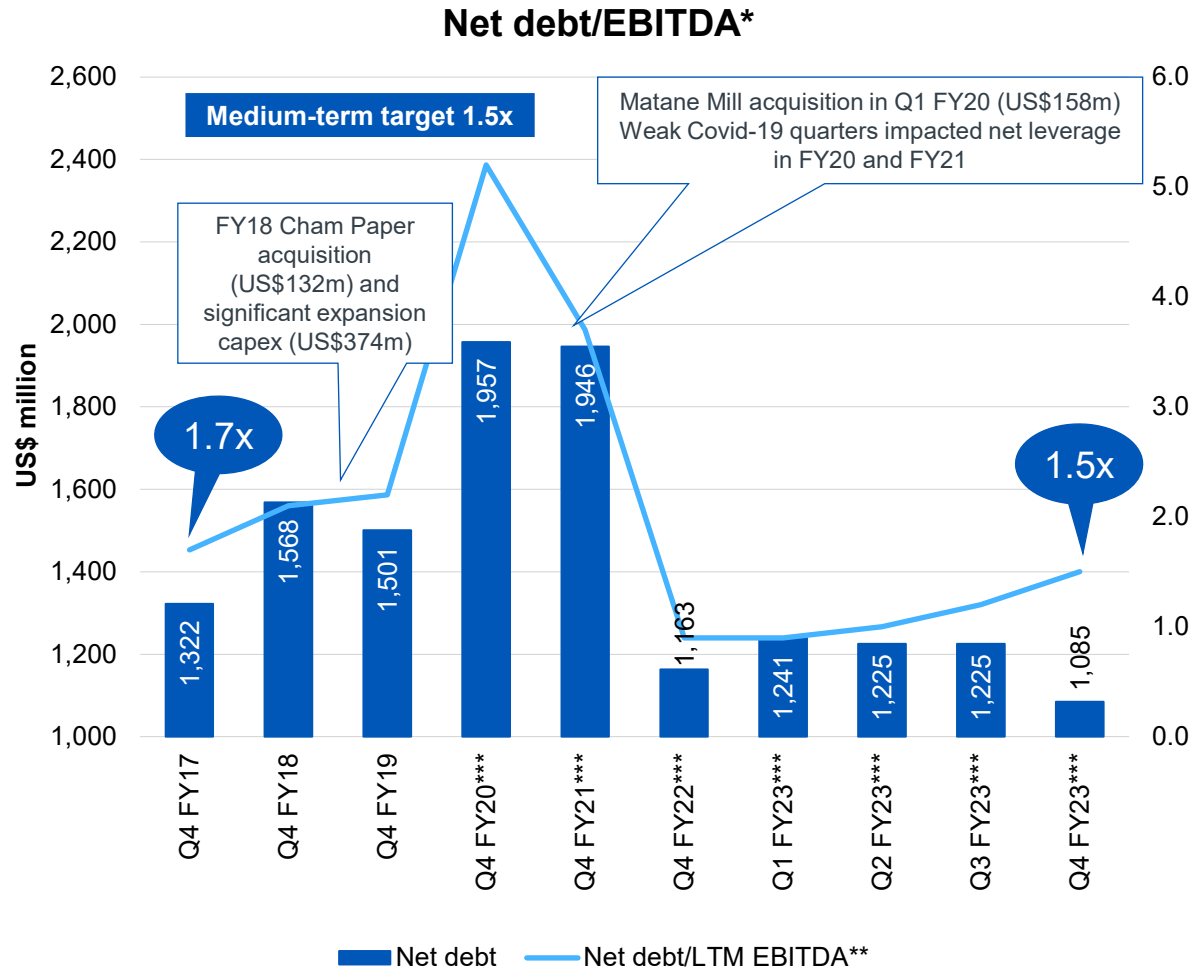
<sup>(1)</sup> Sales volumes excluding forestry in Southern Africa; EBITDA excluding unallocated and eliminations.

<sup>(2)</sup> Post-Saiccor Mill expansion in 2022.

<sup>(3)</sup> EBITDA excluding special items.

# Balance sheet management

## De-leveraging and liquidity management is a key focus



\* EBITDA excluding special items.

\*\* The covenant Net debt/LTM EBITDA calculation has adjustments and therefore differs from the above.

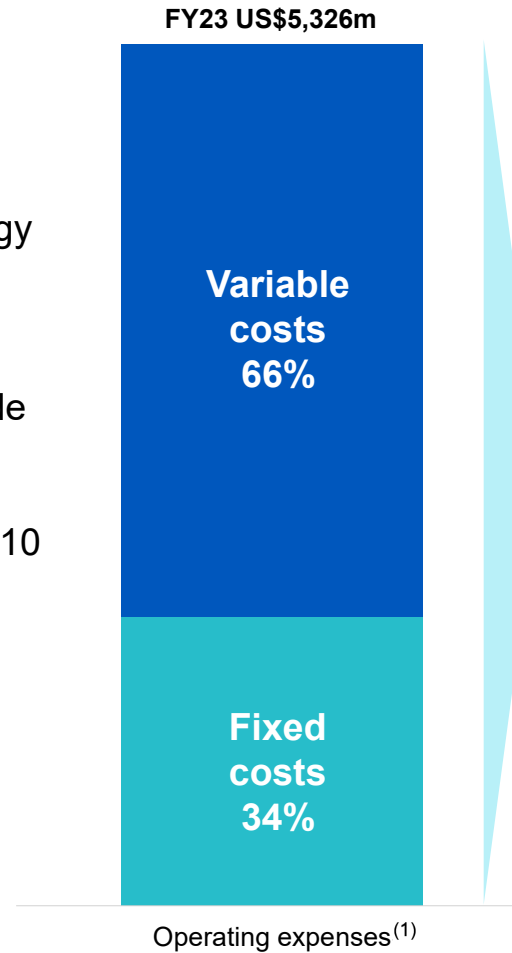
\*\*\* Quarters impacted by IFRS 16 leases (Q4 FY23 ~US\$91m) and Matane Mill acquisition (Q1 FY20 US\$158m).

# Efficient asset base with a flexible cost structure

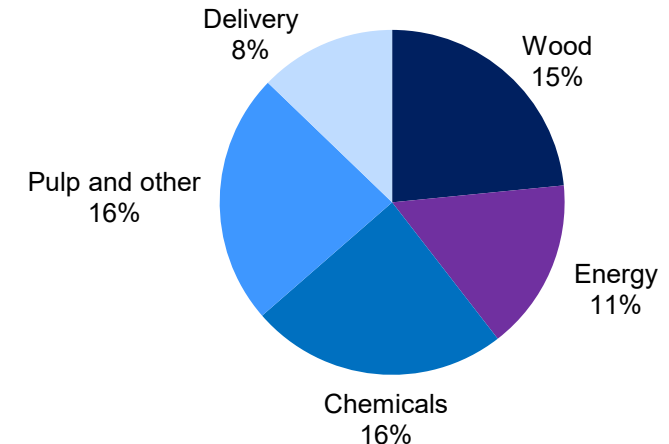
## A flexible cost structure provides resilience during cyclical downturns

### Total operating costs

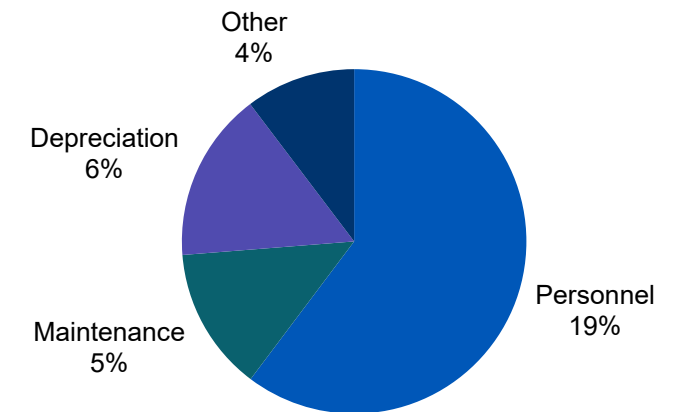
- Cost base provides resilience during downturns (66% of operating expenses<sup>(1)</sup> are variable)
- Engaged in several cost reduction initiatives:
  - Improved global logistics and procurement strategy
  - Product re-engineering, and
  - Reduce raw material input costs
- Energy self-sufficiency and a hedging strategy provide resilience during an energy crisis
- Specific procurement and efficiency savings of US\$110 million in FY22, and US\$115 million in FY23



### Variable costs<sup>(2)</sup>



### Fixed costs<sup>(2)</sup>

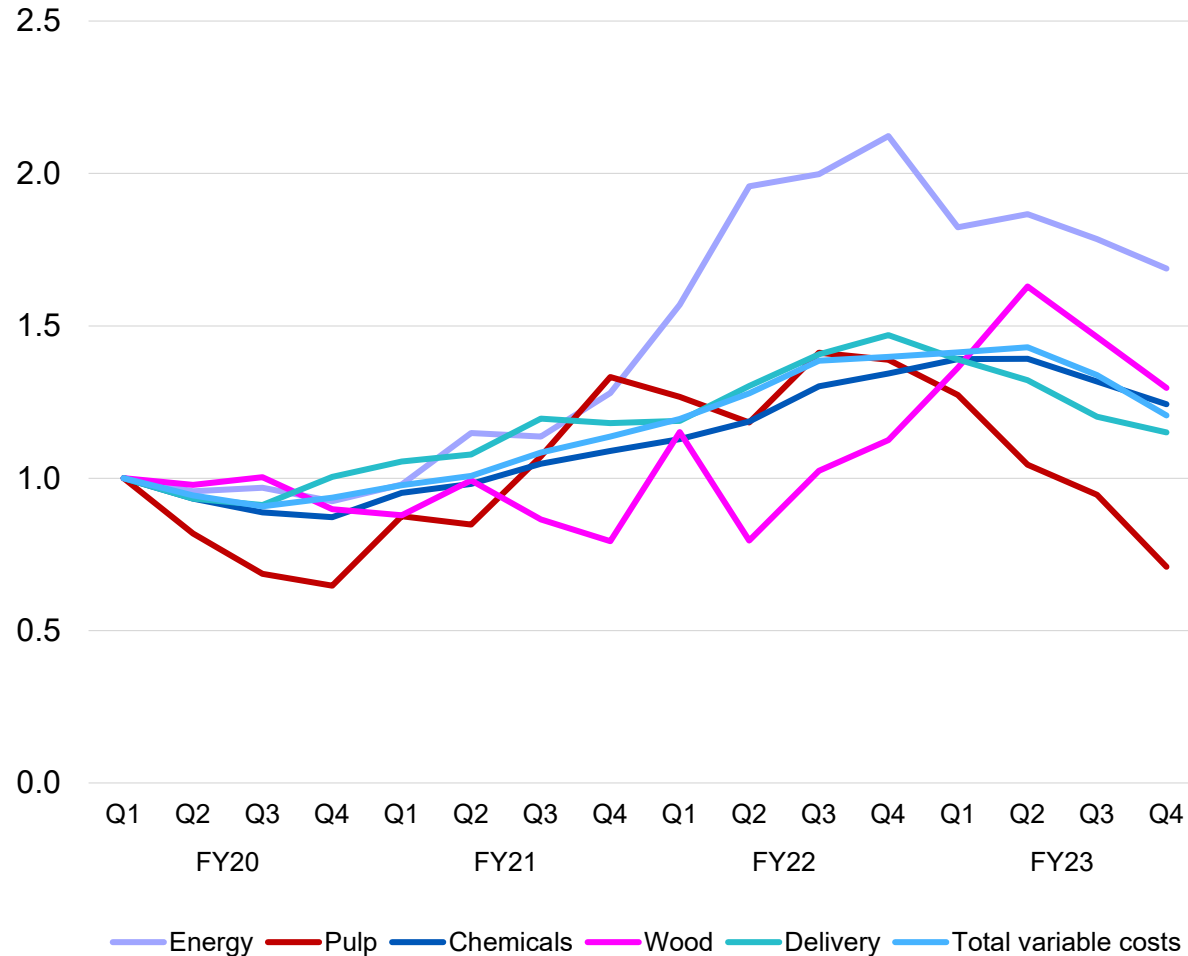


<sup>(1)</sup> Operating expenses consist of the cost of sales, selling, general and administrative expenses; other operating expenses (income) and share of profit from joint ventures.

