4 FY21

sappi

FY21 Q 4 Results — the period ended September 2021

Highlights for the year

EBITDA excl special items	Profit for the period	Net debt	EPS excl special items
US$532 million	US$13 million	US$1,946 million	15US¢
FY20 US$378 million	FY20 Loss US$135 million	FY20 US$1,957 million	FY20 loss 5US¢

Highlights for the quarter

EBITDA excl special items	Profit for the period	EPS excl special items
US$177 million	US$35 million	11US¢
FY20 Q4 US$82 million	FY20 Q4 Loss US$88 million	FY20 Q4 4US¢

	Quarter ended			Year ended	
US$ million	Sep 2021	Sep 2020	Jun 2021	Sep 2021	Sep 2020
Key figures					
Sales	**1,425**	1,092	1,393	**5,265**	4,609
Operating profit (loss) excl special items[1]	**92**	(5)	64	**203**	57
Special items loss (gains)[1]	**34**	39	11	**57**	95
EBITDA excluding special items[1]	**177**	82	145	**532**	378
Profit (Loss) for the period	**35**	(88)	18	**13**	(135)
Basic EPS (US cents)	**6**	(16)	3	**2**	(25)
EPS excluding special items (US cents)[1]	**11**	(4)	5	**15**	(5)
Net debt[1]	**1,946**	1,957	2,055	**1,946**	1,957
Key ratios (%)					
Operating profit excl special items[1] to sales	**6.5**	(0.5)	4.6	**3.9**	1.2
ROCE[1] Operating profit excluding special items[1] to capital employed	**9.3**	(0.5)	6.4	**5.4**	1.6
EBITDA excl special items[1] to sales	**12.4**	7.5	10.4	**10.1**	8.2
Net debt to EBITDA excl special items[1]	**3.7**	5.2	4.7	**3.7**	5.2
Covenant leverage ratio	**3.7**	5.0	4.7	**3.7**	5.0
Interest cover[1]	**5.5**	4.7	4.8	**5.5**	4.7
Net asset value per share[1] (US cents)	**351**	299	362	**351**	299

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

Commentary

The group returned to overall profitability.

Market demand across Sappi's major product segments **improved**.

Dissolving pulp (DP) segment's profitability **recovery** was driven by robust demand and significantly better market prices.

The **packaging and speciality papers** segment achieved **record profitability** and sales volumes increased by 21%.

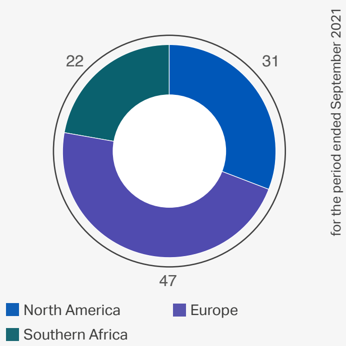
Global **supply chain disruptions severely constrained our export sales** in all regions while the associated inflationary pressures on delivery and raw material costs negatively impacted margins in all product segments. To mitigate the impact, we implemented a series of price increases in our paper businesses.

The ongoing global supply chain challenges, exacerbated by the impact from the South African civil unrest and a cyber security breach at the Durban port constrained sales and resulted in a backlog of 100,000 tons at year end which reduced EBITDA by approximately US$30 million.

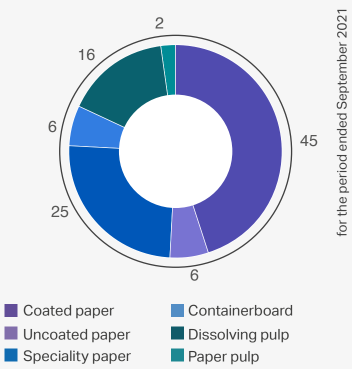
Excellent performance of the North American region, which delivered its highest financial year EBITDA in over a decade.

