

First Quarter Results

for the period ended December 2024



sappi

“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.”

Our raw material offerings (such as dissolving pulp, wood pulp, biomaterials and timber) and end-use products (packaging papers, speciality papers, graphic papers, casting and release papers and forestry products) are manufactured from woodfibre sourced from sustainably managed forests and plantations, in production facilities powered, in many cases, with bio-energy from steam and existing waste streams.

Together with our partners, Sappi works to build a thriving world by acting boldly to support the planet, people and prosperity.

	Quarter ended		
	Dec 2024	Dec 2023	Sept 2024
Key figures (US\$ million)			
Sales	1,363	1,272	1,464
Operating profit (loss) excluding special items ⁽¹⁾	132	86	120
Special items – loss (gain) ⁽²⁾	11	179	(3)
Adjusted EBITDA ^{(3),(4)}	203	130	226
EBITDA excluding special items ⁽¹⁾	202	156	195
Profit (Loss) for the period	70	(126)	79
Basic earnings per share (US cents)	12	(23)	13
Adjusted EPS (US cents) ^{(3),(4)}	14	5	15
Net debt ⁽³⁾	1,406	1,216	1,422
Key ratios (%)			
Operating profit (loss) excluding special items to sales	9.7	6.8	8.2
Operating profit (loss) excluding special items to capital employed (ROCE) ^{(3),(4)}	13.4	9.8	12.4
Adjusted EBITDA to sales ⁽³⁾	14.9	10.2	15.4
EBITDA excluding special items to sales	14.8	12.3	13.3
Net debt to EBITDA excluding special items	1.9	2.0	2.1
Covenant leverage ratio ⁽³⁾	1.8	2.0	2.0
Interest cover ⁽³⁾	10.8	9.8	10.9
Net asset value per share (US cents) ⁽³⁾	407	404	430

⁽¹⁾ Refer to note 2 to the group results for the reconciliation of Adjusted EBITDA, EBITDA excluding special items and operating profit excluding special items to operating profit by segment and profit for the period.

⁽²⁾ Refer to note 2 to the group results for details on special items.

⁽³⁾ Refer to supplemental information for the definition of the term.

⁽⁴⁾ The Adjusted EBITDA definition was introduced in September 2024 and comparatives have been included for December 2023.

Highlights for the quarter

Adjusted EBITDA⁽¹⁾

US\$203 million (Q1 FY24: US\$130 million)

Profit for the period

US\$70 million (Q1 FY24: loss of US\$126 million)

Net debt of

US\$1,406 million (Q1 FY24: US\$1,216 million)

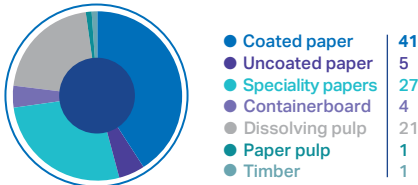
Adjusted EPS⁽²⁾

14 US cents (Q1 FY24: 5 US cents)

⁽¹⁾ Adjusted EBITDA is EBITDA excluding special items and plantation fair value price adjustment.

⁽²⁾ Adjusted EPS is EPS excluding special items and plantation fair value price adjustment.

Sales by product* (%)



Sales by destination* (%)



Sales by source* (%)



Net operating assets** (ex corporate) (%)



* For the period ended December 2024.

** As at December 2024.

Commentary on the quarter⁽¹⁾

The group delivered a solid performance in the first quarter with Adjusted EBITDA of US\$203 million, which was ahead of expectations and substantially above last year. Year-on-year profitability improved across all segments, supported by cost savings, operational efficiency gains, higher dissolving pulp (DP) selling prices and sales volumes combined with improved packaging and speciality papers sales volumes. Against the backdrop of global macroeconomic headwinds, weak consumer spending and overcapacity in paper markets, our **Thrive** strategy – in particular our strategic capacity rationalisation and cost saving initiatives – continued to deliver positive outcomes.

The pulp segment delivered another strong performance with profitability significantly above that of last year. Demand for DP continued to be robust despite the Chinese viscose staple fibre (VSF) market entering the seasonally slow period ahead of the Chinese Lunar New Year. VSF industry operating rates remained high and inventories in the value chain continued to trend below historical levels. The hardwood DP market price⁽²⁾ rose US\$10 during the quarter to US\$970 per ton at quarter end. DP sales volumes were 10% above last year but this was largely due to maintenance shuts in the prior year, which were not repeated in the current quarter.

Profitability of the graphic papers segment improved year-on-year driven primarily by cost savings related to operational efficiency improvements. Sales volumes declined by 3% compared to the prior year as market demand resumed its historical decline following the volatility observed over the last two years. Selling prices were resilient despite significant supply overcapacity and low industry operating rates, which supported healthy EBITDA margins for the segment.