<sup>(2)</sup> Represents a percentage of total operating expenses.

# Cost inflation developments

## Major variable input cost/ton impact on the group since Q1 FY20



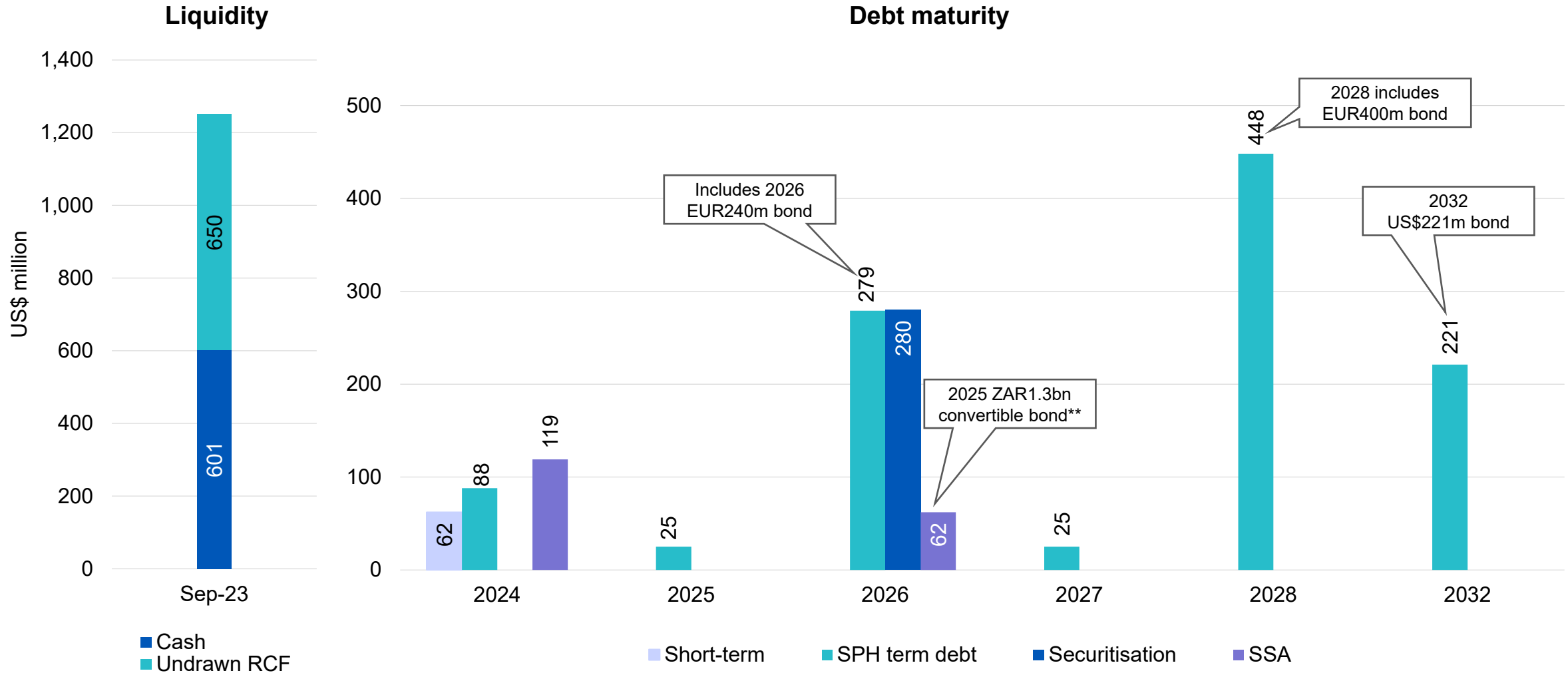
- Curtailment impacted operational efficiencies
- Input costs across all variable cost categories reduced q-o-q\*
- Total variable cost -10% q-o-q\*

*Indexed to Q1 FY20.*

\* Q4 FY23 versus Q3 FY23.













# Debt maturity profile\* Fiscal years



\* Excludes US\$91 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. The group has received conversion notices for the convertible bond of just over 35% of the initial offering of ZAR1.8 billion.

# Disciplined capital allocation

Category		Strategic priority	FY23 Achievements
 <b>Regulatory &amp; environmental</b>	External regulatory & environmental requirements	<b>High</b> Mandatory license to operate Mandatory to meet ESG goals	 ~ <b>US\$30 million</b> for sustainability
 <b>Sustaining</b>	Balance sheet sustainability	A healthy balance sheet maximises capital allocation flexibility	 FY23 free cash flow <b>US\$643 million</b> Good progress towards target net debt of <b>US\$1 billion</b> FY23 net debt <b>US\$1,085 million</b>
 <b>Profit improvement</b>	Protect against future decline	Reduce exposure to declining graphic paper markets	 Closure of Stockstadt Mill and potential closure of Lanaken Mill announced
	Cost reduction Increase efficiency Mix optimisation	Improve cost position Optimise assets Shift into better-performing product categories	
 <b>Shareholder returns</b>	Shareholder value	Sustainable dividends return value to shareholders Target ROCE 2% above WACC	 Annualised ROCE <b>12.3%</b> Dividend payment <b>US\$85 million</b> Initiated the share buy-back program (April/May ~9.2 million shares <b>US\$22 million</b> )
 <b>Growth</b>	Expansion of existing products	Invest in growth segments	 Conversion & expansion of Somerset Mill PM2 from graphic paper to paperboard initiated (FY23 capex <b>US\$100 million</b> )



# Outlook Q1 FY24

sappi





## Demand

- Persistent global macroeconomic challenges and generally subdued consumer sentiment continue to impact demand for many of our products
- Demand for graphic papers has experienced a permanent structural decline

## Strategy

- We remain committed to our stated strategy to reduce exposure to graphic paper markets
  - Conversion and expansion of Somerset Mill PM2 graphic paper asset to solid bleached sulphate paperboard
  - Rationalisation of European capacity through the closure of Stockstadt Mill and the potential closure of Lanaken Mill





## Shuts

- Scheduled maintenance shuts at Saiccor, Ngodwana and Cloquet Mills
- Estimated US\$40 million impact on group profitability

## Capital expenditure

- Capital expenditure for FY24 is estimated to be in the region of US\$500 million including ~US\$154 million for the Somerset Mill PM2 project

## Overall impact on Q1 FY24

- Notwithstanding the gradual recovery in pulp and paper markets and taking into consideration the impact of the scheduled maintenance shuts, we anticipate that the EBITDA for Q1 FY24 will be below that of Q4 FY23

# Supplementary information

sappi





# Market segments





# Graphic papers

Our wide range of brilliant, high-performing graphic papers create impactful brand experiences.





# Graphic papers



Our coated and uncoated graphic printing papers meet a demanding range of visual and tactile standards – delivering uncompromising ROI through reliability, stand-out quality and strong brand differentiation.

Sappi has designed a wide range of coated and uncoated papers offering luxurious surfaces and optimal image quality.

## Applications:

- Magazines
- Corporate reports and accounts
- Direct mail
- High-quality brochures
- Catalogues
- Calendars
- Books



# Graphic papers Production facilities



**Cloquet Mill** (United States)  
Coated woodfree paper



**Gratkorn Mill** (Austria)  
Coated woodfree paper



**Kirkniemi Mill** (Finland)  
Coated mechanical paper



**Somerset Mill** (United States)  
Coated woodfree paper



**Lanaken Mill\*** (Belgium)  
Coated woodfree paper



**Stanger Mill** (South Africa)  
Uncoated woodfree paper



**Maastricht Mill** (Netherlands)  
Coated woodfree paper



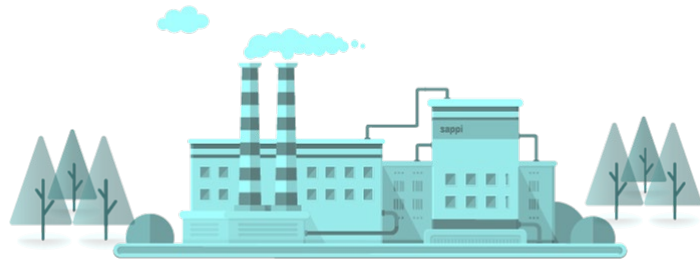
**Stockstadt Mill\*** (Germany)  
Coated & uncoated woodfree paper



**Eningen Mill** (Germany)  
Coated woodfree paper



**Ngodwana Mill** (South Africa)  
Newsprint



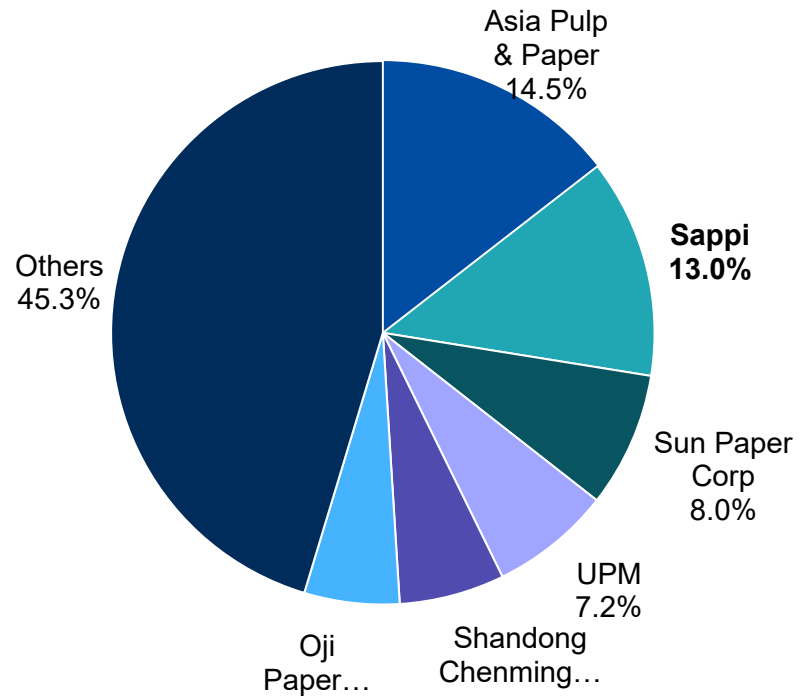
\* In response to the market overcapacity and in line with Sappi's strategy to reduce exposure to graphic paper markets, we made the difficult decision to close the Stockstadt Mill and initiated a consultation process for the potential closure of the Lanaken Mill shortly after year-end.

# Graphic papers Competitive landscape

## Sappi market share by capacity

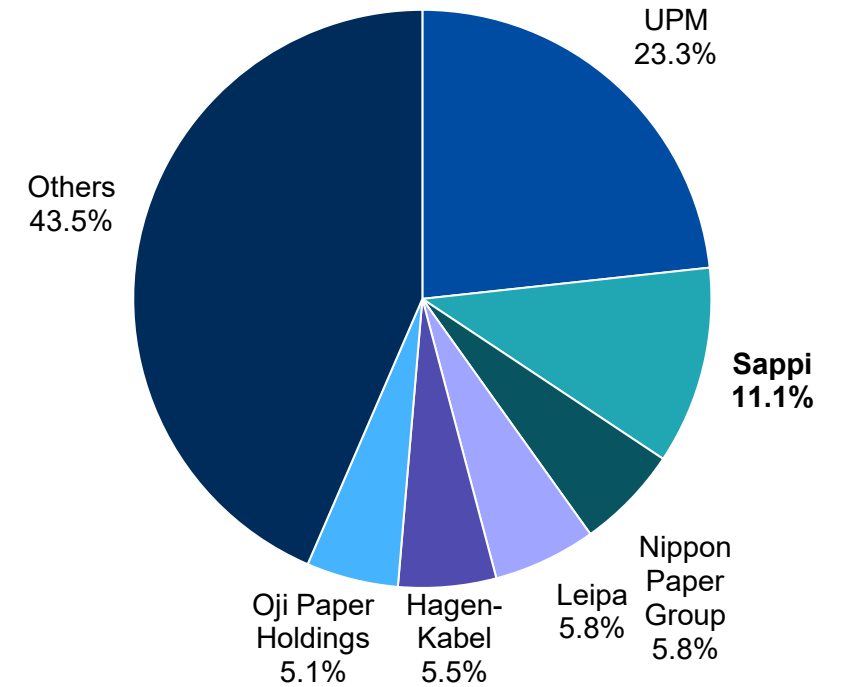
### Coated woodfree graphic paper (CWF)

