



THE
NAVIGATOR
COMPANY

Q2 /H1 2020
Results Presentation

July 30th 2020



THE
NAVIGATOR
C O M P A N Y

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H1/Q2 2020 RESULTS PRESENTATION



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Q2 2020 Impacted by lockdowns

- Severe fall in consumption of UWF across the world due to the Covid-19 pandemic and the general lockdowns of economies
- Consumption of graphic paper, namely advertising and commercial printing was particularly hurt; global reduction of UWF fell around 25% in Europe and over 30% in the USA
- Navigator managed paper production output during most of the quarter, avoiding inventories build-up, further price erosion and preserving working capital
- Pulp and tissue divisions performed well with significant increase in sales volume (+79% YoY and +10% YoY)
- Pressure on paper prices continued, namely in overseas markets, due to the fall in pulp prices and the reduction in demand. The lower pulp and paper prices in the quarter vs Q2 2019 were partially offset by the recovery in sales volumes of pulp and tissue, as well as significant improvement in cost performance
- Albeit this market context, Navigator achieved a very strong Free Cash Flow generation in the quarter of almost € 100 million



H1/Q2 2020 Financial Highlights

Turnover declined 19% YoY on the back of decreased paper sales and lower paper prices

Increase in pulp and tissue volume and significant improvement in production costs (variable & fixed) mitigated sales and price drops

Under extreme market conditions, EBITDA margin remained above 20% in H1

Significant free cash flow generation of 114 million sustained by efficient working capital management and reduced capex disbursements

Strong balance sheet, with Net Debt reducing by € 96 million to € 700 million during the first half; Net Debt / EBITDA of 2.29 X remains at comfortable levels, after paying 100 M€ in reserves

In millions €	H1 2020	H1 2019	Change HoH	Q2 2020	Q1 2020	Change YoY
Turnover	696	854	-19%	290	405.8	-29%
EBITDA	140	207	-32%	52	88.4	-41%
EBITDA /Sales	20.1%	24.2%	4.1pp	17.8%	21.8%	-3.9pp
CAPEX	49	68	-19.0	26	23	+3
Free Cash Flow	114	101	+13	99	15	84.0
Net Debt	700	796	-96	700	799	-99
Remunerated Net Debt/EBITDA	2.29	1.83	0.47	2.29	2.25	0.05

Main quarter highlights

Drop in UWF consumption due to lockdowns led to a reduction in paper output and sales (-37% QoQ and YoY)

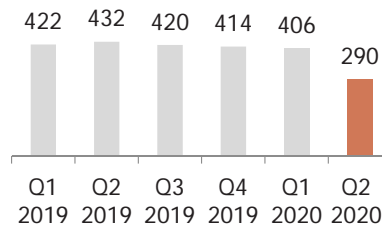
Pulp sales in Q2 increased to 110 Ktons, reaching the highest level since 2010; tissue sales stabilized at 26 ktons vs Q1 and increased 10% vs Q2 2019

Paper index declined 2.2% vs Q12020 and 7.3% vs Q2 2019; Gross pulp price was flat vs Q1 2020 and lost 26% QoQ

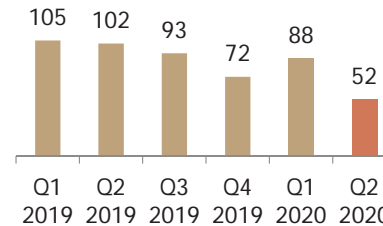
With strong cost containment measures and efficiency improvements, Navigator registered a resilient Ebitda of € 52 million

Operating Cash Flow remained also strong, with moderate capex plan and careful working capital management

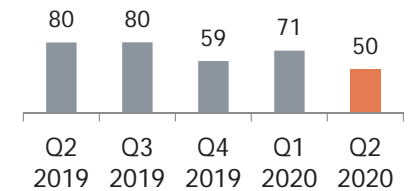
Turnover (M €)



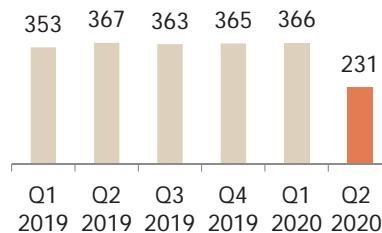
EBITDA (M €)



