

Sappi Limited Debt Update

March 2019



Forward-looking statements and Regulation G

○ 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, or*
- *Currency fluctuations.*

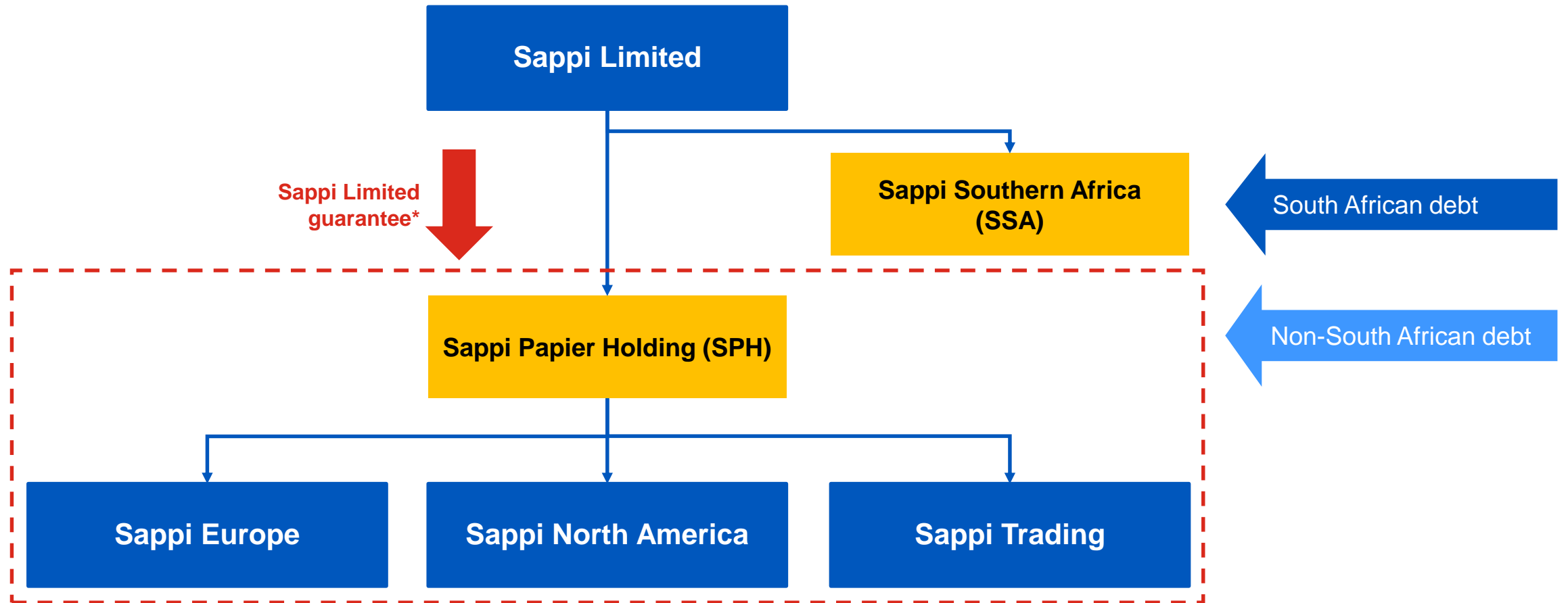
We undertake no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events or circumstances or otherwise.

○ 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>.

Group structure

Sappi entities taking up debt



* Sappi Limited provides guarantees for long-term non-South African debt.

Debt overview

US\$ million	Sep 2018	Dec 2018	Mar 2019	Pro-forma Mar 2019 after 2022 bond repayment
Long-term debt ²	1,818	1,778	1,760	1,760
Senior unsecured debt	1,471	1,452	1,922	1,417
Securitisation	376	376	381	381
(Less – Short-term portion)	(29)	(49)	(543)	(38)
Net short-term debt / (Cash)	(250)	(221)	(79)	(79)
Overdrafts, CPs and RCF drawing	84	80	98	98
Short-term portion of long-term debt ¹	29	49	543	38
(Less cash)	(363)	(350)	(720)	(216)
Net debt	1,568	1,557	1,680	1,680

1. We consider the liquidity position to be good, with cash holdings exceeding short-term obligations by US\$79 million at Q2 FY19. In addition, Sappi has US\$658 million of unutilised committed credit facilities, including the Revolving Credit Facility at SPH of EUR525 million (US\$589 million).

