**Sappi Limited**

Registration number: 1936/008963/06
JSE code: SAP
ISIN code: ZAE000006284
Issuer code: SAVVI

**Results for the quarter ended December 2019**

**Short-form SENS announcement**

| | Quarter ended | | |
|---|---|---|---|
| **US$ million** | **Dec 2019** | **Dec 2018** | % |
| Sales | 1 302 | 1 418 | -8,2% |
| EBITDA excluding special items | 139 | 197 | -29,4% |
| Profit for the period | 24 | 81 | -70,4% |
| Net debt | 1 916 | 1 557 | 23,1% |
| | | | |
| Headline EPS (US Cents) | 4 | 15 | -73,3% |
| Basic EPS (US Cents) | 4 | 15 | -73,3% |
| EPS excluding special items (US Cents) | 6 | 16 | -62,5% |
| Net asset value (US Cents) | 379 | 353 | 7,4% |

Sappi is a global diversified woodfibre company focused on providing dissolving wood pulp, packaging and speciality papers, graphic papers as well as biomaterials and biochemicals to our direct and indirect customer base across more than 150 countries.

Our dissolving wood pulp products are used worldwide mainly by converters to create viscose fibre for fashionable clothing and textiles, as well as other consumer products; quality packaging and speciality papers are used in the manufacture of such products as soup sachets, luxury carry bags, cosmetic and confectionery packaging, boxes for agricultural products for export, tissue wadding for household tissue products and casting release papers used by suppliers to the fashion, textiles, automobile and household industries; our market-leading range of graphic papers are used by printers in the production of books, brochures, magazines, catalogues, direct mail and many other print applications; biomaterials include nanocellulose, fibre composites and lignosulphonate; biochemicals include second generation sugars.

The wood and pulp needed for our products are either produced within Sappi or bought from accredited suppliers. Sappi sells almost as much as it buys.

First quarter commentary

A good performance from the European and North American packaging and specialities segment and satisfactory results from the graphic paper businesses were not enough to offset the significant impact from the unprecedented and markedly lower dissolving wood pulp (DWP) prices.  Consequently, the group generated

EBITDA excluding special items of US$139 million compared to the US$197 million in the equivalent quarter last year. Profit for the comparative period decreased by US$57 million to US$24 million primarily due to the lower DWP prices.

The ongoing strategy to diversify the product portfolio into higher margin segments and position the company for future growth reaped rewards as the packaging and specialities segment continued to grow profitability. The focus on efficiencies and costs combined with strong customer relationships and service levels ensured profitability for graphic paper was stable despite weak global demand.

DWP market prices fell US$272/ton in the last year as the combined impact of soft global textile markets, excess viscose staple fibre (VSF) capacity and a weaker US$/Renminbi exchange rate drove the DWP price downwards. On the supply side, low paper pulp prices provided no relief for swing producers. This significantly impacted both the segment and group profitability levels.

Profitability in the packaging and specialities segment improved despite a particularly sluggish containerboard market in South Africa. An improved product mix, following the recent conversions, and more optimal machine efficiencies in both Europe and North America led to increased margins. Lower input costs, particularly for paper pulp, supported the margin enhancement.

The substantial market share gains in coated woodfree paper in both North America and Europe countered the ongoing deterioration in graphic paper demand, enabling us to take fewer production curtailments than in recent quarters. Declining input costs helped maintain healthy margins.

Earnings per share excluding special items was 6 US cents, a decrease from the 16 US cents generated in the equivalent quarter last year. Special items reduced earnings by US$7 million.

**Cash flow and debt**

Net cash utilised for the quarter was US$278 million, compared to US$7 million utilised in the equivalent quarter last year. The cash utilisation was due to the usual seasonal working capital outflow in our first fiscal quarter, lower operational cash generation and higher finance costs and tax payments. The cash acquisition cost of US$144 million for the Matane Mill, which was completed in the quarter, further contributed to the utilisation.

Net debt of US$1,916 million was US$359 million higher than at the end of the equivalent quarter last year as a result of the cash utilisation in the quarter, the Matane acquisition which was financed via a new US$181 million 8-year term loan and the US$92 million non-cash impact resulting from the implementation of IFRS16, which now incorporates operating leases on the balance sheet. In terms of the relevant bank facilities, the leverage covenant reached 2.8 times at the end of the quarter.

Liquidity comprised cash on hand of US$270 million and US$658 million available from the undrawn committed revolving credit facilities in South Africa and Europe.

On behalf of the board

**S R Binnie**
*Director*

**G T Pearce**
*Director*

05 February 2020

Short form announcement
This short-form announcement is the responsibility of the directors. It is only a summary of the information in the full announcement and does not contain full or complete details. Any investment decision should be based on the full announcement accessible on 5 February 2020 via the JSE link and also available the sappi website at www.sappi.com.

Copies of the full announcement may be requested by contacting Jeanine Olivier on telephone: +27 (0)11 407 8307, email: Jeanine.Olivier@sappi.com.

The JSE link is as follows:
https://senspdf.jse.co.za/documents/2020/jse/isse/SAVVI/sappiQ120.pdf

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