Sappi Limited
Registration number: 1936/008963/06
JSE code: SAP
ISIN code: ZAE000006284
Issuer code: SAVVI
("Sappi" or "the Group")

Results for the third quarter ended June 2026

	Quarter ended			Nine months ended		
US$ million	**Jun 2026**	**Jun 2025**	% Change	**Jun 2026**	**Jun 2025**	% Change
Revenue	1 334	1 321	1%	3 955	4 031	-2%
Adjusted EBITDA	53	80	-34%	195	390	-50%
EBITDA excluding special items	(99)	71	N/M	(67)	363	N/M
Profit (loss) for the period	(181)	(33)	N/M	(631)	17	N/M
Net debt	1 997	1 947	3%	1 997	1 947	3%
Headline EPS (US Cents)	(27)	(5)	N/M	(55)	4	N/M
Basic EPS (US Cents)	(30)	(5)	N/M	(104)	3	N/M
Adjusted EPS (US Cents)	(8)	(4)	N/M	(19)	11	N/M
Net asset value (US Cents)	294	406	-28%	294	406	-28%

N/M - Not meaningful

Sappi uses renewable resources to make woodfibre-based products. We are a diversified, innovative and trusted leader focused on sustainable processes and products, and are building a circular economy that benefits the world.

Our pulp, packaging and speciality papers, graphic papers and biomaterials are manufactured from woodfibre sourced from sustainably managed forests, in production facilities which, in many cases use internally generated bioenergy. Many of our operations are energy self sufficient.

We have manufacturing operations on three continents and sell our products in more than 150 countries. Our global presence allows us to optimise for different markets, while sharing best practices and the latest technological achievements.

Together with our partners, we work to build a thriving world by acting boldly to support Prosperity, People and Planet while upholding our Principles.

Commentary on the quarter(1)

Against the backdrop of a challenging macroeconomic environment, Sappi delivered Adjusted EBITDA of US$53 million, in line with the updated and improved outlook guidance provided to shareholders on 09 July 2026. The highlight for the quarter was improved profitability in the North American region, where paperboard sales volumes from Somerset Mill PM2 and operational efficiencies improved. While these positive contributions provided some offset, group performance was adversely impacted by depressed selling prices across many of our product categories, cost inflation associated with the conflict in the Middle East and the US$22 million impact of the scheduled maintenance shut at Ngodwana Mill. In addition, the stronger ZAR/US$ exchange rate significantly lowered the profitability of the South African business. The forestry fair value price adjustment for the quarter was a loss of US$152 million, driven largely by adverse currency movements on hardwood timber pricing and the negative impact of escalating fuel costs.

The pulp segment operated within a more supportive market backdrop during the quarter. Demand for dissolving wood pulp (DWP) remained robust despite it being a seasonally slower period, underpinned by healthy viscose staple fibre (VSF) industry operating rates and favourable demand for cellulosic fibres as higher petrochemical costs associated with the conflict in the Middle East continued to pressure competing polyester textile fibres. High VSF industry operating rates, healthy backlog orders and low inventories throughout the value chain supported the positive DWP pricing momentum established in the prior quarter. As a result, the Chinese hardwood DWP market price(2) increased by a further US$53 per ton to US$898 per ton at quarter end. Sales volumes for the segment were broadly in line with the prior year. However, US Dollar selling prices remained 4% below last year's levels. Although the positive pricing momentum in DWP markets improved segment profitability compared to the prior quarter, the lower year-on-year selling prices and unfavourable currency movements in South Africa continued to pressure earnings, resulting in profitability remaining below last year's level.

The packaging and speciality papers segment delivered significant sales volume growth of 14% compared to the prior year, driven by improving paperboard demand in North America and the continued commercial ramp-up of Somerset Mill PM2. However, segment profitability deteriorated year-on-year due to higher operating costs, which included the impact of the scheduled maintenance shut at Ngodwana Mill. In Europe, sales volumes were marginally ahead of last year, driven by growth in label paper sales. Despite the successful implementation of price increases to recover higher input costs, selling prices and margins in the European region remain depressed. In South Africa, demand for containerboard was robust but selling prices remained under pressure from low-cost imports supported by the strength of the ZAR against the US Dollar.

The graphic papers segment continued to operate in a challenging environment characterised by structural demand decline and ongoing industry overcapacity, resulting in sales volumes that were 6% below the prior year. Despite these market pressures, profitability was only marginally lower than last year, supported by strategic fixed cost reductions in Europe and resilient pricing in North America, where the capacity reduction following the Somerset Mill PM2 conversion has contributed to a more balanced market. Furthermore, industry-wide price increases implemented during the quarter in response to rising input costs helped offset inflationary pressures and supported margins.