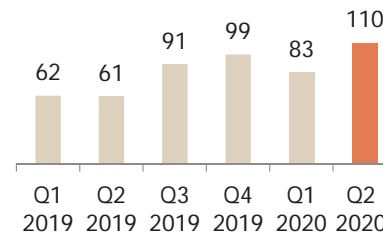
Operational Cash Flow (M €)



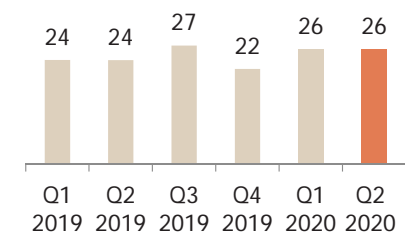
Paper sales (Ktons)



Pulp sales (Ktons)

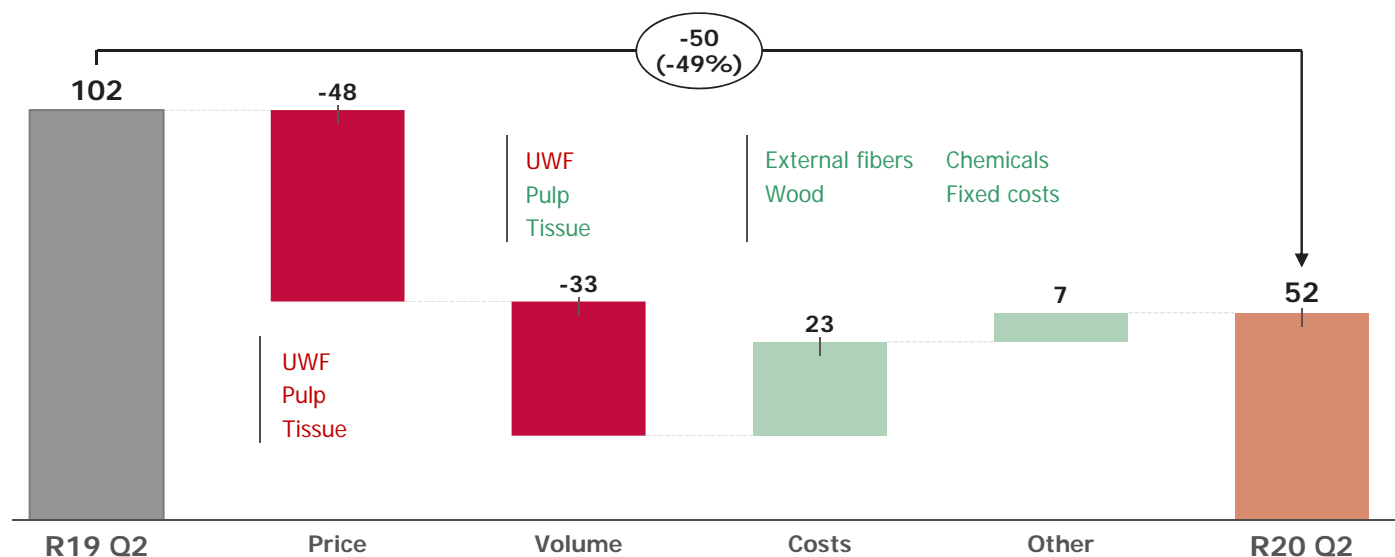


Tissue sales (Ktons)



EBITDA QoQ Analysis

EBITDA falls comparing with last year Q2 as prices fall from historically high levels, despite significant reduction in costs



A Lower prices across all business segments. UWF price comparison hampered by price increases in 2019 H1. **Still, UWF and Tissue prices showing higher resiliency**