Total 20,155 Ktpa

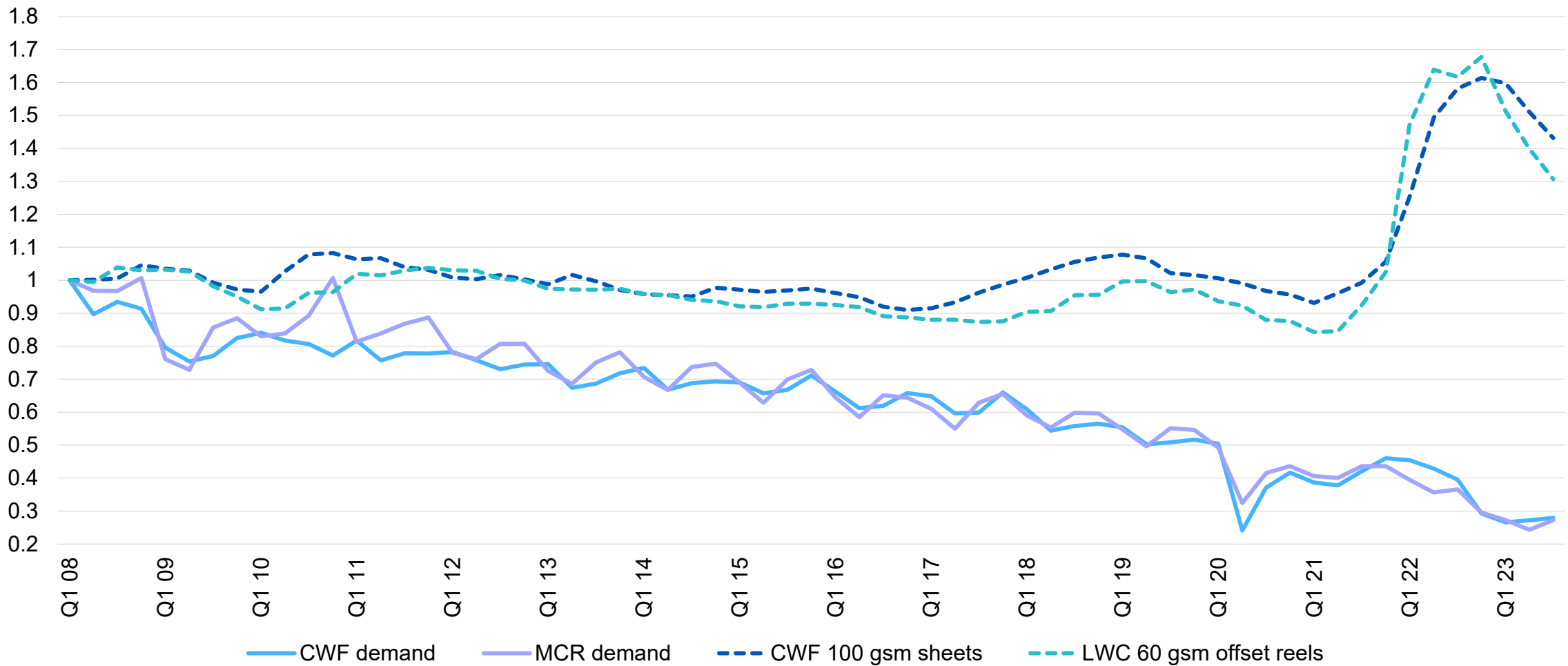


### Coated mechanical graphic paper (CM)

Total 8,942 Ktpa



# Coated paper Deliveries and prices Western Europe\*

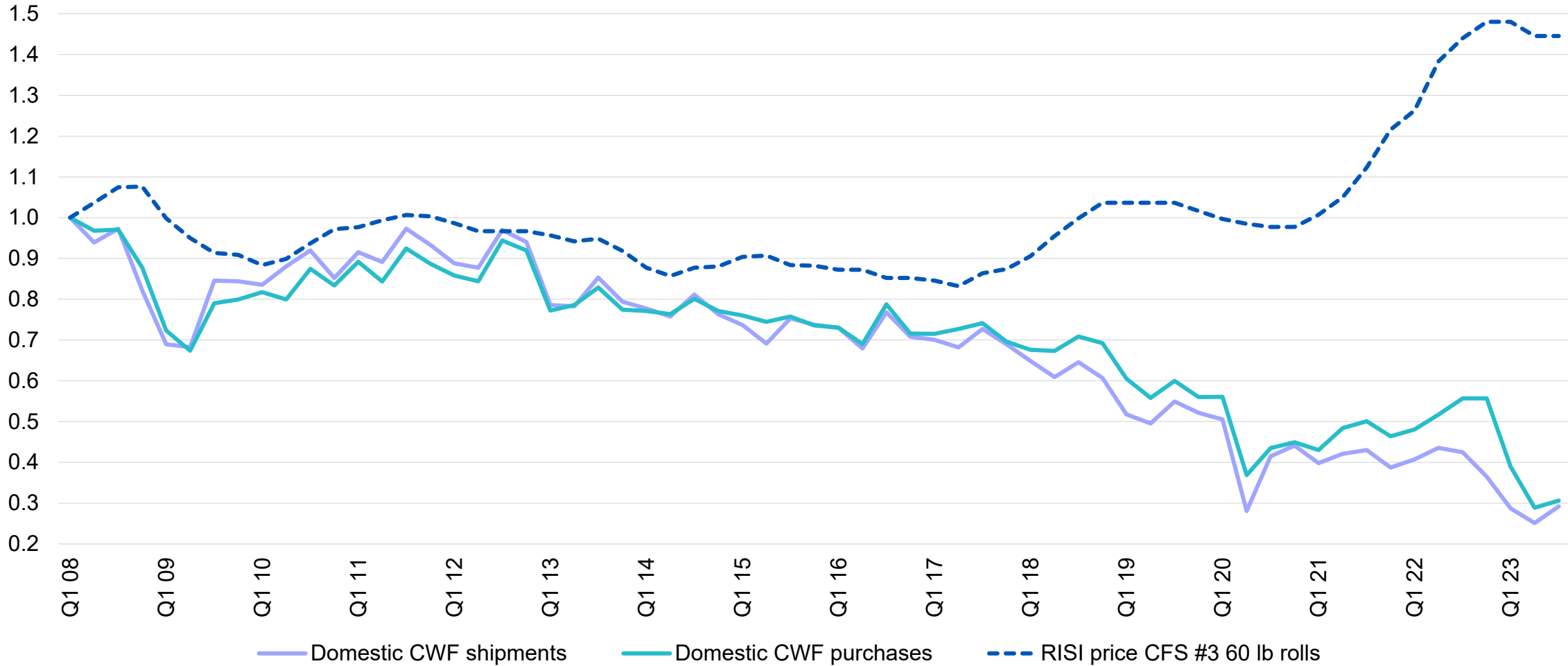


\* Western Europe shipments, including export.

Source: Cepifine, Cepiprint and RISI indexed to Q1 08.



# Coated paper Deliveries and prices United States\*



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

Source: AF&PA and RISI indexed to Q1 08.

# Graphic papers



## Sappi's competitive strengths

- Global manufacturing platform
- Broad product portfolio of leading brands
- Sustainability commitment and recognised environmental performance
- Well-maintained and invested mills
- Viewed as a long-term supplier committed to the industry
- Highly regarded marketing materials demonstrating the value of print in the media mix



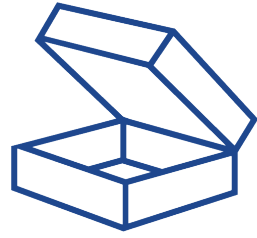
# Packaging papers



Developing and delivering innovative, sustainable solutions is at the heart of our philosophy.



# Packaging papers



We offer a broad range of paper-based sustainable solutions as an alternative to non-renewable, fossil fuel-based materials in many of our product segments.

## Applications:

- Flexible packaging
- Containerboard
- Paperboard







# Speciality papers

Our high-quality speciality papers are an ideal choice for functional performance and high visual impact.



# Speciality papers



With outstanding brightness and excellent printing, our high-quality speciality papers are an ideal choice for functional performance and high visual impact.

## Applications:

- Label and self-adhesive
- Casting & release
- Dye sublimation
- Tissue





# Packaging and speciality papers Production facilities



**Alfeld Mill** (Germany)  
Flexible packaging paper, label paper, paperboard, containerboard, functional paper



**Gratkorn Mill** (Austria)  
Label paper



**Rockwell Solutions** (Scotland)  
Functional papers and flexible packaging, coated barrier film



**Carmignano Mill** (Italy)  
Flexible packaging paper, label paper, inkjet paper, dye sublimation paper



**Lanaken Mill\*** (Belgium)  
Functional paper



**Somerset Mill** (United States)  
Label paper, paperboard, flexible packaging



**Cloquet Mill** (United States)  
Label paper



**Maastricht Mill** (Netherlands)  
Paperboard



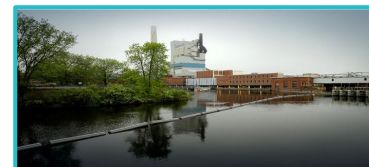
**Tugela Mill** (South Africa)  
Containerboard



**Condino Mill** (Italy)  
Flexible packaging paper, silicone base paper, inkjet paper, dye sublimation paper



**Ngodwana Mill** (South Africa)  
Containerboard

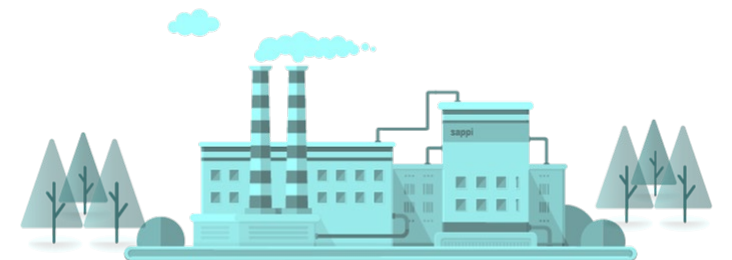


**Westbrook Mill** (United States)  
Casting and release paper

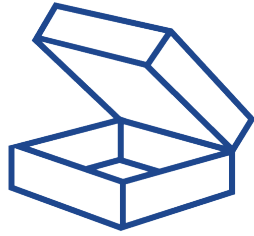


**Eningen Mill** (Germany)  
Containerboard

\* We announced the potential closure of the Lanaken Mill shortly after year-end.



# Packaging and speciality papers



## Sappi's competitive strengths

- Global manufacturing platform
- Sustainability commitment and recognised environmental performance
- Well-maintained and invested mills
- Independent paperboard producer in North America
- Bulk advantage in paperboard
- Coating expertise and know-how key competitive advantage
  - High-bright print surface for packaging grades
  - Functional papers and barrier coatings
- Niche speciality paper grades (dye sublimation)





Pulp



sappi

Our renowned dissolving, high-yield and kraft pulps provide a sustainable, versatile approach to create a better tomorrow.





# Pulp



**Our pulp segment predominantly comprises three product categories, namely dissolving pulp (DP), high-yield pulp (HYP) and kraft pulp.**

DP is a highly purified form of cellulose extracted from sustainably grown and responsibly managed trees using unique cellulose chemistry technology.

Sappi is one of the largest manufacturers of DP, with a capacity of 1.5 million tons per annum and a 18% share of the market.

Our DP brand, Verve, creates renewable alternatives for raw material feedstock to textiles, pharmaceuticals, foodstuffs, and more.

