

# Sappi increases pulp integration to secure supply and decrease costs

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Sappi Limited, a leading global producer of dissolving wood pulp, speciality and packaging papers, graphic paper and biomaterials, has signed an agreement to acquire the 270,000 tpa Matane high yield hardwood pulp mill from Rayonier Advanced Materials for US\$175m.

The transaction will be funded through internal cash resources and available debt facilities. The transaction is conditional on the approval from certain competition authorities. We expect the acquisition to be completed during the fourth calendar quarter of 2019.

The main benefits of the acquisition include:

- Increases Sappi's pulp integration for its fast-growing packaging businesses in both North America and Europe
- Supports Sappi's 2020Vision to grow in higher margin growth segments
- Reduces Sappi's cost of pulp
- Reduces the volatility of earnings through the pulp cycle
- Establishes certainty of supply for Sappi's increasing need for high yield pulp to support its recent investments
- Will enable supply to be increased over time to Sappi's mills in North America and Europe as demand increases and capacity expands in certain growth businesses.

Commenting on the transaction Steve Binnie, Chief Executive Officer of Sappi Limited, said:

"This acquisition will provide Sappi with both cost reductions and decreased volatility at a very competitive price per ton of pulp. Indeed, this is a more cost effective and efficient approach than building additional internal capacity for our North American and European mills. I am very pleased that we have taken another significant step towards realizing our 2020Vision goal."

Mark Gardner, CEO Sappi North America stated:

"We are very pleased to be able to increase our pulp integration for our North American businesses. The acquisition eliminates the need to invest in a pulp expansion project at the Somerset Mill, which for the same investment would have delivered significantly less pulp. At the same time, this acquisition provides us with a healthy market pulp business with a strong customer base. We will work with our new customers during the transition and will of course honor all contractual commitments."

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