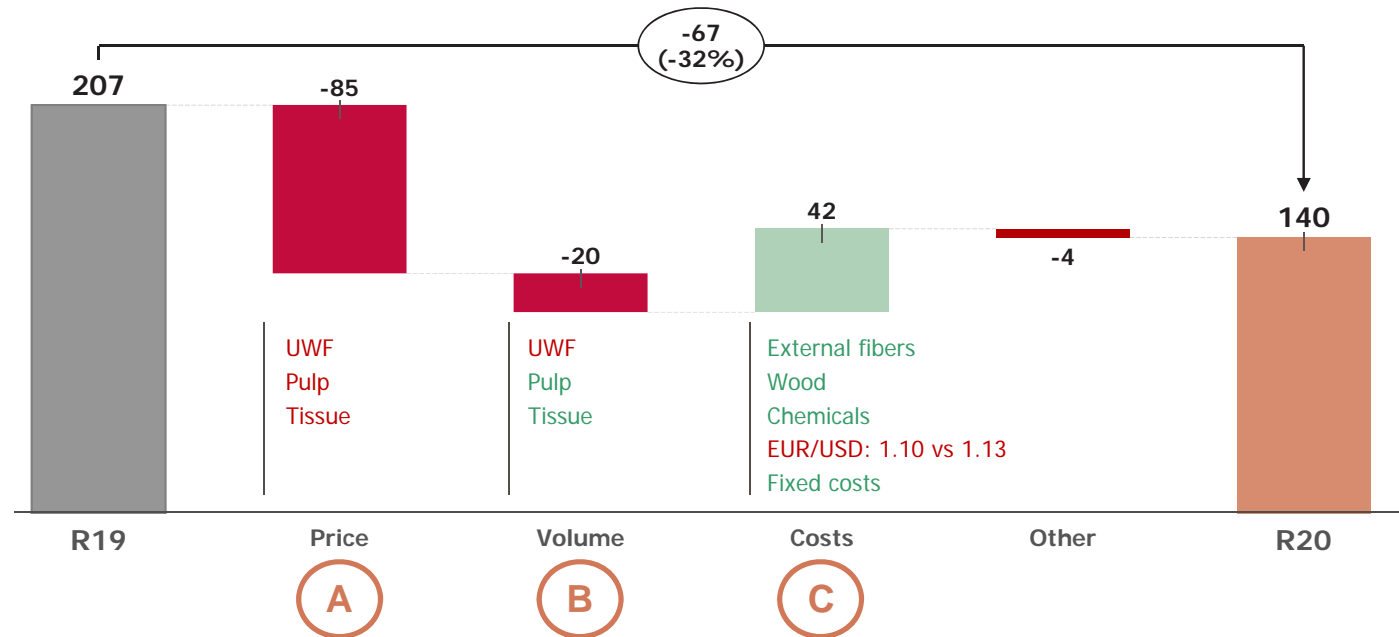
B Higher volumes sold in Pulp and Tissue businesses to offset lower UWF sales

C Significant savings obtained on both variable costs: external fibers, wood, and chemicals; in addition to fixed costs, namely functioning costs



6M 2020 EBITDA

Diversification into Pulp and Tissue businesses, as well as significant cost savings, eased the impact of lockdown measures on UWF consumption and decline in pulp and paper prices



A Lower prices across all business segments, namely in Pulp, with net prices at the lowest level of the last 6 years. UWF and Tissue prices showing higher resiliency.

B Strong volumes in Pulp and Tissue balanced the decline in UWF business

C Positive impact of variable costs, along with savings in fixed costs, particularly personnel and functioning costs