2. Refer to Note 21 in the published Sappi Limited Annual Integrated Report for a detailed debt description.

Detailed debt summary – March 2019

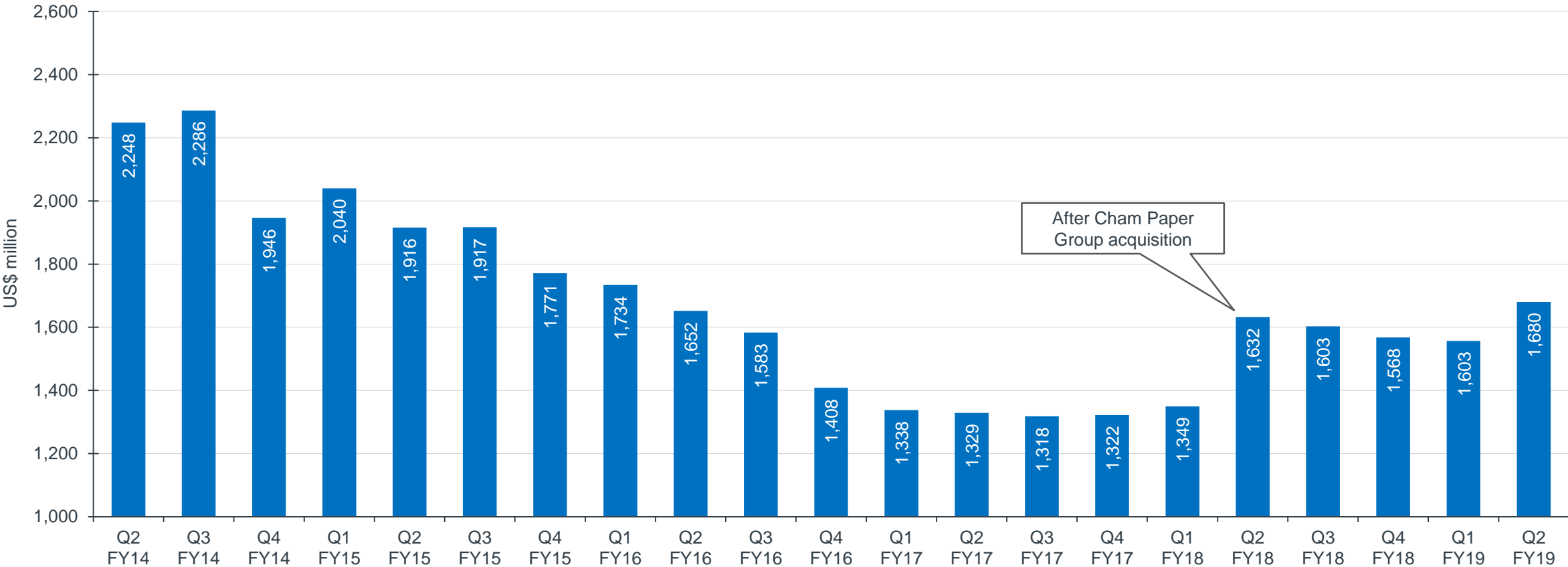
US\$ million	Non US\$ debt	US\$ amount	Pro-forma after 2022 bond repayment
Sappi Southern Africa long-term debt	ZAR1,145	79	79
2022 Bond (EUR)	EUR450	505	-
2023 Bond (EUR)	EUR350	393	393
2026 Bond (EUR)	EUR450	505	505
2032 Bond		221	221
OeKB Term loan 2021 Cloquet II	EUR61	69	69
OeKB Term loan 2024 Somerset	EUR150	168	168
Securitised receivables (EUR)	EUR230	258	258
Securitised receivables (US\$)		123	123
Sappi Europe - Leases and other debt	EUR2	2	2
IFRS Adjustments		(19)	(19)
Long-term debt		2,303	1,798
Less short-term portion of long-term debt		(543)	(38)
Total long-term debt		1,760	1,760
Short-term loans and overdrafts		98	98
Short-term portion of long-term debt		543	38
Less cash – Sappi Southern Africa		(12)	(12)
Less cash – Sappi Group (excl. Southern Africa)		(708)	(204)
NET DEBT AS AT MARCH 2019 US\$ '000		1,680	1,680

Consists mainly of a Trade Finance facility, which is rolled quarterly.