Adjusted earnings per share for the quarter was a loss of 8 US cents, compared to a loss of 4 US cents in the prior year, reflecting the continued challenging operating environment. Special items reduced earnings by US$26 million, comprising primarily impairment charges of US$15 million resulting from weakened market conditions and lower future cash flow projections, principally related to the tissue machine in Sappi Southern Africa.

Cash flow and debt

Net cash utilised during the quarter amounted to US$30 million. Consistent with our focus on preserving liquidity and maintaining financial flexibility, capital allocation remained disciplined throughout the period. Capital expenditure of US$62 million was substantially below the prior year and was focused on essential maintenance activities. Cash flow benefited from a working capital inflow of US$19 million, partially offset by closure and restructuring costs of US$11 million in Europe.

Net debt increased by US$33 million, compared to the prior quarter, to US$1,997 million, primarily as a result of the net cash utilised. Liquidity remained healthy, comprising cash on hand of US$204 million and a further US$579 million of committed, undrawn revolving credit facilities in South Africa and Europe. As previously communicated, leverage covenant testing remains suspended until March 2027. As at June 2026, the covenant leverage ratio was 6.9 times.

Post-balance sheet events

Shareholders are referred to the SENS announcement released on 23 July 2026 confirming that, at a general meeting held on the same date, Sappi shareholders approved the proposed formation of a 50/50 graphic papers joint venture between Sappi and UPM. The parties continue to work towards the fulfilment of the remaining conditions precedent and currently expect these to be completed by the end of 2026.

The ongoing conflict in the Middle East continues to contribute to volatility across global markets. Elevated geopolitical tensions have sustained pressure on energy, chemical and logistics costs, increasing the risk of broader inflationary impacts across our value chains. Continued geopolitical uncertainty may also contribute to heightened foreign exchange volatility, which remains a key risk to the group's earnings and net debt given our exposure to multiple currencies. While demand in several of our end-markets has shown signs of improvement, underlying macroeconomic conditions remain uncertain.

Against this backdrop, we continue to execute strategic cost-saving initiatives, targeting both fixed cost reductions and variable cost efficiencies through enhanced operational performance. These actions are critical to offsetting inflationary pressures across our cost base. Alongside these initiatives, we are maintaining a disciplined approach to capital allocation, balance sheet management and liquidity preservation, ensuring the group retains the flexibility to respond effectively to evolving market conditions.

Conditions across a number of our key product categories are improving, driven by strengthening pricing dynamics and operational momentum. In the pulp segment, healthy VSF market fundamentals continue to underpin DWP demand, while the lag benefit of hardwood DWP price increases realised during the third quarter is expected to support profitability in the fourth quarter. Sentiment in global packaging and speciality paper markets is slowly improving, and the segment is expected to benefit from the continued ramp-up of Somerset Mill PM2 and recent paperboard price increases in North America. Containerboard demand in South Africa remains healthy, supported by agricultural export markets. Graphic papers demand is expected to continue its structural decline, and we remain focused on optimising capacity utilisation across our asset base. The segment should also benefit from the pricing initiatives implemented during the third quarter.

A scheduled annual maintenance shut for one of the lines at the Saiccor Mill is planned for the fourth quarter and is expected to reduce earnings by approximately US$7 million. Capital expenditure for FY2026 is expected to be approximately US$240 million, which is slightly below our previous guidance of US$250 million. Our disciplined approach to capital allocation remains focused on essential maintenance, regulatory requirements and projects that support operational reliability. The forestry fair value price adjustment for the fourth quarter is expected to be positive.

Taking into account current trading conditions, the continued ramp-up of Somerset Mill PM2 and the lower maintenance costs anticipated in the quarter, offset by ongoing geopolitical uncertainty and volatility in global markets, we estimate that Adjusted EBITDA for the fourth quarter of FY2026 will be materially above that of the third quarter.

On behalf of the board

SR Binnie
Director

GT Pearce
Director

05 August 2026

(1) "year-on-year" or "prior/previous/last year" is a comparison between Q3 FY2026 versus Q3 FY2025; "Quarter-on-quarter" or "prior/previous/last quarter" is a comparison between Q3 FY2026 and Q2 FY2026.
(2) Market price for imported hardwood dissolving wood pulp into China issued daily by the CCF Group.

This results announcement has been prepared in compliance with the JSE Listings Requirements and is the responsibility of the directors. It is only a summary of the information in the full results for the third quarter ended June 2026 and does not contain full or complete details. Any investment decisions should be based on the full results for the third quarter ended June 2026 accessible from 06 August 2026 via the JSE link and also available on the home page of the Sappi website at www.sappi.com.

The JSE link is as follows:

https://senspdf.jse.co.za/documents/2026/jse/isse/savvi/Q32026.pdf

06 August 2026

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