Q1 2020 RESULTS PRESENTATION



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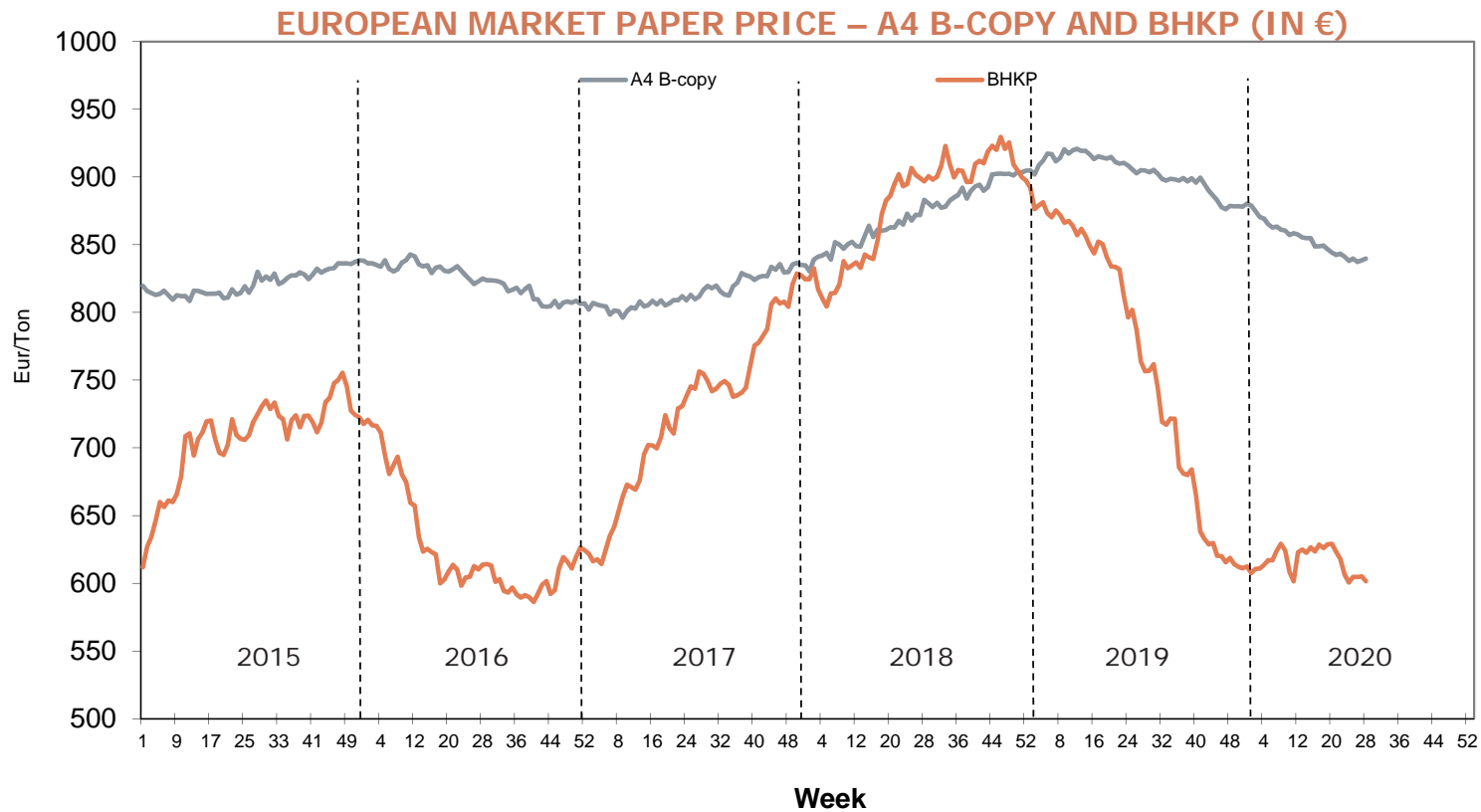
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PULP & PAPER PRICES IN H1 2020

With market discounts increasing, net pulp prices are currently at the lowest level since end 2009
Paper prices have been impacted by current market conditions and declined 6% YoY



Average pulp prices

	2014-18	2019	H1 2020
USD	817	855	680
EUR	701	762	618

Average A4 B-Copy price

	2014-18	2019	H1 2020
EUR	832	903	855

Source: FOEX

UPDATE ON THE PULP MARKET

- The pulp market was quite resilient during the first half of 2020 with demand and supply impacted by several events. On the demand side, worldwide pulp demand grew +8% YTD May 2020 vs. 2019, with significant increase in Latin America (22%), Africa (18%), Eastern Europe (10%) and China (12%). Most of the growth due to hardwood pulp (+13%). Overall, the growth in tissue more than compensated the reduction in printing and writing.
- On the supply side, there was a strong rebalancing (reduction) of producers stocks (which started at the end of 2019), from 65 days-of-stock in June 2019 to 49 days-of-stock in June 2020. There were various unplanned stoppages and production cuts, for example in short fiber from Asian producers and in Finland (labor strikes in the pulp and paper industry)
- Overall, prices were mostly stable during the first semester: the PIX Benchmark for BHKP in USD/ton remained stable in Q2 at 680\$/ton (equal to Q1 2020), but falling -29% YoY. The demand erosion from the graphic paper industry and the reduction of tissue consumption in May and June has led to some adjustments in current market conditions.
- Prices have been under pressure as the traditional weak Summer period starts, although we do not anticipate significant changes. Current market prices are likely below cost for some marginal cost producers, and below cost of integrated Chinese mills, signaling that the bottom has been reached. Several maintenance stoppages that were delayed due to Covid-19 restrictions will remove capacity in the 2H at a time P&W production starts to improve from very low levels in Q2