Net operating assets and sales distribution

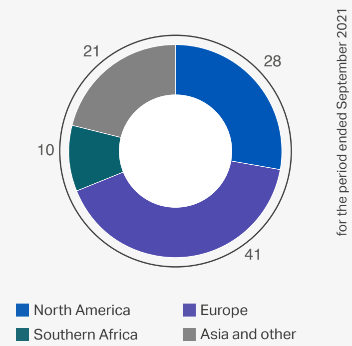
Sales by source (%)



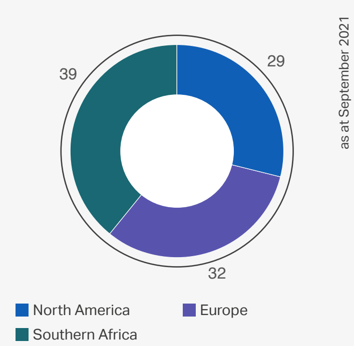
Sales by product (%)



Sales by destination (%)



Net operating assets (%)



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Outlook

Overall **DP market conditions continue to be strong**. However, short-term demand in China is impacted by the recent energy savings regulations which impose curtailments on energy intensive manufacturing. The textile value chain has been negatively impacted, reducing VSF production and DP demand. Consequently, DP market prices dropped to US$940 per ton in October. However, lower VSF supply and a widening price differential to cotton fuelled a significant rise in VSF pricing, which should be positive for DP pricing. Sappi's sales volumes are not expected to be impacted by the weaker Chinese DP demand.

The recovery of demand for graphic paper combined with industry capacity closures has tightened the market balance. In North America, ongoing restrictions on imports due to global supply chain disruptions have further contributed to a positive environment in this region. The **underlying demand in the packaging and specialities segment remains robust in both the North American and South African regions and opportunities for further growth in sales volumes exist in Europe**. The scheduled Somerset Mill annual maintenance shut, which includes an extended statutory cold outage, will have an estimated US$22 million impact on profitability in the first quarter

Recent **spikes in global energy prices** for gas, power and coal are anticipated to have an adverse impact on our first quarter results, principally in Europe. To offset rising costs, we have announced **selling price increases across all paper grades.** In addition, energy specific surcharges have been implemented for all European shipments from 25 October 2021.

Global logistical challenges and vessel shortages are expected to **continue through FY2022,** which may have an ongoing negative impact on our export sales. It is unlikely that any significant improvement in supply chain reliability will be realised in the first quarter and hence the backlog of 100,000 tons of DP sales volumes will take time to resolve.

We remain **encouraged** by the growing resilience of global economies as the Covid-19 pandemic evolves and the corresponding **recovery in underlying demand in all of our product segments**. However, supply chain challenges and extraordinary cost inflation may affect profitability. The maintenance shut at Somerset Mill is scheduled for the first quarter will impact EBITDA. **We anticipate a further improvement in EBITDA** for the first quarter of FY2022 relative to the fourth quarter of FY2021.

Finance costs increased

An increase in net finance costs to US$134 million from the US$88 million in the prior year was primarily due to **non-cash fair value adjustments** arising from the revaluation of the conversion rights for the Sappi Southern Africa ZAR1,8 billion (US$123 million) convertible bond issued in the first quarter and refinancing costs for our 2023 European bonds which were upsized with a new issue of €400 million which will mature in 2028.

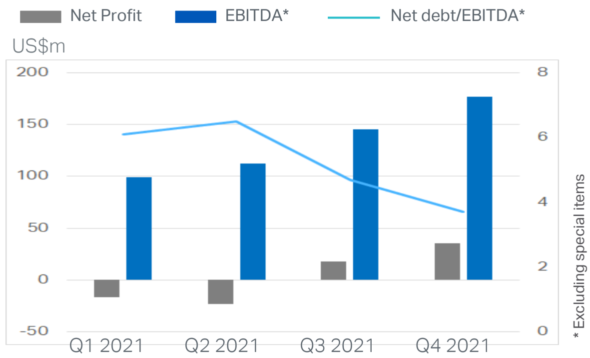
Cash generation improved

Cash generation improved year-on-year, largely due to the recovery of sales volumes and improved profitability.

US$395 million CAPEX planned

Capital expenditure in FY2022 is estimated to be US$395 million and includes approximately US$30 million of Saiccor Mill expansion capex, US$80 million for cost optimisation and quality improvement projects and US$75 million for sustainability projects.

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.

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Europe

10 Production facilities
15 Sales offices

Despite selling price gains across all product categories, profitability continued to be under **significant pressure due to rapid cost inflation.**

Graphics sales volumes increased 5% and tighter market dynamics facilitated a **7% rise in selling prices** compared to the prior quarter. Sales volumes were 37% higher than the previous year.