Net debt movement – quarterly

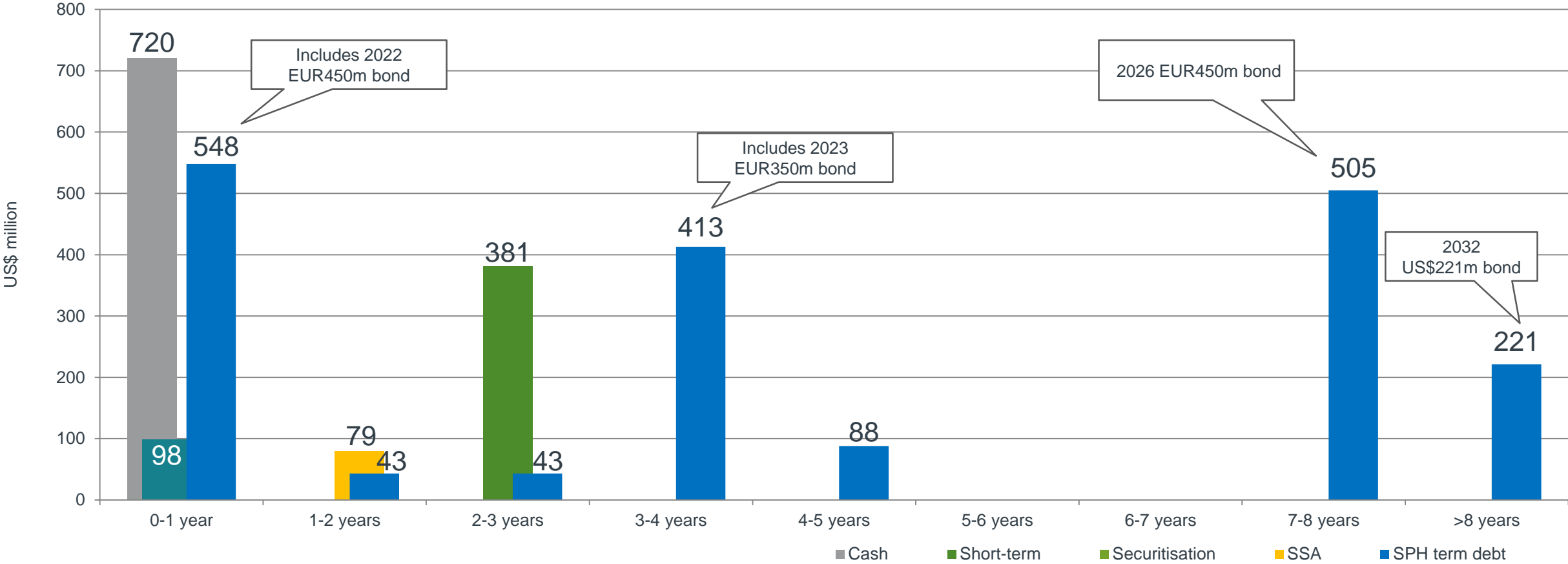
US\$ million	Q2
Net debt - At start of the period	(1,557)
Net cash utilised during the period	(148)
Currency, fair value impact and other	25
Net debt - March 2019	(1,680)