## **Applications:**

- Apparel
- Home textiles
- Non-woven products
- Pharmaceuticals
- Foodstuffs



# Pulp Production facilities



**Cloquet Mill** (United States)  
Bleached kraft pulp<sup>(1)(3)</sup>, dissolving pulp<sup>(3)</sup>



**Lanaken Mill\*** (Belgium)  
Bleached chemi-thermo mechanical pulp<sup>(1)</sup>



**Somerset Mill** (United States)  
Bleached kraft pulp<sup>(1)(3)</sup>



**Eningen Mill** (Germany)  
Bleached chemical pulp<sup>(1)(2)</sup>



**Matane Mill** (Canada)  
Bleached chemi-thermo mechanical pulp<sup>(1)(3)</sup>



**Stanger Mill** (South Africa)  
Bleached bagasse pulp<sup>(1)</sup>



**Gratkorn Mill** (Austria)  
Bleached chemical pulp<sup>(1)</sup>



**Ngodwana Mill** (South Africa)  
Unbleached chemical pulp<sup>(1)</sup>, mechanical pulp<sup>(1)</sup>, dissolving pulp<sup>(3)</sup>



**Stockstadt Mill\*** (Germany)  
Bleached chemical pulp<sup>(1)(2)</sup>



**Kirkniemi Mill** (Finland)  
Bleached mechanical pulp<sup>(1)</sup>



**Saiccor Mill** (South Africa)  
Unbleached chemical pulp<sup>(1)</sup>, mechanical pulp<sup>(1)</sup>, dissolving pulp<sup>(3)</sup>



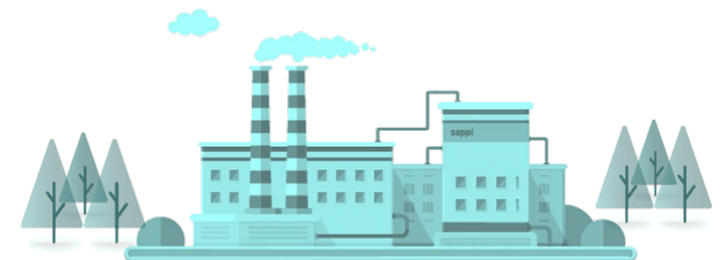
**Tugela Mill** (South Africa)  
Neutral sulphite semi-chemical pulp<sup>(1)</sup>

<sup>(1)</sup> For own consumption.

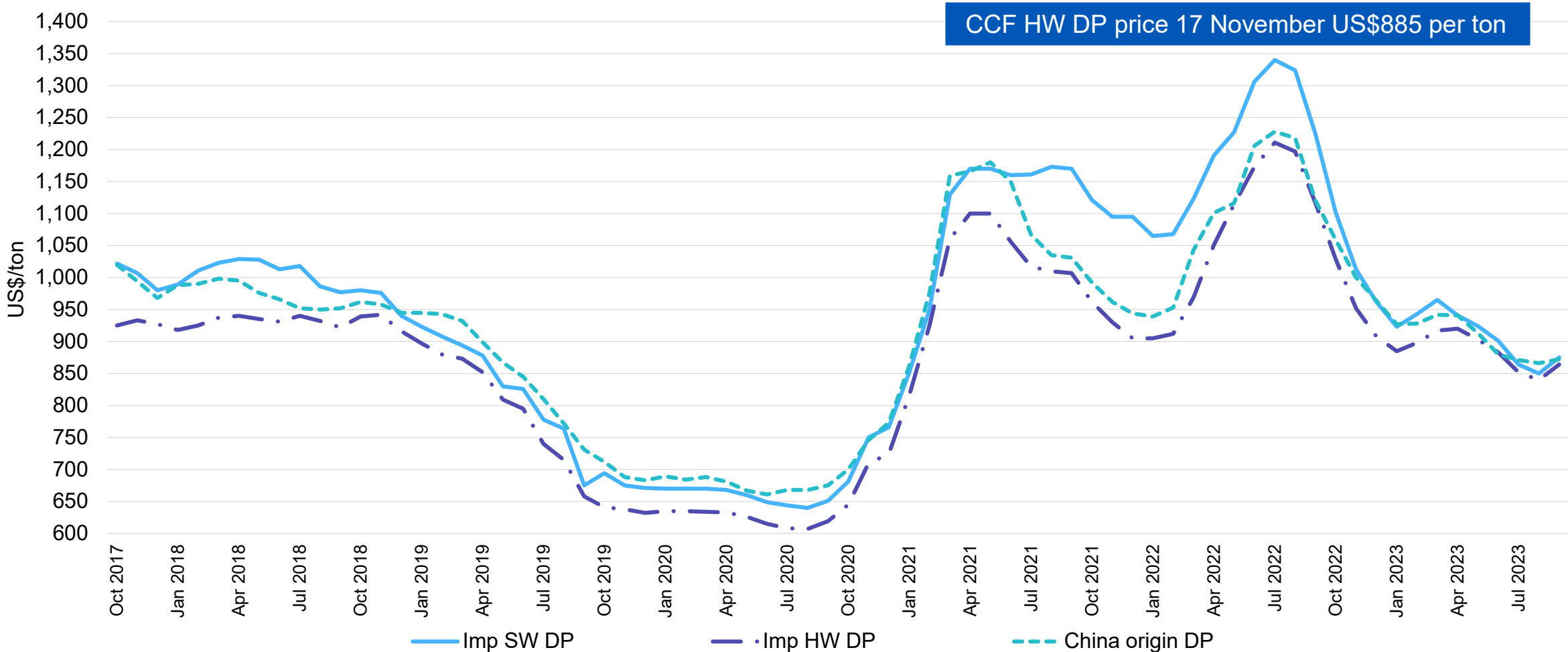
<sup>(2)</sup> Small quantities sold in European markets.

<sup>(3)</sup> External sales included in the pulp segment.

\* In response to the market overcapacity and in line with Sappi's strategy to reduce exposure to graphic paper markets, we made the difficult decision to close the Stockstadt Mill and initiated a consultation process for the potential closure of the Lanaken Mill shortly after year-end.

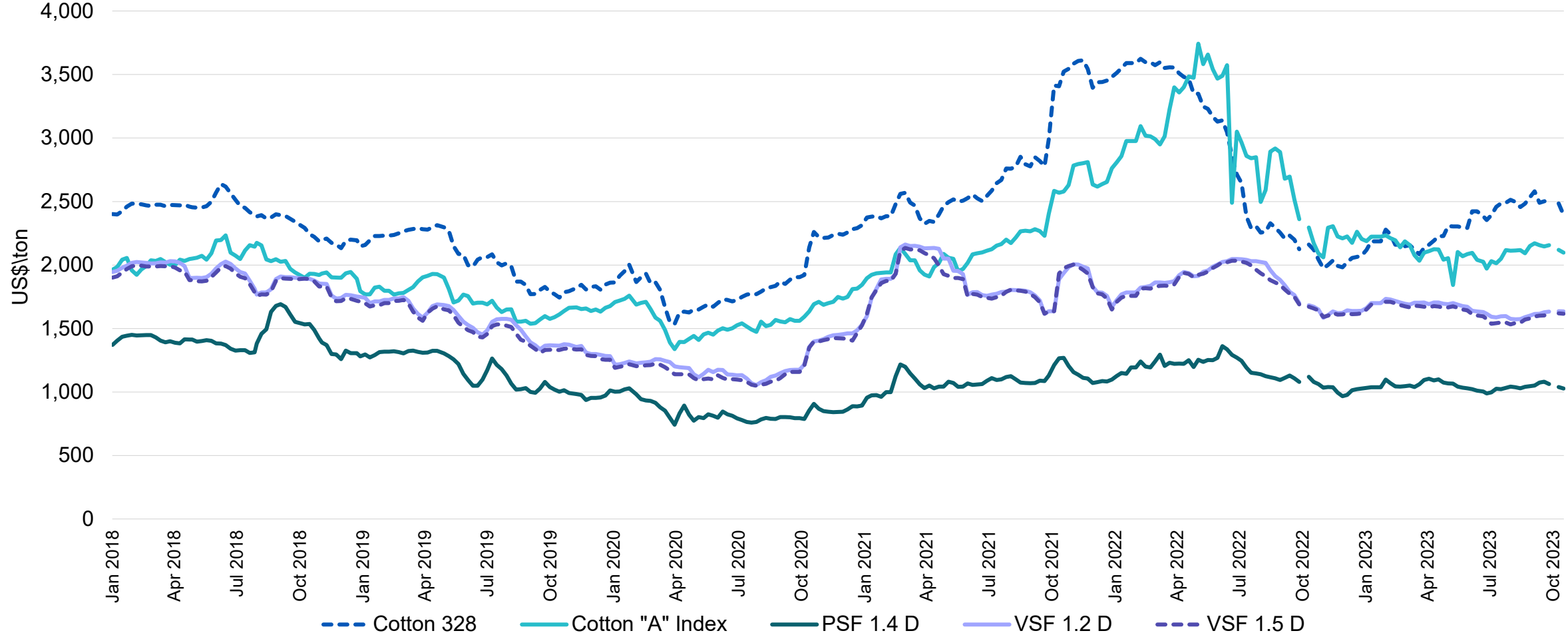


# Dissolving pulp Prices



Source: CCF Group.

# Textile fibre Prices

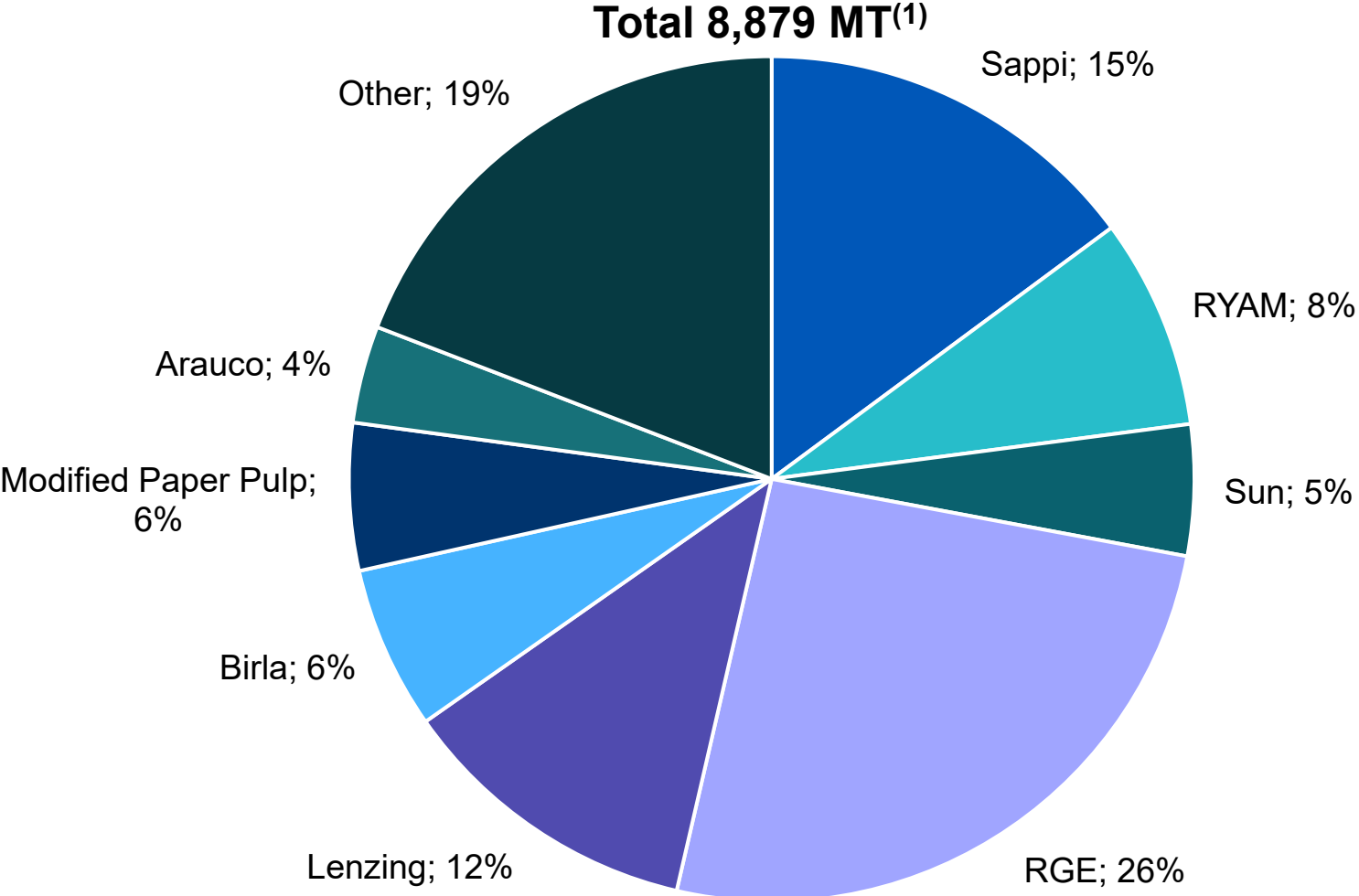


Source: CCF Group.