Coated woodfree and coated mechanical sales volumes reached 99% and 80% respectively of pre-Covid 2019 levels which enabled a **reduction of production curtailment** from 85,000 tons in the prior quarter to 43,000 tons.

Packaging and specialities sales volumes grew 16% year-on-year but were slightly below that of the prior quarter due to the usual seasonally weaker demand linked to customer summer shutdowns. Sales of packaging grades, self-adhesives, digital solutions and functional papers were all positive year-on-year. However, other non-essential consumer categories continued to lag. **A 7% average sales price increase was realised for the segment** compared to the prior quarter.

Variable costs per ton increased 23% year-on-year driven by high purchased pulp, energy and delivery costs. **Fixed costs were 13% above the previous year** primarily due to the removal of temporary unemployment benefits from certain European governments, which was not repeated in the current financial year.

Marco Eikelenboom
Chief Executive Officer
Sappi Europe

North America

4 Production facilities
6 Sales offices

The region delivered another **excellent quarter.** The US$90 million Q4 EBITDA is the highest quarterly EBITDA in more than twenty years. The **success was broad-based** and demand across all product segments was strong. The focus for the quarter was on implementing higher selling prices and product mix optimisation into higher margin categories.

The **tight supply situation** in the region was intensified by constraints on imports due to supply chain challenges and supported the implementation of higher selling prices. **Packaging and specialities sales volumes and pricing were up 20% and 18% respectively** year-on-year. Similarly, the graphics segment sales volumes were 2% higher than last year and net selling prices improved by 13%.

The DP segmental sales volumes included 37,000 tons of high yield BCTMP pulp sales from Matane Mill. Profit continued to increase as a result of high **DP prices** which were **52% above last year**. However, approximately 18,000 tons of DP sales volumes were delayed at year-end due to logistical challenges.

Variable costs escalated 19% year-on-year due to higher purchased pulp costs and higher chemical and energy pricing, partly offset by lower wood prices. **Delivery costs increased 24%** primarily due to rate increases associated with congested domestic transport networks, higher fuel costs and higher export shipping rates. **Fixed costs were 14% higher** due to higher personnel and maintenance costs.

Mike Haws
President and Chief Executive Officer
Sappi North America

Southern Africa

5 Production facilities 6 Sales offices
534,000ha Plantations

EBITDA increased substantially compared to the previous year, driven mainly by the improvement in DP pricing.

Quarter-on-quarter **net selling price increases were achieved in all product segments** but were partially offset by variable, delivery and fixed costs increases.

Demand for containerboard remained strong on the back of an excellent citrus export season.

Newsprint and uncoated woodfree volumes continue to be impacted by the negative economic impacts of Covid-19.

The most significant headwinds for the region were **supply chain challenges** related to inefficiencies in the rail network and at the Durban port. The already strained conditions in the port due to the impact of the global shipping problems were further aggravated during the quarter by the civil unrest, a cyber-attack, equipment failures and adverse weather events. Containers and vessel space availability were prioritised for refrigerated fruit exports and extreme congestion resulted in numerous blank sailings as vessels by-passed the port. The net effect was a substantial increase in the backlog of shipments and approximately 82,000 tons of DP sales volumes were delayed at year end.

Variable costs increased 9% year-on-year due to escalating energy and chemical costs. **Fixed costs were 22% higher** due to maintenance and silviculture costs.

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.

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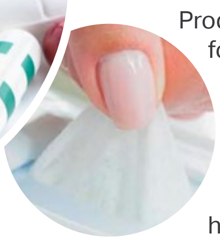
Sappi and COVID-19: Supplying consumers with useful essential goods

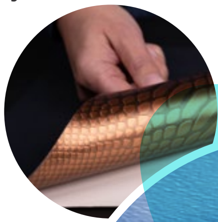
Our products and services continue to add value to people's lives. As a business in the forestry, pulp and paper industry, supplying chemicals, pulp, paper and packaging material for food products, cleaning, hygiene products and medical and hospital supplies – amongst a host of other essential services – 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.

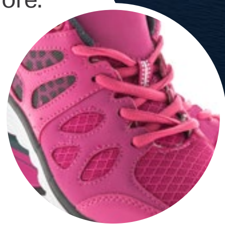



Dissolving pulp

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.





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.


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.


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.


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.


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.