Profitability of the packaging and speciality papers segment improved compared to the prior year, albeit off a low base. Sales volumes increased

⁽¹⁾ "year-on-year" or "prior/previous year" is a comparison between Q1 FY2025 versus Q1 FY2024; "Quarter-on-quarter" or "prior/previous quarter" is a comparison between Q1 FY2025 and Q4 FY2024.

⁽²⁾ Market price for imported hardwood dissolving pulp into China issued daily by the CCF Group.

by 14% due to a significant recovery in North American paperboard sales volumes. Recovery in Europe continued to lag, driven by weak consumer sentiment and overcapacity. In South Africa, underlying demand was satisfactory within the context of the typical low seasonal activity in fruit export markets in the first quarter. Operational efficiency improvements at the Ngodwana and Somerset Mills further contributed to the profit improvement for the segment.

Adjusted earnings per share for the quarter was 14 US cents, which was substantially above the 5 US cents in the prior year and reflective of the improved operating performance. Special items reduced earnings by US\$11 million and were mainly related to the final write offs for the mill closures of last year and fire damaged timber. The forestry fair value price adjustment for the quarter was a loss of US\$1 million.

Cash flow and debt

Net cash utilised for the quarter was US\$62 million compared to the US\$69 million utilised in the prior year.

Significantly improved profitability and cash flow from operations compared to last year was offset by higher capital expenditure of US\$101 million (Q1 FY2024: US\$75 million) due to the planned expenditure for the Somerset Mill PM2 conversion and expansion project and a higher working capital outflow of US\$130 million (Q1 FY2024: US\$43 million) due to timing of debtors receipts and pulp and paper inventory build ahead of the Somerset Mill PM2 outage which will take place in Q2 FY2025. Cash flow for the quarter included an inflow of US\$43 million for the sale of the Lanaken Mill site.

Net debt of US\$1,406 million was US\$16 million below last quarter due to a positive currency translation effect of US\$89 million due to a stronger US Dollar on our Euro and ZAR-denominated debt.

Liquidity comprised cash on hand of US\$283 million and US\$642 million from the committed unutilised revolving credit facilities (RCF) in South Africa and Europe.

Operating review for the quarter



EUROPE

€ million	Quarter ended				
	Dec 2024	Sept 2024	Jun 2024	Mar 2024	Dec 2023
Sales – tons 000's	465	488	492	495	494
Sales	522	548	545	540	534
Operating profit (loss) excluding special items	13	14	4	10	2
<i>Operating profit (loss) excluding special items to sales (%)</i>	2.5	2.6	0.7	1.9	0.4
Adjusted EBITDA	35	36	25	32	26
<i>Adjusted EBITDA to sales (%)</i>	6.7	6.6	4.6	5.9	4.9
<i>RONOA pa (%)</i>	4.6	5.1	1.5	4.2	0.8

The performance of the European region improved relative to last year benefiting from savings related to the strategic rationalisation of the graphic papers assets and higher selling prices.

Graphic papers sales volumes declined by 9% compared to last year as downstream inventory levels normalised and demand resumed its historical downward trend. Despite an oversupplied market, selling prices remained remarkably resilient and were 1% higher than the previous year. Improved capacity utilisation, resulting from the mill closures, played a crucial role in improving year-on-year margins.

Underlying demand for packaging papers in European markets remained muted due

to weak consumer sentiment and overcapacity. Demand for speciality papers, particularly label grades, showed improvement, but competition remained intense. Sales volumes for the segment improved by 5% and selling prices were up 7% compared to the prior year. This improved profitability of the segment, albeit off a low base, but capacity utilisation remained sub-optimal.

Variable costs increased by 2% compared to the prior year due to higher purchased pulp and chemical costs, which were partially offset by wood and energy savings. Fixed costs declined 12% year-on-year due to personnel savings associated with the closure and restructuring actions within the region.



NORTH AMERICA

US\$ million	Quarter ended				
	Dec 2024	Sept 2024	Jun 2024	Mar 2024	Dec 2023
Sales – tons 000's	371	389	340	361	320
Sales	466	482	429	450	398
Operating profit (loss) excluding special items	47	47	11	29	23
<i>Operating profit (loss) excluding special items to sales (%)</i>	10.1	9.8	2.6	6.4	5.8
Adjusted EBITDA	71	71	33	51	46
<i>Adjusted EBITDA to sales (%)</i>	15.2	14.7	7.7	11.3	11.6
<i>RONOA pa (%)</i>	12.3	13.1	3.2	8.4	6.8

The North American region delivered another good performance for the quarter with Adjusted EBITDA substantially above last year. Success was largely driven by improved sales volumes compared to last year, which boosted operational efficiencies, and the absence of the scheduled maintenance shut at the Cloquet Mill that occurred during the comparative period.