Net debt development



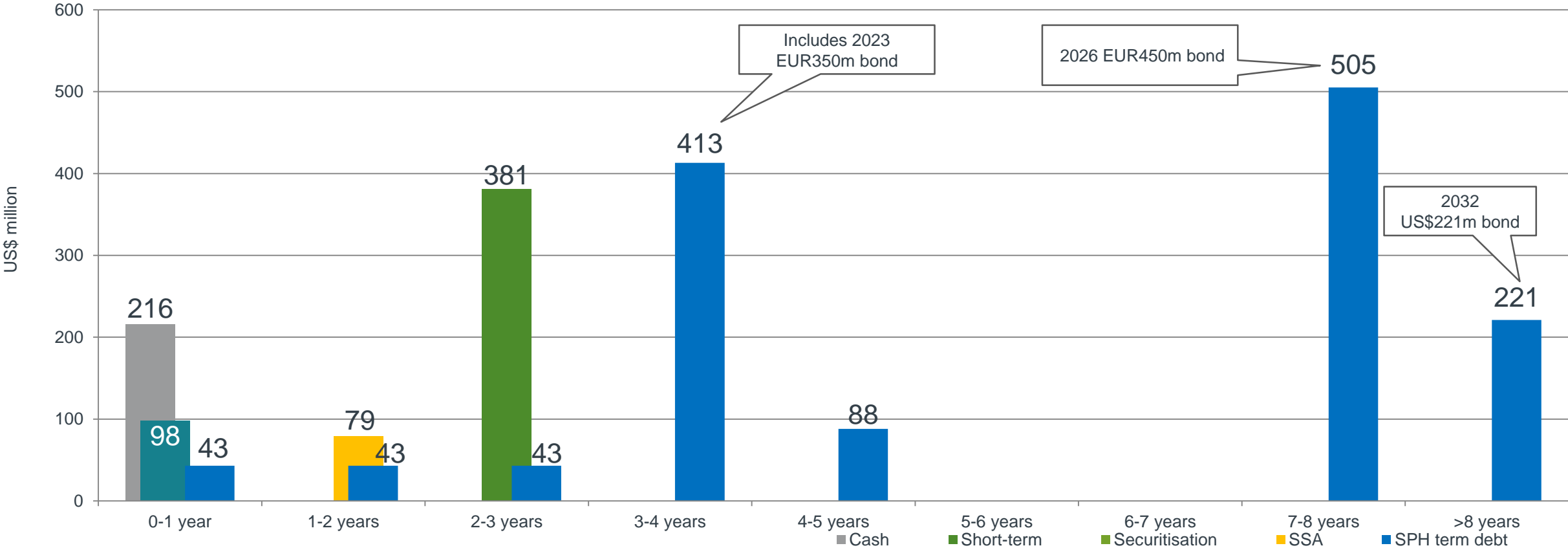
Maturity profile (Annual)

