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Media release

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Sappi positioned for stronger fourth quarter as market fundamentals improve and strategic investment in North America gains traction

Sappi, a global leader in the woodfibre and bioeconomy, has announced its results for the third quarter ended June 2026, reporting Adjusted EBITDA of US$53 million, in line with the improved outlook provided to shareholders in July 2026.

While global market conditions remained challenging, the quarter reflected encouraging progress in key strategic initiatives, particularly the continued ramp-up of the Somerset Mill PM2 paperboard machine in North America, ongoing cost reduction actions across the group and disciplined capital allocation.

"The quarter demonstrated the benefits of the strategic actions we have been taking across the business. Improved operational performance in North America, together with continued cost discipline across the group, helped to offset some of the impact from weaker selling prices and inflationary pressures." explains Sappi Limited CEO, Steve Binnie.

The group continued to face pressure from lower selling prices in several product categories, higher logistics and chemical costs linked to geopolitical tensions in the Middle East, and an unfavourable US$/ZAR exchange rate, which impacted profitability in South Africa.

Despite the challenging operating environment and lower profitability, Sappi maintained a strong liquidity position of approximately US$783 million at quarter end. Net debt remained a key area of focus and, through disciplined capital allocation and careful cash management, was only marginally higher than the prior year despite the lower earnings performance. Capital expenditure in the quarter was tightly controlled at US$62 million and focused primarily on essential maintenance and operational reliability initiatives.

Group performance

North America's improved profitability was the highlight of the quarter, supported by growing paperboard volumes from Somerset Mill PM2 and better operating efficiencies.

Demand for dissolving wood pulp (DWP) remained healthy and pricing continued to strengthen during the quarter, supported by favourable viscose staple fibre market fundamentals. Packaging and speciality papers volumes benefited from increased paperboard production and sales in North America, while graphic paper markets continued to face structural demand pressures globally.

"Our strategic priorities remain unchanged. We are focused on growing our packaging and speciality papers business, improving operational performance, reducing costs and maintaining financial flexibility. The progress made during the quarter positions us well for a stronger fourth quarter," says Binnie.

South Africa

Profitability in the South African region was lower than the prior year, impacted by lower sales volumes and selling prices, particularly within the pulp segment where lower US Dollar selling prices and adverse exchange rate movements continued to create significant headwinds for the business.

Demand for dissolving wood pulp and containerboard remained resilient during the quarter, with containerboard benefiting from strong citrus export activity. Profitability in both segments was affected by the scheduled maintenance shut at Ngodwana Mill, while demand for office paper and newsprint remained stable.

Sappi continued to highlight concerns around rising levels of low-cost imports into South Africa, particularly in paper markets where import competition continues to place pressure on pricing.

Binnie commented:
"South Africa remains a strong business with competitive assets and healthy demand in several of our markets. However, increasing levels of imported product continue to create challenges for local manufacturers and deserves greater policy attention."

North America

North America delivered a significant improvement in profitability compared with both the prior quarter and prior year.

The continued commercial ramp-up of Somerset Mill PM2 was a key driver of performance, with paperboard sales volumes increasing substantially by 63% year-on-year. Improved operational stability, higher sales volumes and cost efficiencies contributed to stronger earnings, while recent industry paperboard price increases are expected to support future profitability.

“The performance of Somerset Mill PM2 continues to improve and is delivering the operational and commercial benefits we anticipated. As volumes grow and efficiencies improve, the project will become an increasingly important contributor to earnings,” says Binnie

Europe

Europe delivered an improved financial performance compared with the prior year, primarily due to strategic cost reduction and rationalisation initiatives.

Although sales volumes remained under pressure from weak market conditions and the structural decline in graphic papers demand, profitability benefited from lower fixed costs and improved operational efficiencies. The proposed graphic papers joint venture with UPM continues to progress through the regulatory approval process.

Binnie commented:

"Our restructuring and rationalisation actions in Europe are delivering tangible benefits. While market conditions remain challenging, these actions are improving competitiveness and supporting the long-term sustainability of the business."

Outlook and improved guidance

The ongoing conflict in the Middle East continues to contribute to uncertainty and cost inflation across global supply chains. However, market conditions across several of Sappi's key product categories are improving.

The group expects to benefit from stronger DWP pricing, continued progress at Somerset Mill PM2, lower maintenance costs and the recent paperboard price increases in North America. As a result, Sappi expects the fourth quarter FY2026 Adjusted EBITDA to be materially above that achieved in the third quarter.

Binnie concludes:
"While uncertainty remains in the global economic and geopolitical environment, we are encouraged by improving market fundamentals and the momentum building across our businesses. We remain focused on executing our strategy, strengthening the balance sheet and delivering a stronger performance in the fourth quarter."

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About Sappi

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.
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