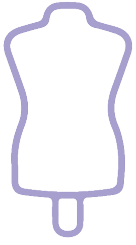
# Dissolving pulp Competitive landscape

## Market share by capacity



<sup>(1)</sup> Source: Internal. Capacity 2023; swing producers estimated based on historical trends and is not nameplate capacity.

# Pulp



## Sappi's competitive strengths – Dissolving pulp

- Global manufacturing platform
- Sustainability commitment, recognised quality performance and forestry certification
- Low-cost quartile assets
- Well-maintained and invested mills
- Independent dissolving pulp producer
- Technical know-how and customer support



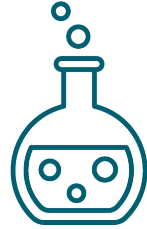
# Biomaterials



Our bioproducts are sustainable alternatives extracted from wood to reduce the need for fossil-based materials used in everyday products.



# Biomaterials



Our bioproducts are sustainable alternatives extracted from wood to reduce the need for fossil-based materials used in everyday products.

## Applications:

- Cosmetics
- Packaging
- Fibre composites
- Animal feed
- Homecare products
- Fertiliser
- Adhesives
- Sweeteners
- Dust suppression
- Paints and coatings
- Polyols
- Resins
- Concrete admixtures
- Pigments and inks
- Automotive components
- Road stabilisation





# Responsible forestry

**We are here to prove that commercial forestry and forest conservation are not mutually exclusive.**

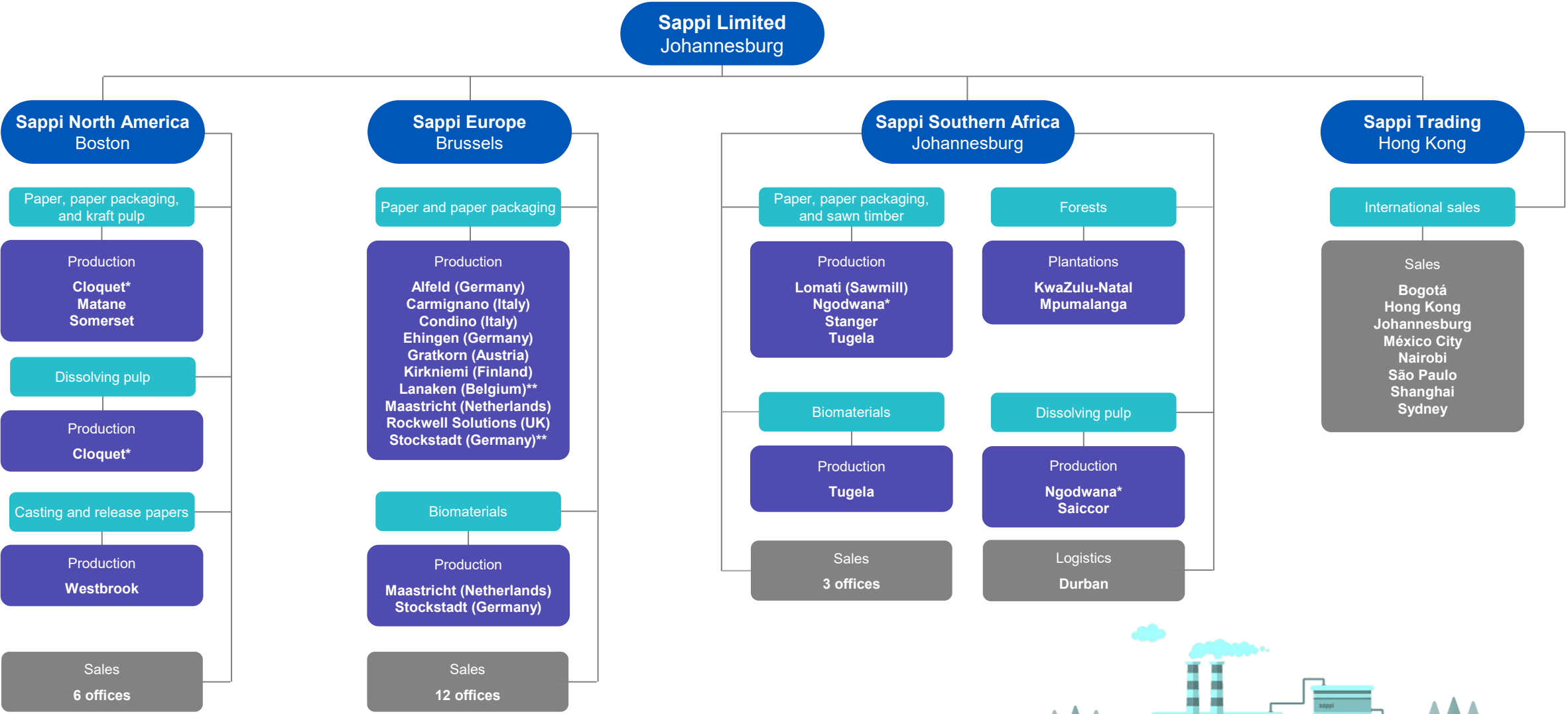
Our policies and practices ensure that forests and plantations are expertly tended, harvested and most importantly, regenerated for healthy regrowth.



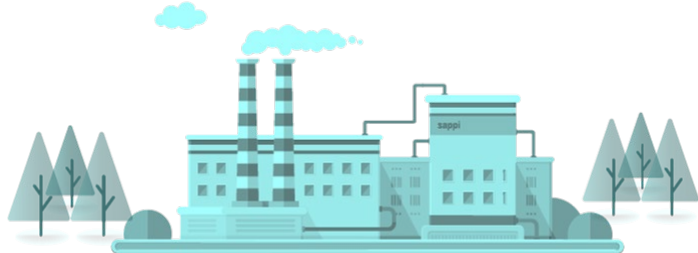
# Regional overview



# Sappi group Corporate structure



\* The Cloquet and Ngodwana Mills produce both paper and dissolving pulp. For own consumption.  
 \*\* In response to the market overcapacity and in line with Sappi's strategy to reduce exposure to graphic paper markets, we made the difficult decision to close the Stockstadt Mill and initiated a consultation process for the potential closure of the Lanaken Mill shortly after year-end.





# Sappi Europe At a glance\*

sappi

 **10**

production facilities

**3.45** million tons per annum

paper production capacity

**1.12** million tons per annum

paper pulp production capacity



**5,410** 

employees

**12** 

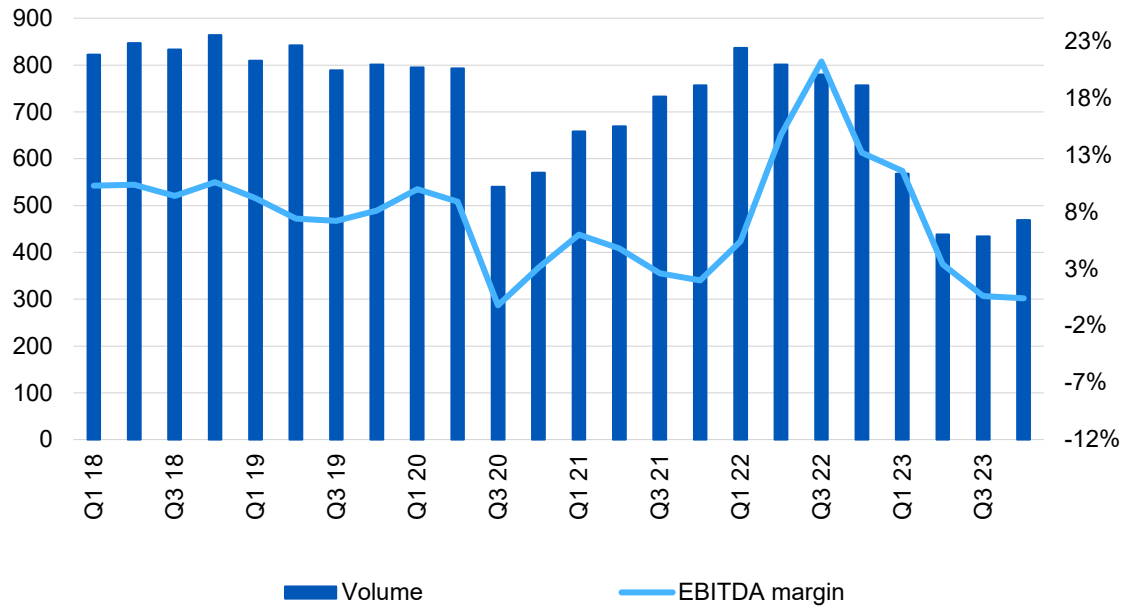
sales offices

\* Statistics FY23.

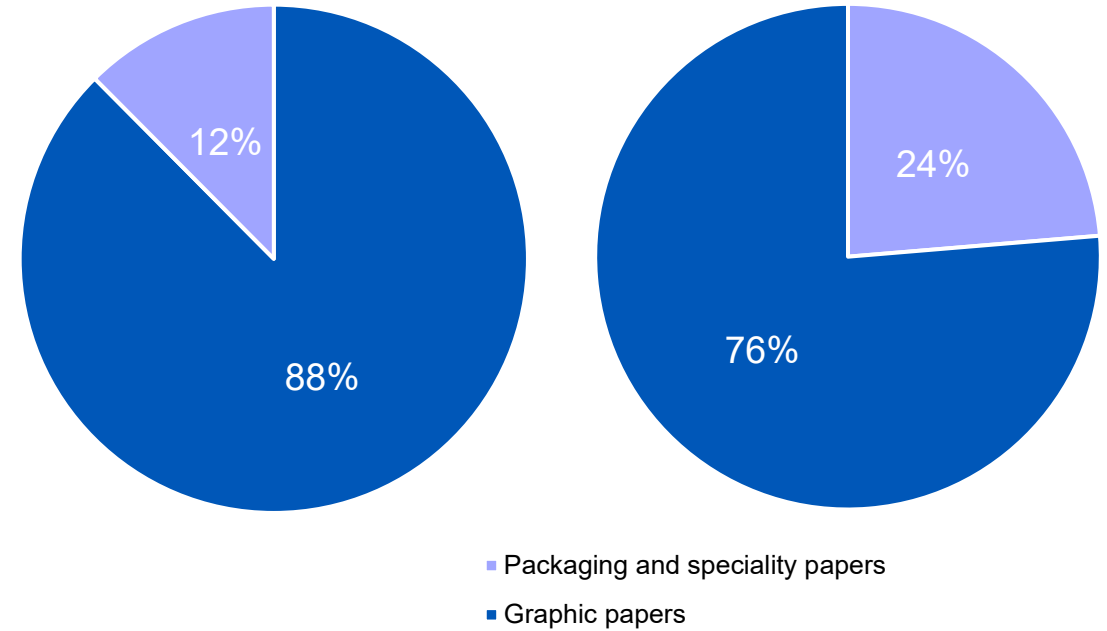


Severely impacted extremely weak demand for our paper products

**Volume and EBITDA margin\***



**Sales volume evolution FY18 to FY23**

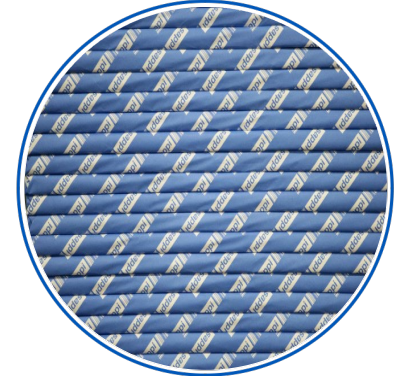


- Profitability severely impacted by ongoing production curtailments required to manage the effect of extremely weak demand
- Cost savings were insufficient to offset the substantially lower sales volumes and lower pricing compared to the prior year

- In response to the market overcapacity and in line with Sappi's strategy to reduce exposure to graphic paper markets, we made the difficult decision to close the Stockstadt Mill and initiated a consultation process for the potential closure of the Lanaken Mill shortly after year-end