Sales volumes in the graphic papers segment increased by 12% year-on-year as inventories normalised following the destocking cycle and we successfully gained market share following a competitor mill closure. Selling prices remained resilient and provided support for the healthy margins of the segment.

Packaging and speciality papers sales volumes improved substantially by 38% compared to the prior year. However, the positive gains in volume were partly offset by a reduction in net selling prices as we proactively adjusted product mix and

increased food service paperboard volumes ahead of the Somerset Mill PM2 conversion and expansion.

Underlying demand within the pulp segment remained robust. While sales volumes matched those of the previous year, the product mix shifted. High yield pulp sales⁽¹⁾ decreased due to higher internal integration at the Somerset Mill, while DP sales volumes increased, benefiting from increased production due to the absence of the maintenance shut at the Cloquet Mill that occurred last year. The higher comparative DP sales volumes and selling prices boosted profitability of the segment.

Variable costs were 1% below the previous year with higher raw material prices offset by improved operational efficiency and there was no maintenance outage at Cloquet Mill in the current year. Fixed costs were 4% above last year driven by higher personnel costs.

⁽¹⁾ High yield pulp = bleached chemi-thermomechanical pulp (BCTMP).

Operating review for the quarter continued



SOUTH AFRICA

ZAR million	Quarter ended				
	Dec 2024	Sept 2024	Jun 2024	Mar 2024	Dec 2023
Sales – tons 000's	665	707	678	611	592
Sales	6,437	7,273	7,008	6,418	6,011
Operating profit (loss) excluding special items	1,234	963	1,226	1,358	1,124
<i>Operating profit (loss) excluding special items to sales (%)</i>	19.2	13.2	17.5	21.2	18.7
Adjusted EBITDA	1,663	2,033	1,561	1,678	1,030
<i>Adjusted EBITDA to sales (%)</i>	25.8	28.0	22.3	26.1	17.1
<i>RONOA pa (%)</i>	15.3	12.0	14.9	16.4	14.0

Improved year-on-year profitability in the South African region was primarily driven by reduced costs and higher DP sales prices and volumes. The sales volume and cost savings were due to improved operational efficiencies and the absence of maintenance shuts at Saiccor and Ngodwana Mills in the current period compared to the previous year. The forestry fair value price adjustment for the quarter was a loss of ZAR12 million.

Demand for DP was strong, supported by good downstream VSF market dynamics. Performance of the segment benefited from higher year-on-year sales volumes and US Dollar DP selling price, which was partially offset by a stronger Rand/US\$ exchange rate. In addition, operational efficiencies improved, particularly at the Saiccor Mill where production was more stable, which reduced costs compared to the prior year.

Containerboard sales volumes were in line with last year and underlying containerboard demand in local markets remained steady. Profitability was boosted by cost savings associated with operational efficiency improvements compared to last year, which was negatively impacted by the Ngodwana Mill maintenance shut.

Demand for office paper improved relative to last year driven by good back-to-school seasonal demand. Other paper categories struggled in a weak domestic economy.

Variable costs were 5% below last year driven by chemical and energy savings as operational efficiency was substantially improved compared to the prior year. Fixed costs were in line with last year due to the lower maintenance costs.

OUTLOOK

Underlying demand for dissolving pulp remains strong, supported by high operating rates in the VSF industry. However, we expect the seasonal slowdown in China's textile industry during the Lunar New Year celebrations to apply short-term pressure to DP pricing in the second quarter.

Packaging and speciality papers markets in North America and South Africa are expected to remain stable with good demand from our customers. European markets remain weak, and recovery is taking longer.

Graphic papers markets have normalised following a prolonged destocking cycle, and demand across all regions has resumed its historical decline. Overcapacity remains a significant headwind for the industry, particularly in Europe. Our strategic focus for this segment is to maximise our market share and proactively manage our capacity utilisation as we transfer graphic papers sales from our Somerset Mill PM2 to alternate assets.

Challenging global macroeconomic conditions, persistent geopolitical tensions, and uncertainties surrounding US trade tariffs pose both risks and potential opportunities to our business, which we continuously assess. In this environment, our strategic focus remains firmly on cost savings to safeguard our competitive advantage.

The Somerset Mill PM2 will be shut for a period of approximately 70 days in the second quarter as we complete the conversion and expansion to paperboard. The machine is expected to start commissioning in April 2025. The paperboard product mix will shift with the commercial ramp-up of the machine, initially increasing the proportion of sales to the lower-margin food service market.

The project will adversely impact the second quarter earnings by approximately US\$21 million.