March 2019



Maturity profile (Annual) – pro forma for 2022 bond repayment

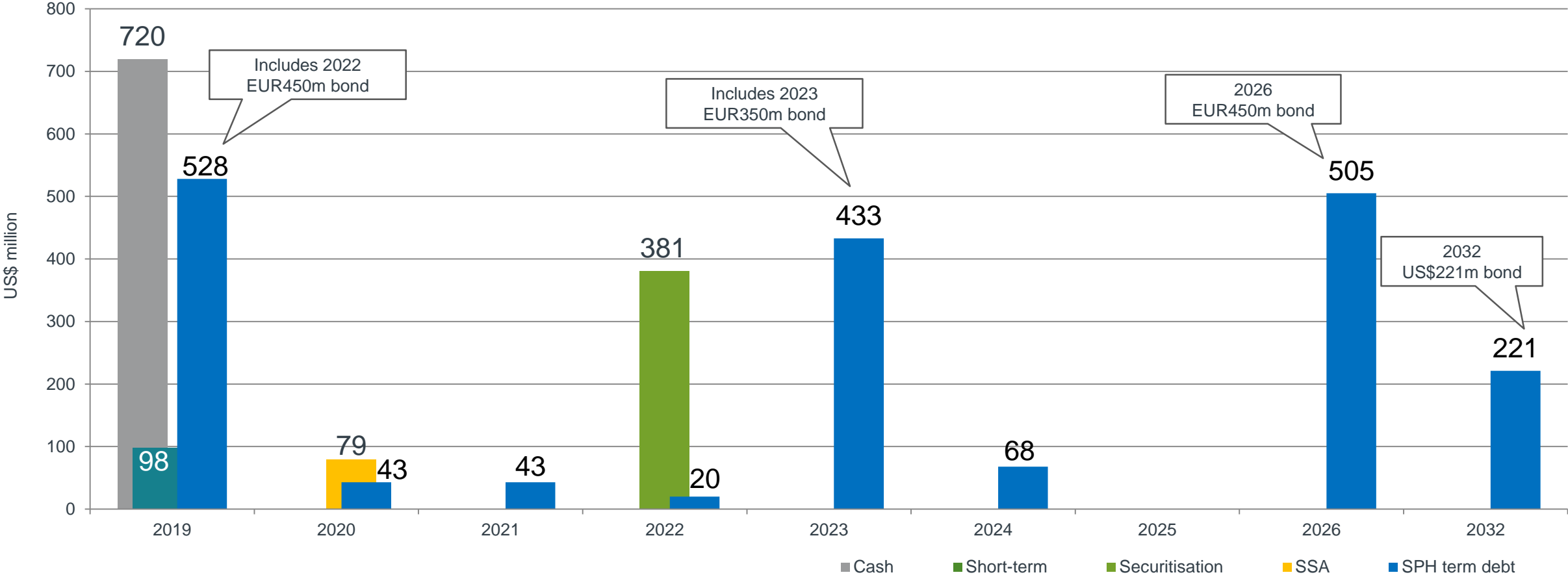
March 2019



The maturity profile is adjusted for the repayment of the 2022 bond after quarter-end and the resulting reduction in cash

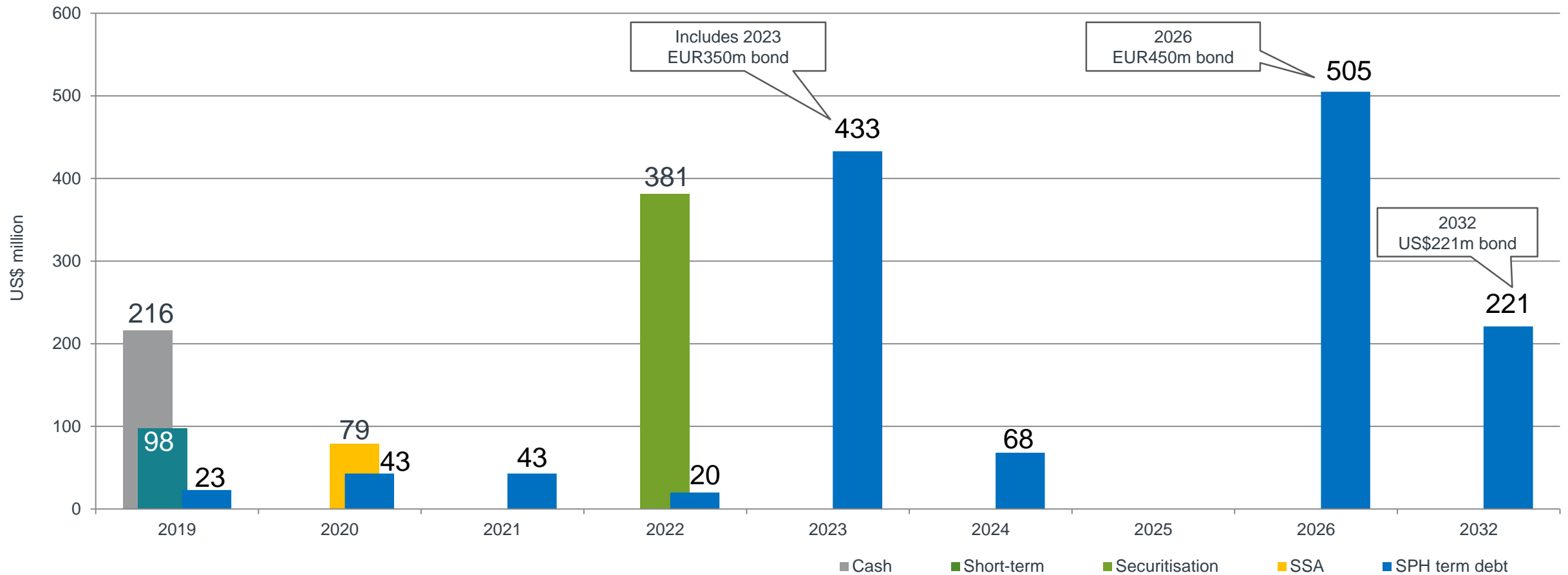
Maturity profile (Fiscal)