UWF MARKET CONDITIONS

PULP PRICE

Gross hardwood pulp prices have stabilized, remaining flat at 680 USD/ton since December 2019

DEMAND

- Demand strongly weakening during Q2, namely in April and May, with the impact of the pandemic and consequent lockdown measures clearly affecting paper consumption; UWF global demand fell 13% YTD May 2020, (Europe declining 14%, but USA more impacted at approx.20%).
- Coated Woodfree and mechanical grades significantly more impacted (-18% and -19% respectively)
- Folio products (more exposed to commercial printing) were more impacted than cutsize and reels

BALANCE S/D

Severe fall in order entry from end March led several producers to announce capacity reduction across the world, namely in Europe and in the USA for April, May and June (including NVG); UWF order book in the industry has recovered in May and June to approximately 85% of regular order for this time of the year

PRICE LEVEL

The benchmark for paper in H1 2020 averaged 855 € which represents a fall of roughly 6.4% in comparison to the 913€ price average in H1 2019. Price index fell 2.2% from Q1 to Q2 2020

NAVIGATOR PAPER & PULP PERFORMANCE



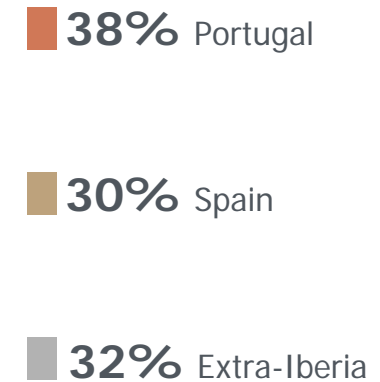
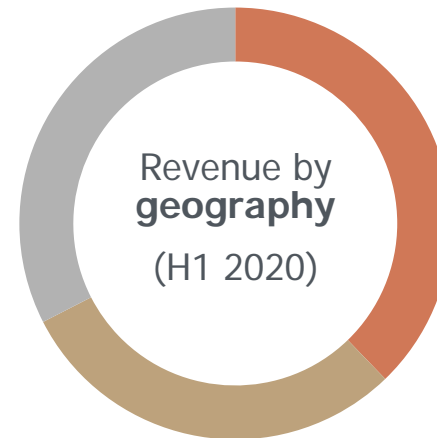
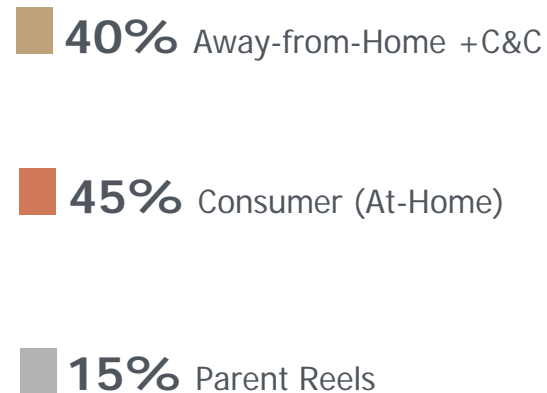
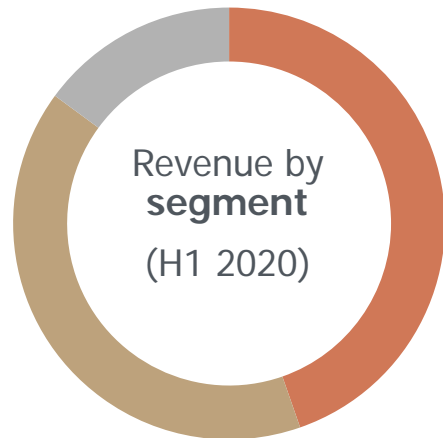
PAPER PERFORMANCE