Global paper pulp markets continue to be oversupplied and downstream paper demand recovery is slow. Prices have stabilised in recent weeks and market analysts are forecasting that we are approaching the trough in the cycle. We anticipate that our paper business will continue to benefit from the lower pulp input costs in the second quarter. Annual maintenance shuts are scheduled for the Ngodwana and Saiccor Mills in the second quarter (these occurred in the first quarter of last year), which will have a negative impact on earnings of approximately US\$45 million. We anticipate that the forestry fair value price adjustment will be negative in the second quarter due to rising fuel costs.

Our capital expenditure forecast for FY2025 has risen from US\$500 million to approximately US\$525 million as we have made additional contingency provisions to account for increased labour costs associated with the Somerset Mill PM2 conversion and expansion project.

Notwithstanding relatively stable underlying market conditions and after taking into account the negative impacts of the annual maintenance shuts and the Somerset Mill PM2 project, we anticipate that Adjusted EBITDA for the second quarter of FY2025 will be below that of the first quarter of FY2025.

On behalf of the board

SR Binnie
Director

GT Pearce
Director

04 February 2025

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 or future events or circumstances or otherwise.

Condensed group income statement

US\$ million	Note	Reviewed Quarter ended	
		Dec 2024	Dec 2023
Sales		1,363	1,272
Cost of sales		1,130	1,084
Gross profit		233	188
Selling, general and administrative expenses		101	100
Other operating (income) expenses		11	179
Share of (profit) loss from equity-accounted investees		-	2
Operating profit (loss)	3	121	(93)
Net finance costs		19	14
Finance costs		26	26
Finance income		(5)	(10)
Net foreign exchange gain		(2)	(2)
Profit (Loss) before taxation		102	(107)
Taxation		32	19
Profit (Loss) for the period		70	(126)
Basic earnings per share (US cents)	4	12	(23)
Weighted average number of shares in issue (millions)		601.8	559.3
Diluted earnings per share (US cents)	4	12	(23)
Weighted average number of shares on fully diluted basis (millions)		607.8	605.7

Condensed group statement of other comprehensive income

US\$ million	Reviewed Quarter ended	
	Dec 2024	Dec 2023
Profit (Loss) for the period	70	(126)
Other comprehensive income, net of tax		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Actuarial gains (losses) on post-employment benefit funds	-	-
Tax effect	-	-
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	(80)	16
Movements in hedging reserves	(29)	10
Tax effect	5	(1)
Total comprehensive income for the period	(34)	(101)

Condensed group balance sheet

US\$ million	Note	Reviewed	
		Dec 2024	Sept 2024
ASSETS			
Non-current assets		3,995	4,208
Property, plant and equipment		3,095	3,241
Right-of-use assets		79	79
Plantations		514	562
Deferred tax assets		72	76
Goodwill and intangible assets		92	95
Equity-accounted investees		10	11
Other non-current assets		133	144
Current assets		1,763	1,998
Inventories		883	836
Trade and other receivables		571	771
Derivative financial assets	5	23	18
Taxation receivable		2	6
Cash and cash equivalents	7	283	317
Assets held for sale	9	1	50
Total assets		5,758	6,206
EQUITY AND LIABILITIES			
Shareholders' equity			
Ordinary shareholders' interest		2,461	2,578
Non-current liabilities			
Interest-bearing borrowings	7	1,413	1,537
Lease liabilities	7	73	74
Deferred tax liabilities		408	433
Defined benefit and other liabilities		244	255
Current liabilities			
Interest-bearing borrowings	7	180	107
Lease liabilities	7	23	21
Trade and other payables		836	1,110
Provisions		5	8
Derivative financial liabilities	5	7	17
Taxation payable		29	66
Shareholders for dividend		79	–
Total equity and liabilities		5,758	6,206
Number of shares in issue at balance sheet date (millions)		604.6	599.4

Condensed group statement of cash flows

US\$ million	Reviewed Quarter ended	
	Dec 2024	Dec 2023
Profit (Loss) for the period	70	(126)
<i>Adjustment for:</i>		
Depreciation, fellings and amortisation	89	87
Taxation	32	19
Net finance costs	19	14
Defined post-employment benefits paid	(4)	(4)
Plantation fair value adjustments	(20)	(48)
Asset impairments	1	2
Write down of held-for-sale assets	4	–
Net restructuring charge	–	136
(Profit) Loss on disposal and written-off assets	(2)	(1)
Other non-cash items ⁽¹⁾	17	42
Cash generated from operations	206	121
Movement in working capital	(130)	(43)
Closure and restructuring costs paid	(2)	(43)
Finance costs paid	(34)	(13)
Finance income received	5	9
Taxation (paid) refund	(49)	(10)
Cash (utilised by) generated from operating activities	(4)	21
Cash utilised in investing activities	(58)	(90)
Capital expenditure	(101)	(75)
Proceeds on disposal of assets	4	1
Proceeds on held-for-sale assets	43	–
Movements to non-current and intangible asset	(4)	(16)
Net cash (utilised)	(62)	(69)
Cash effects of financing activities	43	(1)
Proceeds from interest-bearing borrowings	84	40
Repayment of interest-bearing borrowings	(35)	(35)
Capital lease repayments	(6)	(6)
Net movement in cash and cash equivalents	(19)	(70)
Cash and cash equivalents at beginning of period	317	601
Translation effects	(15)	2
Cash and cash equivalents at end of period	283	533

