Perspective
Investment Management

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Daniel's Perspectives – August 13th, 2018

It takes years for a big ship to change direction

Sappi's Q3 2018 results presentation includes this slide:

Transition from Global Paper Company to Global Woodfibre Business
3 Phases since 2010

- 2010-2013: Reduce balance sheet risk while investing in Dissolving Wood Pulp (DWP) and Specialty Packaging
- 2014-2016: Reduce leverage from 4.6X to below 2X Net Debt:EBITDA
- 2017-2020: Strong positions in DWP and Specialty Packaging give rise to growth opportunities

Sappi's revenue was R50bn in 2010 and it employed over 15,000 people; it was a big ship and it was sailing at top speed directly into a heap of trouble. It took them 7 years to change direction. The key investment judgements must now be whether the business has improved, or not, and how it is positioned for the future.

Focusing on where it matters (or hurts, depending on where you stand), in terms of productivity, returns on shareholder capital and earnings & dividend growth rates, the evidence clearly points to Sappi being a far superior business to what it used to be prior to 2010. In addition, lower financial gearing levels and a better-balanced product set makes it far more adaptable to whatever expected and unexpected changes await.

This slide presents me with a rare glimpse into a business and its leadership's willingness and ability to think and act on a proper long-term basis. I like that. A lot.

Our work continues…

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