# Sappi Europe Summary

- Highly competitive in service, quality and cost in Europe
- Market leading position in coated woodfree paper
- Strong cash flows
- Intentionally transitioning graphic paper capacity to packaging and speciality paper products
- Wet-strength label paper investment at Gratkorn Mill will establish Sappi as a leader in the label sector in Europe



# Sappi North America At a glance\*

sappi

**4**

production facilities

**2,073**

employees

**1.36** million tons per annum

paper production capacity

**6**

sales offices

**1.18** million tons per annum

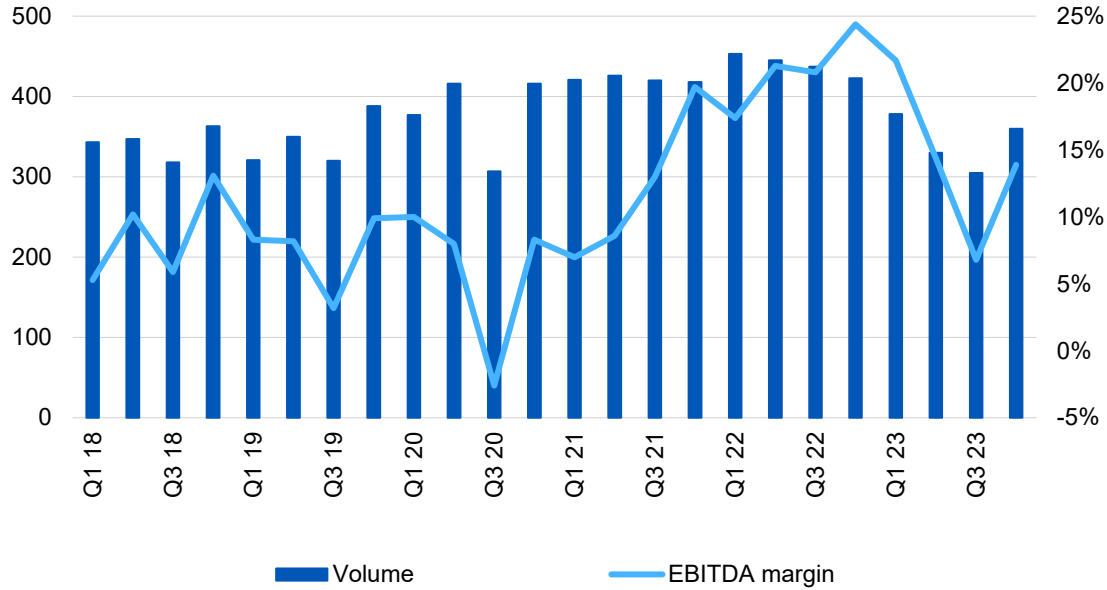
paper pulp production capacity



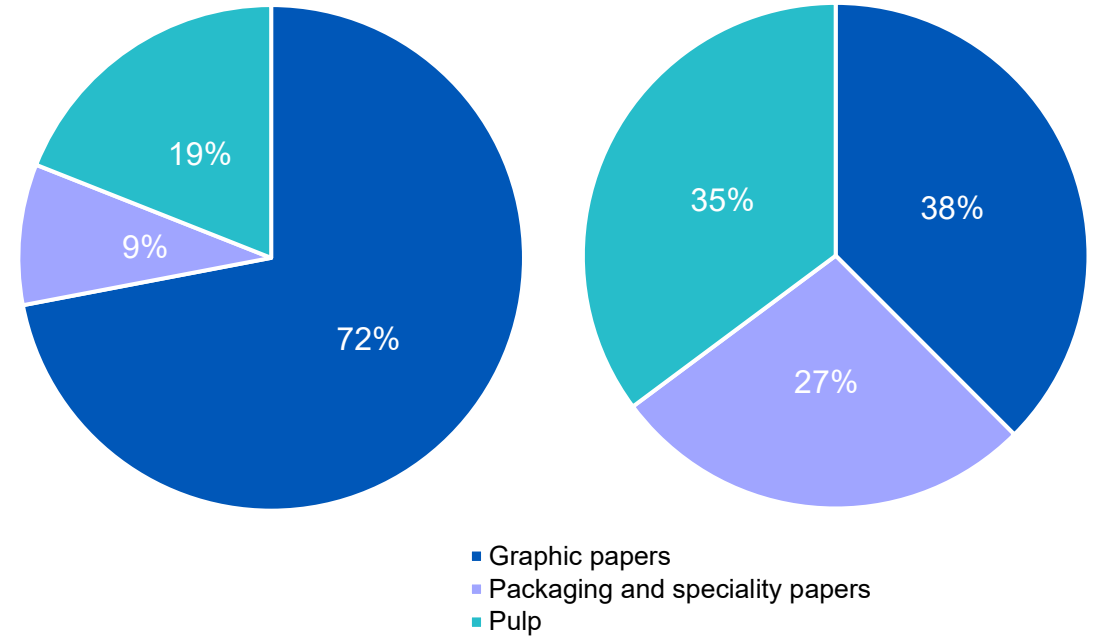
\* Statistics FY23.

Strategic investments in recent years significantly enhanced profitability

**Volume and EBITDA margin\***



**Sales volume evolution FY18 to FY23**

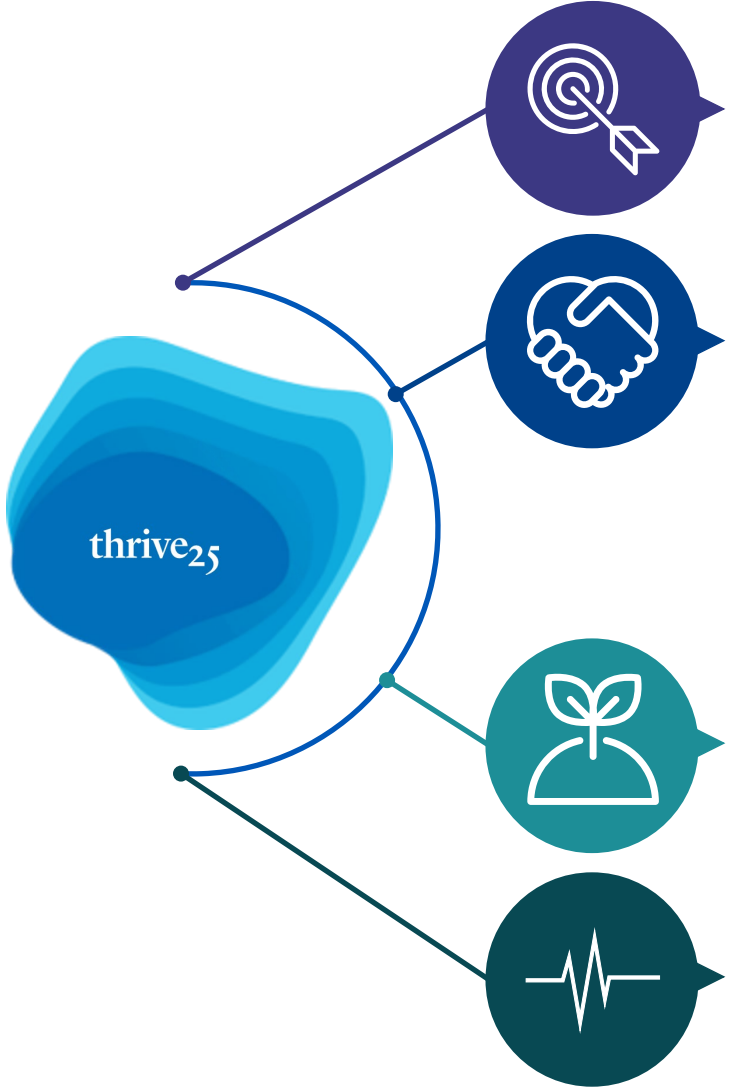


- Achieved second highest EBITDA in the region’s history in FY23
- Demand for packaging and speciality papers remained relatively subdued as customers continued to address high inventory levels

- Significant diversification of the product portfolio through conversion of graphic paper capacity to higher growth and margin packaging grades



# Conversion and expansion of Somerset Mill PM2

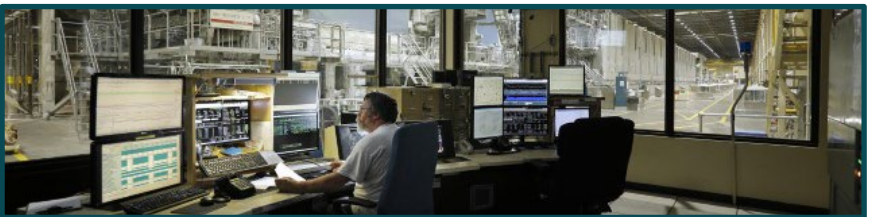


- Conversion and expansion of Somerset Mill PM2 from 235,000 tons per annum CWF to 470,000 tons SBS
- Approved by the board on 09 November 2022

- Progressing well
- Start-up H2 FY25

- Aligned with Thrive25 strategy to reduce exposure to declining graphic papers markets and grow packaging and speciality papers
- North American demand for food service board and flexible packaging exceeds the current supply
- Significant growth opportunity as consumer demand for packaging shifts from plastic to paper
- Somerset Mill PM1 hybrid capability to produce both CWF and SBS provides maximum flexibility for optimising product mix during ramp up

- Project cost ~ US\$418 million
- Spend will be phased over three years
- FY24 – US\$154 million



# Growing our business

## Somerset Mill PM2 conversion and expansion

- Project progressing well – within budget, and schedule on track
- Environmental permitting completed with receipt of air license
- Construction management continues to effectively manage the ~100 contractors on site daily





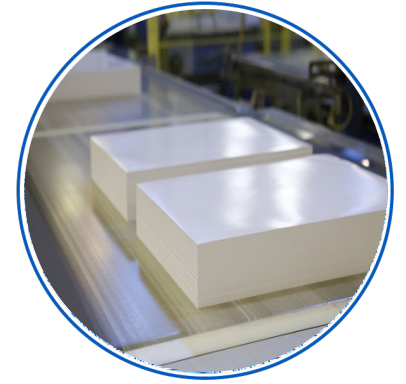
# Growing our business Somerset Mill PM2 conversion and expansion sappi





# Sappi North America Summary

- Market leading position in CWF – domestic supplier of choice
- Diversified product portfolio
- Established brands with strong market position
  - Exposure to most attractive end-market segment
  - Unmatched reputation for product innovation and customer service
- A low-cost producer with strong free cash flow profile
- Growing paperboard capacity with conversion and expansion of Somerset Mill PM2





# Sappi Southern Africa At a glance\*

sappi

**5**

production facilities

**660,000** tons per annum

paper production capacity

**645,000** tons per annum

paper pulp production capacity



**4,591**

employees

**3**

sales offices

**400,000** hectares

plantations  
(owned and leased supply)