⁽¹⁾ Other non-cash items for the period ended December 2024 include accruals for closure costs at Lanaken Mill of US\$Nil million (2024: US\$33 million) (€28 million), non-cash movements in the defined benefit liabilities and plan assets of US\$10 million (2024: US\$5 million) and share-based charges of US\$2 million (2024: US\$2 million).

Condensed group statement of changes in equity

US\$ million	Reviewed Quarter ended	
	Dec 2024	Dec 2023
Balance – beginning of period	2,578	2,445
Profit (Loss) for the period	70	(126)
Other comprehensive income for the period	(104)	25
Dividend – 14 US cents (2024: 15 US cents)	(85)	(84)
Share-based payment reserve	2	1
Balance – end of period	2,461	2,261
Comprising		
Ordinary share capital and premium	742	702
Non-distributable reserves	119	115
Foreign currency translation reserves	(221)	(248)
Hedging reserves	(61)	(47)
Retained earnings	1,882	1,739
Total equity	2,461	2,261

Notes to the condensed group results

1. Basis of preparation

The condensed group interim financial statements for the quarter ended December 2024 have been prepared in accordance with and containing the information required by IAS 34 *Interim Financial Reporting*, the Financial Pronouncements as issued by the Financial Reporting Standards Council and SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (collectively JSE Financial Reporting Requirements) and the South African Companies Act. The accounting policies applied in the preparation of the condensed group financial statements are consistent with those applied in the previous annual financial statements.

The group amended its fiscal year from using a 52/53 week year to using calendar month ends.

The preparation of these condensed group financial statements was supervised by the Chief Financial Officer, GT Pearce, CA(SA) and were authorised for issue on 04 February 2025.

The condensed group interim financial statements for the quarter ended December 2024 and December 2023 which includes condensed group balance sheet, condensed group income statement, condensed group statements of other comprehensive income, changes in equity and cash flows and notes to the condensed group financial statements have been reviewed by KPMG Inc., who expressed an unmodified review conclusion. The auditor's report should therefore be read in conjunction with these condensed group financial statements. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

2. Segment information

Metric tons (000's)	Quarter ended	
	Dec 2024	Dec 2023
Sales volume		
North America	371	320
Europe	465	494
South Africa – Pulp and paper	371	357
Forestry	294	235
Total	1,501	1,406
Which consists of:		
Pulp	346	335
Packaging and speciality papers	325	285
Graphic papers	536	551
Forestry	294	235

Notes to the condensed group results continued

2. Segment information continued

US\$ million	Reviewed Quarter ended	
	Dec 2024	Dec 2023
Sales		
North America	466	398
Europe	557	575
South Africa – Pulp and paper	341	307
Forestry	19	14
Delivery costs revenue adjustment ⁽¹⁾	(20)	(22)
Total	1,363	1,272
Which consists of:		
Pulp	306	268
Packaging and speciality papers	424	369
Graphic papers	634	643
Forestry	19	14
Delivery costs revenue adjustment ⁽¹⁾	(20)	(22)
Operating profit (loss) excluding special items		
North America	47	23
Europe	14	2
South Africa	69	60
Unallocated and eliminations ⁽²⁾	2	1
Total	132	86
Which consists of:		
Pulp	66	35
Packaging and speciality papers	6	11
Graphic papers	58	39
Unallocated and eliminations ⁽²⁾	2	1

⁽¹⁾ Relates to delivery costs netted off against revenue.

⁽²⁾ Includes the group's treasury operations and insurance captive.

2. Segment information continued

US\$ million	Reviewed Quarter ended	
	Dec 2024	Dec 2023
Special items – (gains) losses		
North America	1	–
Europe	2	176
South Africa	–	3
Unallocated and eliminations ⁽²⁾	8	–
Total	11	179
Operating profit (loss) by segment		
North America	46	23
Europe	12	(174)
South Africa	69	57
Unallocated and eliminations ⁽²⁾	(6)	1
Total	121	(93)
Adjusted EBITDA⁽³⁾		
North America	71	46
Europe	37	28
South Africa	93	55
Unallocated and eliminations ⁽²⁾	2	1
Total	203	130
Which consists of:		
Pulp	85	44
Packaging and speciality papers	34	20
Graphic papers	82	65
Unallocated and eliminations ⁽²⁾	2	1

⁽²⁾ Includes the group's treasury operations and insurance captive.

