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SA citrus containerboard a 'silver lining' for Sappi

CEO Steve Binnie shares year-end results with key insights into revenue declines, tariffs and market strategies.

By **Simon Brown** · 7 Nov 2025 11:57

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SIMON BROWN: I'm chatting with Steve Binnie, CEO of Sappi. We had results for year-end and quarter-end. September revenue down 1%, Heps –15 US cents. No dividend declared.

Steve, you mentioned in the results –and you've chatted around this over the year – your first quarter started strong, which would have been October to December last year, but weakened markedly from the beginning of this year and it has continued for the nine months of 2025.

STEVE BINNIE: Indeed, that's right. I think at the back end of 2024, which is our first quarter, the macroeconomic environment was better at that time. Obviously, as we went into the calendar year 2025, we started to see significant global trade tensions. We saw a slowdown in a number of our key markets. And then subsequent to that, because of all that volatility and uncertainty, the selling prices for a number of our products dropped.

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So it's been a tough nine months since then. I think things are stabilising a little bit at the moment, but definitely a tough year that we've just.

SIMON BROWN: A tough year. You mentioned some of the challenges. Obviously tariffs started coming in as early as January, Liberation Day in April. We understand that. Has it been a demand story as well?

STEVE BINNIE: Look, it's fair to say that there have been challenges in the macroeconomic environment. Europe, as you know, is a big business for us, a big market for us. The European economy has been subdued for a number of years. It has never truly recovered from Covid. In fact, in our industry, sales volumes are not even back at pre-Covid levels.

But there's no doubt [about] all the noise around the tariffs and the uncertainty that they created. For example, Sappi is a big exporter of our dissolving pulp to China – and that product is used to make clothes. Obviously with uncertainty between China and the US we started to see a drop off in trade flows; that had an indirect impact on Sappi and it affected selling prices.

SIMON BROWN: You mentioned that as well. The price differential prompted Chinese swing mills [swing-blade sawmills] to increase. Has that sort of laid itself out? You mentioned in the results the fairly volatile pricing in China. Has that eased itself or are you still seeing that?

STEVE BINNIE: I think it has eased a little. DWP [dissolving wood pulp] prices specifically dropped all the way up till about May/June. And then in the last quarter we started to see a little bit of stability, and in fact prices there went up a little. Obviously we've had this recent announcement that there's been some kind of settlement between China and the US. I think that's going to create a little more stability as well.

Interestingly, despite the low selling prices, the actual underlying demand for the product is pretty good at the moment. It's just that selling prices have come off so significantly over the course of the year.

SIMON BROWN: Let's touch on your balance sheet. Net debt 35% higher. A lot of this is cash utilisation in operations. The capital expenditure with your Somerset Mill project – which we'll get to in a bit – there's an issue with some euro-denominated debt. My sense, however, is that this is probably sort of peak debt and it will start now working its way down.

STEVE BINNIE: Yes, that's right. We had the big project that you referred to and that's now completed. That cost us $500 million, and obviously we knew there would be an impact from that on our balance sheet. At the same time we were unlucky because you don't expect the rand to strengthen so much against the dollar and the euro. And a lot of our debt is euro-denominated. So once again we got that double whammy. What is strange is that normally in

these down-cycles in our industry they coincide with global uncertainty – and in those times emerging market currencies like the rand normally depreciate. But unfortunately we get the perfect storm here, where the rand is strengthening and selling prices for our products have been weaker.

But coming back to the debt, yes, it has peaked now. The big capex is behind us. We are committed to reducing capex. It's going to be almost entirely focused on maintenance. And the levels we're looking at for the next couple of years are going to be less than $300 million a tonne, which will enable us to generate cash and pay down that debt number.

SIMON BROWN: And the Somerset Mill, which is now down in North America, that expansion project has now been concluded. Does this give you a bit of a competitive advantage in the sense that it is in America and therefore not subject to tariffs when selling in America?

STEVE BINNIE: Very much so. To be a domestic producer in the US – and I know I was complaining about tariffs – in this instance will help us. A lot of the volume [from] the competitors in that market have been European exporters, and they have tariffs now. The fact that we're a domestic producer is in our favour.

The American economy is remarkably resilient, despite all the challenges. We are well positioned in that we now have the best machines in the industry and are low cost, highly competitive and will benefit from the tariffs in this instance.

SIMON BROWN: Tariffs are weird – they work both ways and sometimes they are a benefit.

STEVE BINNIE: I know, I know. So I can't complain all the time.

SIMON BROWN: No, 100%. Take what you can. South Africa – you mentioned your demand for containerboard strengthened in the second half of the year, particularly supported by a robust citrus season, which is good news for our citrus farmers. But of course, good news for Sappi and your local production.

STEVE BINNIE: That's right. You know, the farmers put out estimates at the beginning of the year and the [citrus] season ended up being much better than everybody had anticipated. And then, as you look forward over the next five years, they're very bullish about the prospects. We're getting forecasts from them of 6% to 8% a year. So we're very bullish about the containerboard business. I think the citrus fruit exports for the South African economy are really wonderful. Obviously Sappi, being the big supplier of the packaging for that, is well positioned.

SIMON BROWN: In fact, there was an article – Cape Town Harbour is putting in a new storage facility for for that increased citrus-export demand.

Looking ahead, my sense is the business Sappi, the part that *you* control, is well positioned. The debt is going to come down. You've got the upgrades in North America. The bits that you can't control are beyond your control and they might become more challenging. But broadly, the control are beyond your control and they might become more challenging. But broadly, the company is where you want it at this stage in the process.

STEVE BINNIE: Yes, I would agree. I think the things that we can control – I think we’re doing a good job. The macroeconomic conditions this year have not helped us, but nevertheless I think we’re taking all the right actions. I believe we’ve got a great South African business, we’ve got a great US business.

Our biggest challenges lie in Europe. These are partially linked to the fact that the macro economy in Europe is in a tough place – and Europe is a tough place to do business. It’s higher cost and there is excess capacity there. So our biggest challenge at the moment is solving that. We are closing capacity, trying to take out costs, but that’s getting most of our attention at the moment because we feel in the other regions we’re in a good place – and now we have to resolve the European challenge.

SIMON BROWN: Steve Binnie, CEO of Sappi, I appreciate the time.

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