March 2019



Maturity profile (Fiscal) - pro forma for 2022 bond repayment

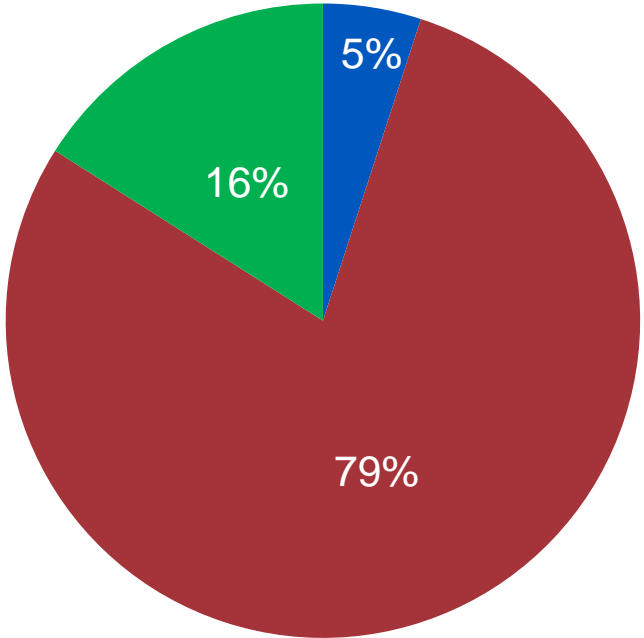
March 2019



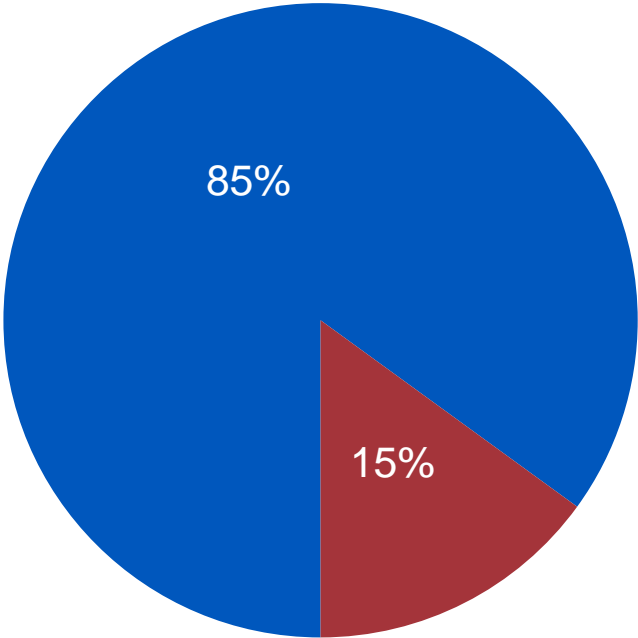
The maturity profile is adjusted for the repayment of the 2022 bond after quarter-end and the resulting reduction in cash

Debt split

Gross debt



■ SSA ■ SPH ■ Securitisation

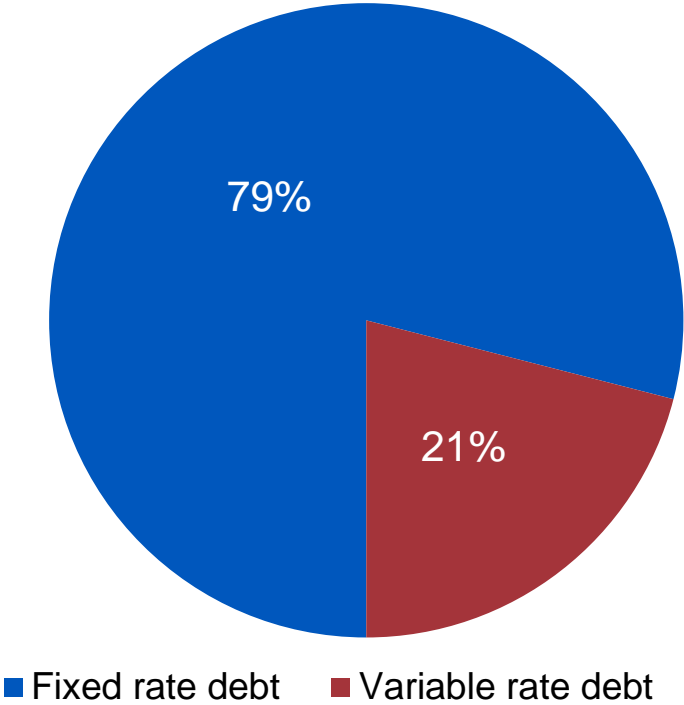
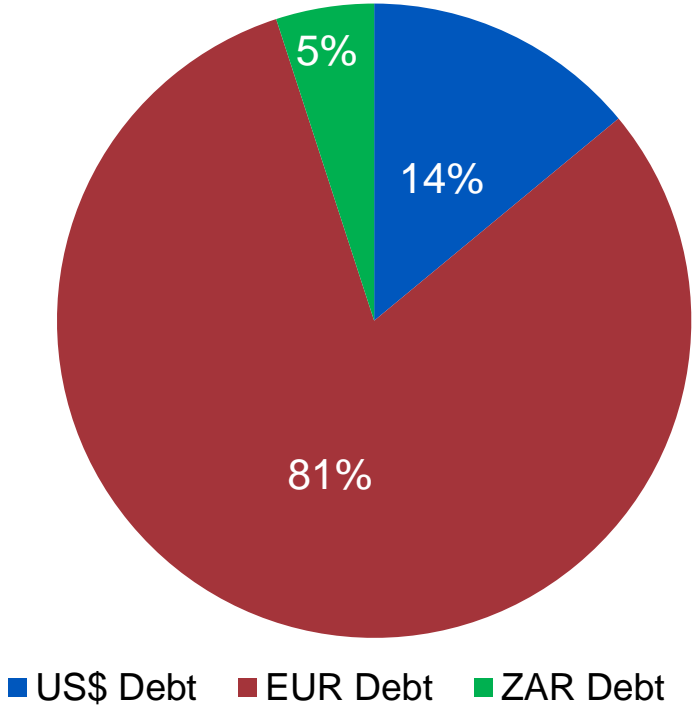