⁽³⁾ The Adjusted EBITDA definition was introduced in September 2024 and comparatives have been included for December 2023.

Notes to the condensed group results continued

2. Segment information continued

Reconciliation of Adjusted EBITDA to profit for the period and operating profit excluding special items to operating profit

US\$ million	Reviewed Quarter ended	
	Dec 2024	Dec 2023
Adjusted EBITDA⁽²⁾	203	130
Plantation fair value price adjustment	(1)	26
EBITDA excluding special items	202	156
Depreciation and amortisation	(70)	(70)
Operating profit excluding special items	132	86
Special items – gains (losses)	(11)	(179)
Net restructuring charge	–	(136)
Profit (Loss) on disposal and written off assets	2	1
Asset (impairments) impairment reversal	(1)	(2)
Write down of held-for-sale assets	(4)	–
Profit (Loss) on disposal of held-for-sale assets	–	–
Insurance	–	4
Fire, flood, storm and other events	(8)	(46)
Operating profit (loss)	121	(93)
Net finance costs	(19)	(14)
Profit (Loss) before taxation	102	(107)
Taxation	(32)	(19)
Profit (Loss) for the period	70	(126)
Net operating assets		
North America	1,553	1,364
Europe	1,170	964
South Africa	1,756	1,809
Unallocated and eliminations ⁽²⁾	(32)	(66)
Total	4,447	4,071

⁽²⁾ Includes the group's treasury operations and insurance captive.

⁽³⁾ The Adjusted EBITDA definition was introduced in September 2024 and comparatives have been included for December 2023.

2. Segment information continued

US\$ million	Reviewed	
	Dec 2024	Dec 2023
Reconciliation of net operating assets to total assets		
Segment assets	4,447	4,071
Deferred tax assets	72	79
Cash and cash equivalents	283	533
Trade and other payables	836	910
Provisions	5	185
Derivative financial instruments	7	8
Taxation payable	29	36
Shareholders for dividend	79	85
Total assets	5,758	5,907

3. Operating profit (loss)

US\$ million	Reviewed Quarter ended	
	Dec 2024	Dec 2023
Included in operating profit are the following items:		
Depreciation and amortisation	70	70
Fair value adjustment on plantations (included in cost of sales)		
Fellings	19	17
Growth	(21)	(22)
Price	1	(26)
	(1)	(31)
Net restructuring charge	–	136
(Profit) Loss on disposal and written-off assets	(2)	(1)
Asset impairments (impairment reversal)	1	2
Write down of held-for-sale assets	4	–
Insurance	–	(4)

Notes to the condensed group results continued

4. Earnings per share

US\$ million	Reviewed Quarter ended	
	Dec 2024	Dec 2023
Basic earnings per share (US cents)	12	(23)
Headline earnings per share (US cents)	12	(22)
Adjusted EPS (US cents)	14	5
Weighted average number of shares in issue (millions)	601.8	559.3
Diluted earnings per share (US cents)	12	(23)
Diluted headline earnings per share (US cents)	12	(22)
Weighted average number of shares on fully diluted basis (millions)	607.8	605.7
Calculation of headline earnings		
Profit (Loss) for the period	70	(126)
(Profit) Loss on disposal and write off of property, plant and equipment	(2)	(1)
Asset impairments (impairment reversal)	1	2
Write down of held-for-sale assets	4	–
Tax effect of above items	1	–
Headline earnings	74	(125)
Calculation of adjusted earnings		
Profit (Loss) for the period	70	(126)
Special items and plantation fair value price adjustment after tax	12	158
Gross amount	12	153
Tax effect	–	5
Finance costs	–	–
Tax special items	–	(5)
Adjusted earnings⁽¹⁾	82	27

⁽¹⁾ The Adjusted EBITDA definition was introduced in September 2024 and comparatives have been included for December 2023.

5. Financial instruments

The group's financial instruments that are measured at fair value on a recurring basis consist of derivative financial instruments and investment funds. These have been categorised in terms of the fair value measurement hierarchy as established by IFRS 13 *Fair Value Measurement* per the table below.

US\$ million	Classification	Fair value hierarchy	Fair value ⁽¹⁾	
			Reviewed	
			Dec 2024	Sept 2024
Investment funds ⁽²⁾	FV through OCI	Level 1	4	5
Derivative financial assets	FV through PL	Level 2	23	18
Derivative financial liabilities	FV through PL	Level 2	7	17

⁽¹⁾ The fair value of the financial instruments are equal to their carrying value.