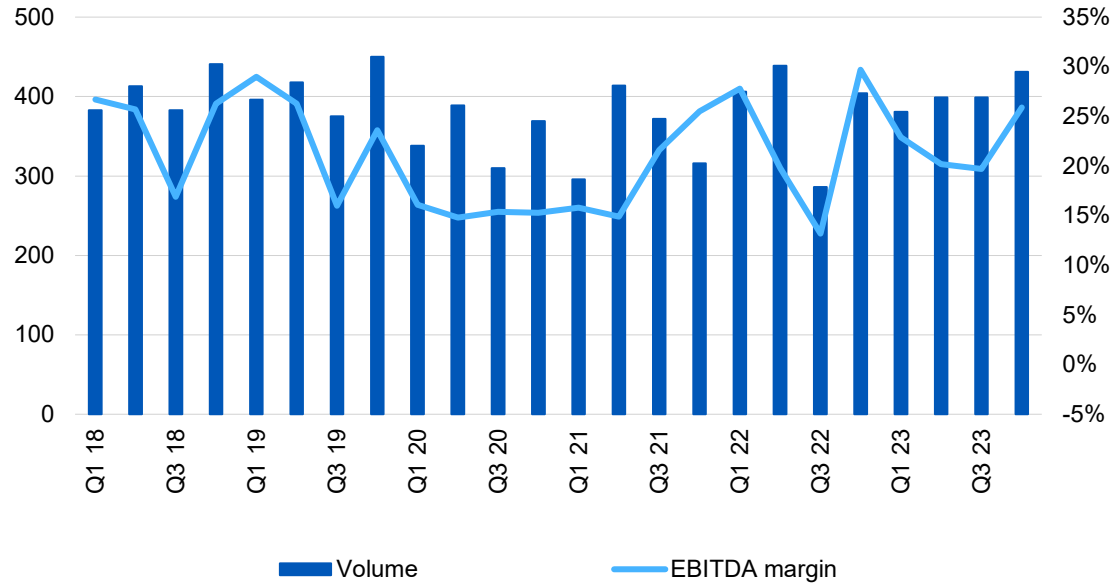
**1,15** million tons per annum

dissolving pulp  
production capacity

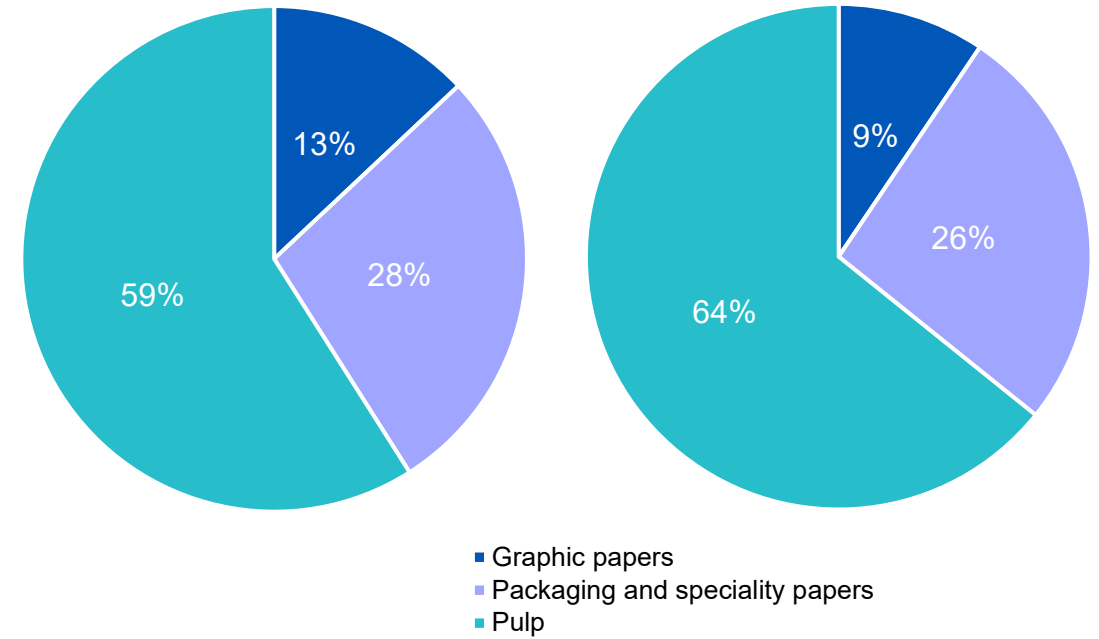
\* Statistics FY23.

Sales portfolio predominantly servicing export markets

**Volume and EBITDA margin\***



**Sales volume evolution FY18 to FY23**



- Delivered a record EBITDA for the financial year 2023 of ZAR6,035 billion,
- The success was broad based with good performance across all product segments

- Saiccor Mill expansion project ramping up will increase DP sales volumes in FY24

# Sappi Southern Africa Summary

- Dissolving pulp and containerboard serving export markets
- World-class dissolving pulp assets
  - Large-scale, modern and well-invested assets
  - Technical know-how and excellent customer relationships
- Low-cost and fast-growing certified woodfibre from state-of-the-art plantations
- Strong free cash flow profile
- Opportunity to grow containerboard capacity to meet demand of fruit export markets





# Sustainability



# Our purpose

sappi

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

As a diversified, innovative and trusted leader focused on sustainable processes and products, we are building a more circular economy by making what we should, not just what we can.

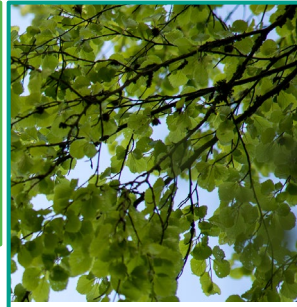


# ESG - Continuously rethinking what we do and how we do it

## Our commitment to sustainable growth



Awarded  
**Platinum Level**  
in sustainability  
performance by  
independent rating  
agency **EcoVadis**



Sappi Forests  
**100% FSC-** and  
**PEFC-**certified



Validated  
**Science-Based  
GHG reduction**  
target

Corporate  
Responsibility **Prime**

rated by  
**ISS-oekom**

Rated '**Prime**' by  
**Oekom Research**,  
an improvement  
from C+ to **B-**  
(December 2022)

**MSCI**  
ESG RATINGS **A**

**MSCI rating  
improved to A  
(May 2022)**

CCC | B | BB | BBB | **A** | AA | AAA



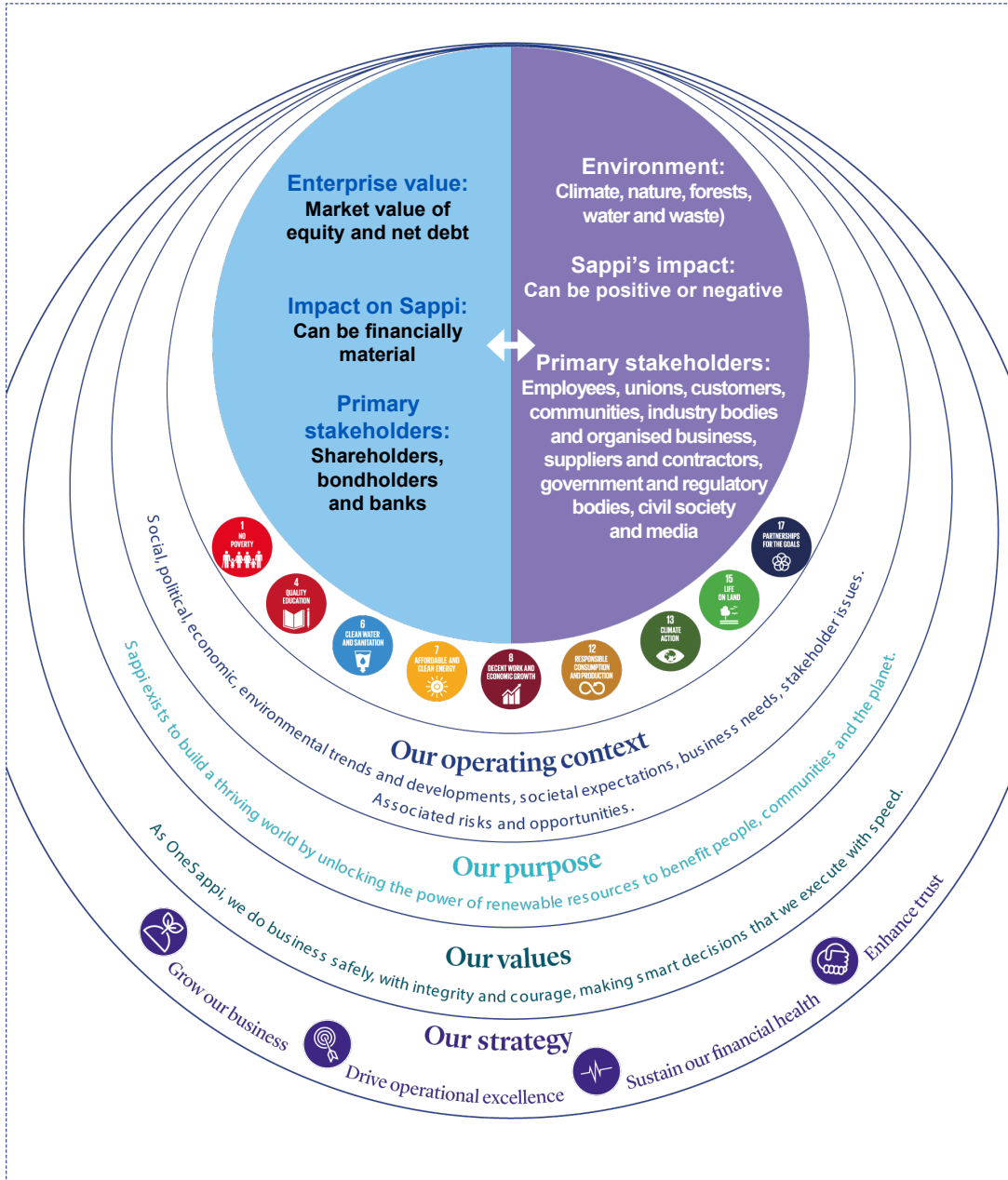
Report to the **CDP** ([www.cdp.net/en](http://www.cdp.net/en))  
under its **climate change** (2022 B),  
**forest** (2022 A-) and **water** (2022 B-)  
programmes making our responses  
publicly available on [www.sappi.com](http://www.sappi.com)

the dti  
Department:  
Trade and Industry  
REPUBLIC OF SOUTH AFRICA

**BBBEE**

Sappi Southern  
Africa is a **Level 1**  
broad-based black  
economic  
empowerment  
contributor (2022)



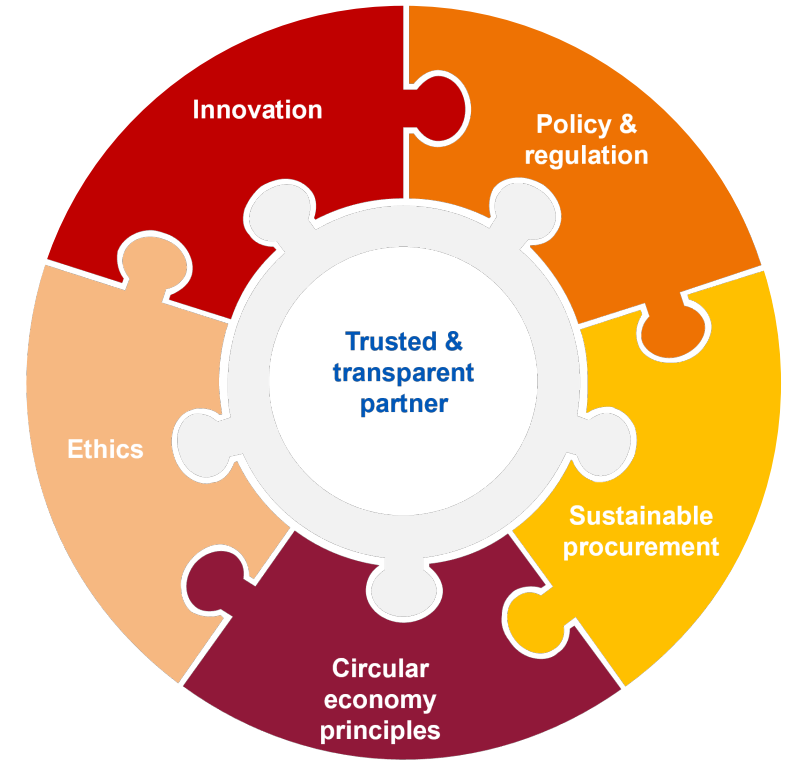
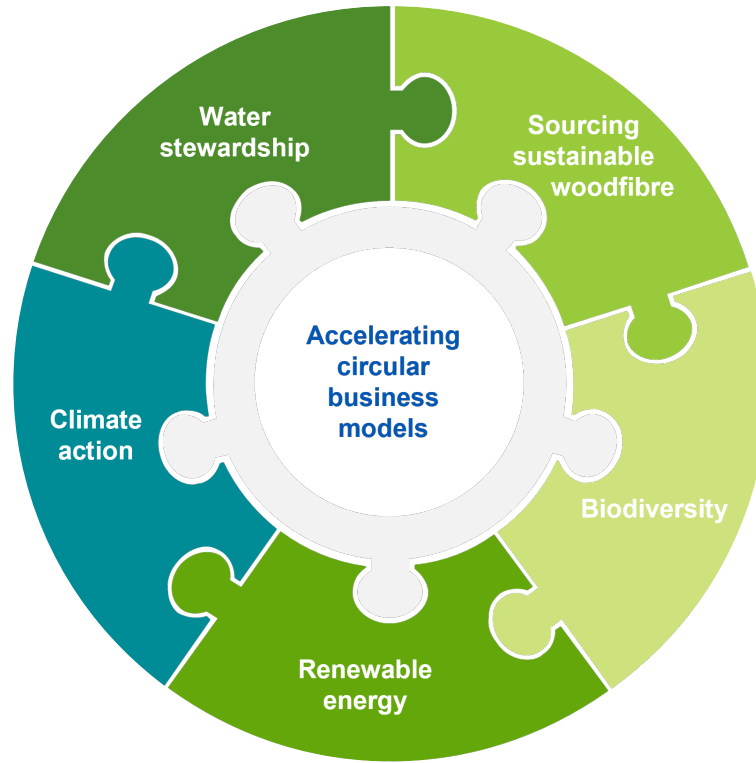
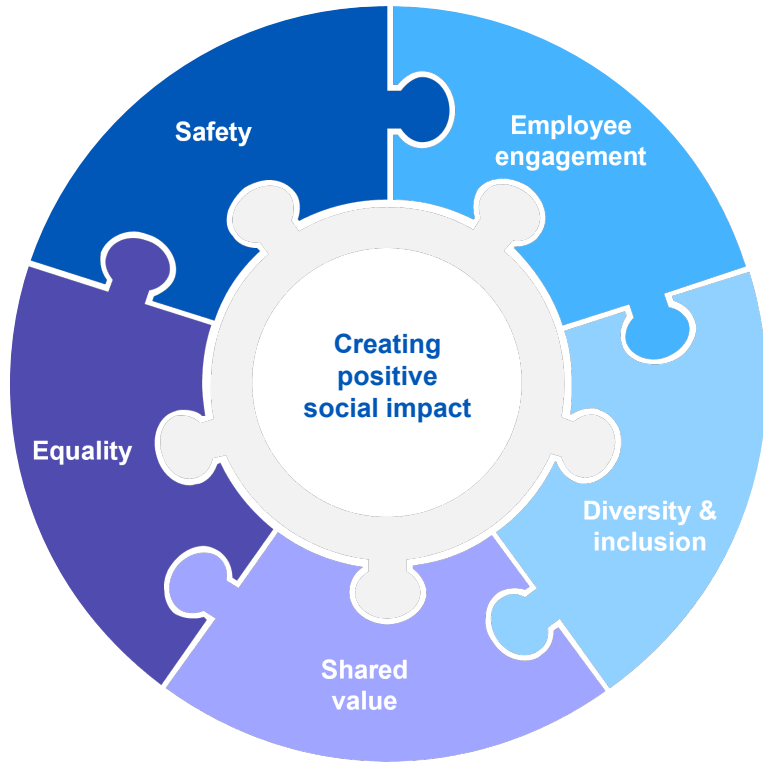