■ Public debt ■ Bank debt

- Sappi takes up debt mainly at SPH and SSA (Refer to slide 3).
- SPH Securitisation debt is taken up in a central special purpose vehicle which is consolidated in the group results.

Debt ratios

Gross debt



○ Debt by currency, based on gross debt and includes effect of currency swaps and hedges, where applicable.

Key historical cash flow items

US\$ million	Sept FY16	Sept FY17	Sept FY18
Key cash flow items			
Cash generated by operations	693	748	709
Change in net working capital	4	-27	-79
Maintenance capex	-155	-140	-167
Cash taxes	-56	-100	-73
Net finance costs	-91	-81	-66
Dividend paid	0	-59	-81
Other	50	-16	9
Cash flow post maintenance capex	445	325	252
Expansion capex	-86	-217	-374
Acquisitions	0	0	-132
Key figures and ratios			
EBITDA excluding special items ¹	739	785	762
Net debt	1,408	1,322	1,568
Net debt / EBITDA	1.9x	1.7x	2.1x
EBITDA / Net finance costs ²	7.4x	9.2x	11.2x

1. Please refer to the Annual Integrated Report for a definition of special items.

2. Net finance costs per income statement (excluding non-recurring breakage fees).

Please refer to published results for full financial summary.

Bank covenants

- Two bank covenants exist at the consolidated Sappi Limited level:
 - A debt covenant, and
 - An interest coverage covenant.
- In addition, two bank covenants exist at the Sappi Southern Africa level for its own bank facilities:
 - A debt covenant, and
 - A debt to equity covenant.
- At the end of March 2019 all covenants were met.

Rating agency ratings

S&P and Moody's have assigned the following credit ratings:

Moody's	Sappi group rating	SPH Senior unsecured debt	2032 Bonds
June 2013	Ba3/Stable/NP		B2
June 2013	Ba3/Positive/NP		B2
August 2016	Ba3/Positive/NP	Ba3/Positive	B2
November 2016	Ba2/Stable/NP	Ba2/Stable	B1
May 2017	Ba2/Positive/NP	Ba2/Positive	B1
January 2019	Ba1/Stable/NP	Ba1/Stable/NP	Ba3
S&P	Sappi group rating	SPH Senior unsecured debt	2032 Bonds
June 2013	BB-/Negative/B		B
April 2014	BB-/Stable/B		B
February 2016	BB-/Positive/B		B
August 2016	BB-/Positive/B	BB-/Positive	BB-
January 2017	BB/Stable/B	BB/Stable/B	BB

Global Credit Ratings have assigned the following credit rating to Sappi Southern Africa Limited:

GCR	SSA Local rating
December 2015	A (ZA)/Stable
August 2016	A (ZA)/Stable
June 2017	A+ (ZA)/Stable
June 2018	A+ (ZA)/Positive
March 2019	AA- (ZA)/Stable

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