⁽²⁾ Included in other non-current assets.

There have been no transfers of financial assets or financial liabilities between the categories of the fair value hierarchy.

The fair value of all external over-the-counter derivatives is calculated based on the discount rate adjustment technique. The discount rate used is derived from observable rates of return for comparable assets or liabilities traded in the market. The credit risk of the external counterparty is incorporated into the calculation of fair values of financial assets and own credit risk is incorporated in the measurement of financial liabilities. The change in fair value is therefore impacted by the following inputs, the movement of the interest rate curves, by the volatility of the applied credit spreads, and by any changes to the credit profile of the involved parties.

There are no financial assets and liabilities that have been remeasured to fair value on a non-recurring basis.

The carrying amounts of other financial instruments which include cash and cash equivalents, trade and other receivables, certain investments, trade and other payables and current interest-bearing borrowings approximate their fair values.

6. Capital commitments

US\$ million	Reviewed	
	Dec 2024	Sept 2024
Contracted	236	254
Approved but not contracted	169	182
	405	436

Notes to the condensed group results continued

7. Interest-bearing borrowings, lease liabilities and cash and cash equivalents

US\$ million	Reviewed	
	Dec 2024	Sept 2024
Non-current and current interest-bearing borrowings	1,593	1,644
Non-current and current lease liabilities	96	95
Less: Cash and cash equivalents	(283)	(317)
Net debt	1,406	1,422
As at December 2024 the group was in compliance with its debt covenants:		
Covenant leverage ratio	1.8	2.0
Interest cover	10.8	10.9

8. Material balance sheet movements

Since the 2024 financial year-end, the Euro and the ZAR have weakened by approximately 6.8% and 9.8% respectively against the US Dollar, the group's presentation currency. This has resulted in a decrease of the group's European and South African assets and liabilities, which are held in the aforementioned functional currency, on translation to the presentation currency at period-end.

Inventories, trade and other receivables and trade and other payables

The increase in inventories and decrease in trade and other receivables and trade and other payables is largely attributable to seasonal working capital movements.

9. Assets held for sale

During the quarter the group sold items of property, plant and equipment classified as held-for-sale related to the closure of our Lanaken Mill within our European segment for US\$43 million (€40 million) for US\$Nil profit. The remaining held-for-sale assets were written down by US\$4 million (€4 million) to their fair value less costs to sell and sold for US\$1 million (€1 million) for US\$Nil profit subsequent to the quarter-end.

10. Related parties

There has been no material change, by nature or amount, in transactions with related parties since the 2024 financial year-end.

11. Events after balance sheet date

There have been no reportable events that occurred between the balance sheet date and the date of authorisation for issue of these financial statements.

12. Accounting standards, interpretations and amendments to existing standards that are not yet effective

There has been no significant change to management's estimates in respect of new accounting standards, amendments and interpretations to existing standards that have been published which are not yet effective and which have not yet been adopted by the group.

Supplemental information

(this information has not been audited or reviewed)

General definitions

Adjusted EBITDA – EBITDA excluding special items and the plantation fair value price adjustment

Average – averages are calculated as the sum of the opening and closing balances for the relevant period divided by two

Capital employed – shareholders' equity plus net debt

Covenant leverage ratio – net debt divided by last 12 months' EBITDA excluding special items as defined by our bank covenants

EBITDA excluding special items – earnings before interest (net finance costs), taxation, depreciation, amortisation and special items

Adjusted EPS – earnings per share excluding special items, the plantation fair value price adjustment, special finance costs and special tax items

Fellings – the amount charged against the income statement representing the standing value of the plantations harvested

Headline earnings – as defined in circular 1/2023, as issued by the South African Institute of Chartered Accountants, separates from earnings all separately identifiable remeasurements. It is not necessarily a measure of sustainable earnings. It is a Listings Requirement of the JSE Limited to disclose headline earnings per share

Interest cover – last 12 months' EBITDA excluding special items to net interest adjusted for refinancing costs

NBSK – Northern Bleached Softwood Kraft pulp. One of the main varieties of market pulp, produced from coniferous trees (ie spruce, pine) in Scandinavia, Canada and northern USA. The price of NBSK is a benchmark widely used in the pulp and paper industry for comparative purposes

Net assets – total assets less total liabilities

Net asset value per share – net assets divided by the number of shares in issue at balance sheet date

Net debt – current and non-current interest-bearing borrowings and lease liabilities, bank overdrafts less cash and cash equivalents

Supplemental information continued (this information has not been audited or reviewed)