The key material issues we believe underpin our strategic risks and opportunities and have the highest potential impact – negative and positive – on stakeholder value.





# Our Thrive sustainability commitments



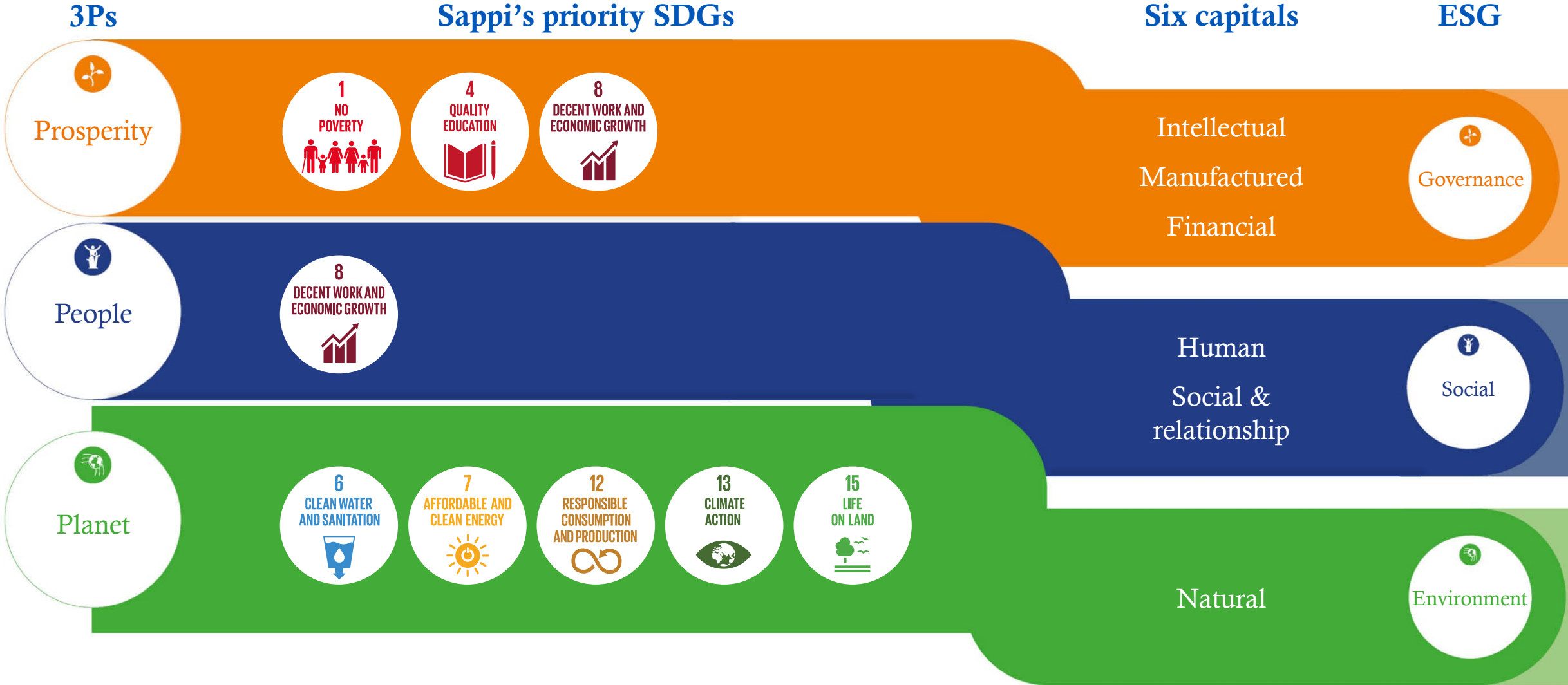
Sappi commits to:

- Reducing Scope 1 and Scope 2 emission intensity by 41.5% per ton of product by 2030 (from a 2019 base year), and
- That 44% of its suppliers (by spend) will have science-based targets by 2026

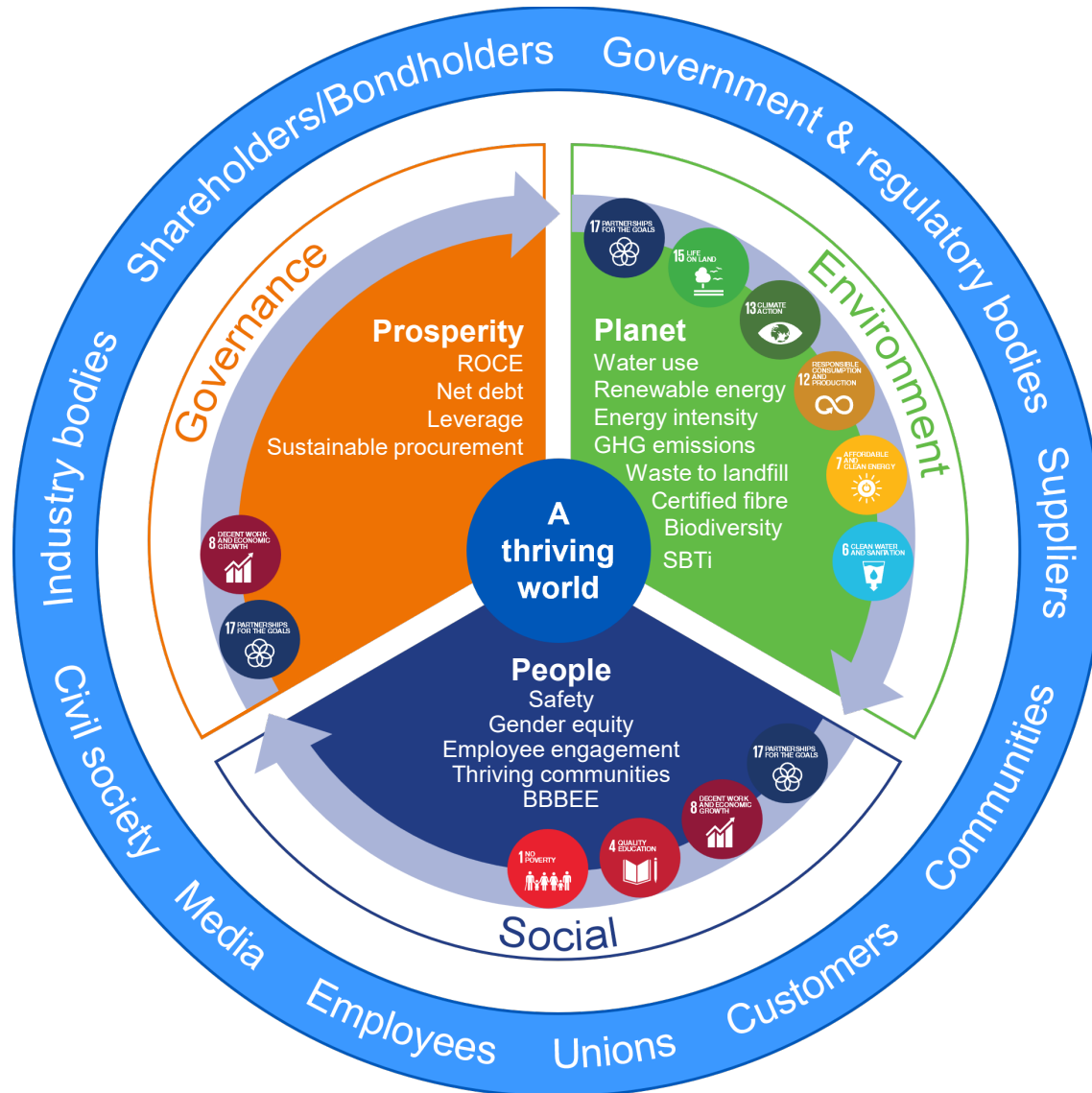
**SUSTAINABLE DEVELOPMENT GOALS**



# Mapping the sustainability reporting frameworks



# Thrive Making good progress towards our targets for 2025



Performance against FY23 Thrive targets		Group
People/ Social	Safety	👍
	Gender diversity	👍
	Employee engagement (2023)	👍
	BBBEE (SSA)	👍
Prosperity/ Governance	Sustainable procurement	👍
	ROCE/RONA	👎
	Net debt	👎
	Leverage	👍
Planet/ Environment	Specific process water usage (SSA)	👎
	Share of renewable energy	👎
	Energy efficiency	👎
	Specific GHG emission	👎
	Specific landfilled solid waste	👎
	Certified fibre (%)	👍
	Biodiversity (SSA)	👍



# Our approved science-based targets

## Our commitment

- Reduce Scope 1 and Scope 2 GHG emissions by 41.5% per ton of product by 2030 from a 2019 base year.\*
- 44% of our suppliers by spend will have science-based targets by 2026.

\* The target boundary includes biogenic emissions and removals from bioenergy feedstocks.

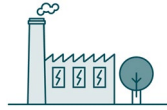
## Our FY23 performance

- Target: 0.73 tons CO<sub>2</sub>/adt
- Actual: 0.94 tons CO<sub>2</sub>/adt
- Production curtailments significantly reduced the energy efficiency of our operations.
- 21% of suppliers by spend have set science-based targets.



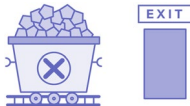
# Our focus on decarbonisation

## How will we achieve our science-based targets



### Investing in ENERGY EFFICIENCY

Making our mills more eco-effective by improving energy efficiency and investing in state-of-the-art technology



### Shifting ENERGY SOURCES

Reducing our carbon footprint by transitioning away from coal/gas as a fuel source in our operations and increasing our share of renewable energy



### Green ELECTRICITY

Exploring electrification and increasingly procuring green electricity



### Reducing SCOPE 3 EMISSIONS

Collaborating with our suppliers to reduce their carbon footprint



### Advocating for a JUST TRANSITION

Working with all stakeholders in South Africa to advocate for a Just Transition



Thank you