Net debt to EBITDA excluding special items – net debt divided by the last 12 months' EBITDA excluding special items

Net operating assets – total assets (excluding deferred tax assets and cash) less current liabilities (excluding interest-bearing borrowings, lease liabilities and overdraft)

Operating profit – profit from business operations before deduction of net finance costs and taxes

Non-GAAP measures – the group believes that it is useful to report certain non-GAAP measures for the following reasons:

- these measures are used by the group for internal performance analysis
- the presentation by the group's reported business segments of these measures facilitates comparability with other companies in our industry, although the group's measures may not be comparable with similarly titled profit measurements reported by other companies
- it is useful in connection with discussion with the investment analyst community and debt rating agencies

These non-GAAP measures should not be considered in isolation or construed as a substitute for GAAP measures in accordance with IFRS

ROCE – annualised return on average capital employed. Operating profit excluding special items divided by average capital employed

RONOA – return on average net operating assets. Operating profit excluding special items divided by average net operating assets

Special items – special items cover those items which management believe are material by nature or amount to the operating results and require separate disclosure. Such items would generally include profit or loss on disposal of property, investments and businesses, asset impairments, restructuring charges, non-recurring integration costs related to acquisitions, financial impacts of natural disasters and settlement gains or losses on defined benefit obligations

The above financial measures are presented to assist our shareholders and the investment community in interpreting our financial results. These financial measures are regularly used and compared between companies in our industry

Summary Rand convenience translation

	Quarter ended	
	Dec 2024	Dec 2023
Key figures (ZAR million)		
Sales	24,373	23,821
Operating profit excluding special items ⁽¹⁾	2,360	1,611
Special items – (gains) losses ⁽¹⁾	197	3,352
EBITDA excluding special items ⁽¹⁾	3,612	2,921
Profit for the period	1,252	(2,360)
Basic earnings per share (SA cents)	208	(422)
Net debt ⁽¹⁾	26,428	22,249
Key ratios (%)		
Operating profit excluding special items to sales	9.7	6.8
Operating profit excluding special items to capital employed (ROCE) ⁽¹⁾	13.4	9.9
EBITDA excluding special items to sales	14.8	12.3

⁽¹⁾ Refer to supplemental information for the definition of the term.

The above financial results have been translated into Rand from US Dollar as follows:

- assets and liabilities at rates of exchange ruling at period-end; and
- income, expenditure and cash flow items at average exchange rates.

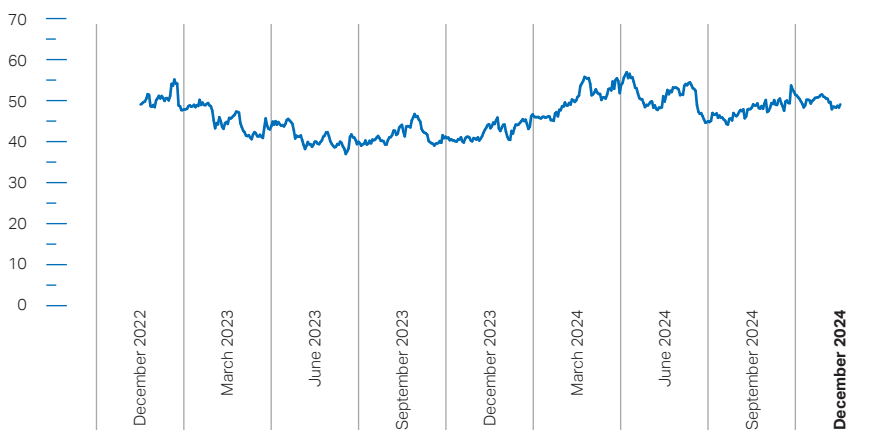
Supplemental information continued

(this information has not been audited or reviewed)

Exchange rates

	Dec 2024	Sept 2024	Jun 2024	Mar 2024	Dec 2023
Exchange rates:					
Period-end rate: US\$1 = ZAR	18.7964	17.1162	18.1925	18.8688	18.2969
Average rate for the quarter: US\$1 = ZAR	17.8818	17.9763	18.5706	18.8776	18.7269
Average rate for the year to date: US\$1 = ZAR	17.8818	18.5357	18.7254	18.8027	18.7269
Period-end rate: €1 = US\$	1.0408	1.1164	1.0715	1.0795	1.1037
Average rate for the quarter: €1 = US\$	1.0678	1.0986	1.0765	1.0860	1.0763
Average rate for the year to date: €1 = US\$	1.0678	1.0843	1.0796	1.0811	1.0763

Sappi share price – December 2022 to December 2024



sappi

Our purpose

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

Sappi has a primary listing on the JSE Limited and a Level 1 ADR programme that trades in the over-the-counter market in the United States

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