- UWF sales volume decreased 17% YoY and 37% QoQ following production curtailment in April, May and June
- Average index price for H1 2020 was down 6.6% vs H1 2019 and down 2.2% vs Q1 2020 and paper turnover stood at € 468 million in the first half (-23% YoY)
- Order book recovered in June to 30 days, close to normal levels for this period, comparing favourably with the an estimated average of 18 days for the industry
- Increase in market share among European producers of 0.4 p.p. (order entry)
- NVG inventories reduced 19% from end-March until end-June (vs -6% among competitors)

PULP PERFORMANCE

- Sales volume totaled 193 Ktons in H1 2020, recording the highest volume sold since 2010, increasing 56% vs H1 2019 and 79% in Q2 2020 vs Q2 2019. Sales turnover was € 79.6 million, improving 2.6% YoY
- Increase in volume was sustained by higher availability of pulp and by sales recovery in European markets, as well as diversification into other geographies, taking advantage of market opportunities in tissue and packaging

Record Performance in Tissue



- Global volume of tissue sold increased to 52 kton (+10% YoY), sustained by strong sales in reels which offset the decline in finished products, impacted by the contraction of the Away-From-Home segment due to the Covid-19 pandemic
- Sales turnover increased to € 70.3 million, representing a growth of 7% YoY and 5% in Q2 2020 vs Q2 2019
- Tissue prices showed significant resilience during Q2, increasing vs Q12020 in both reels and finished products; mix effect (with an increased weight of reels) impacted average tissue prices
- Good industrial performance of both Aveiro and Vila Velha Rodão mills and improvement in fixed costs

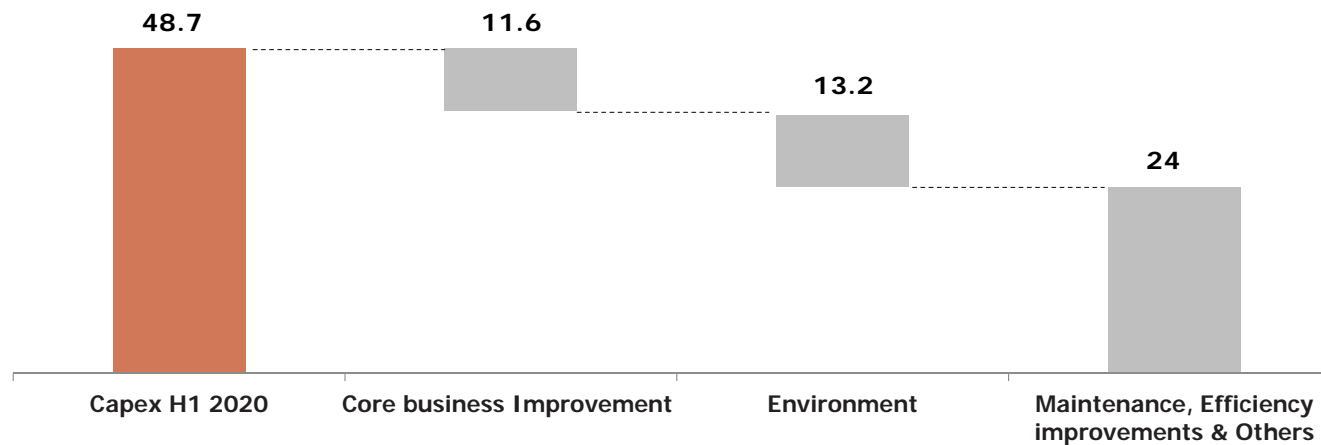
CAPEX OF € 48.7 Million in H1 (VS € 68.2 Million)

Capex plan for 2020 was revised significantly downwards to € 70 million (vs € 158 million):

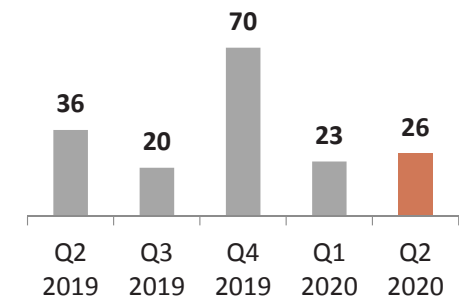
- 80% of capex registered in H1 comes from projects started in previous years
- the € 48.7 million includes payments made in 2020 referring to investments that occurred in 2019

CAPEX H1 2020

M €



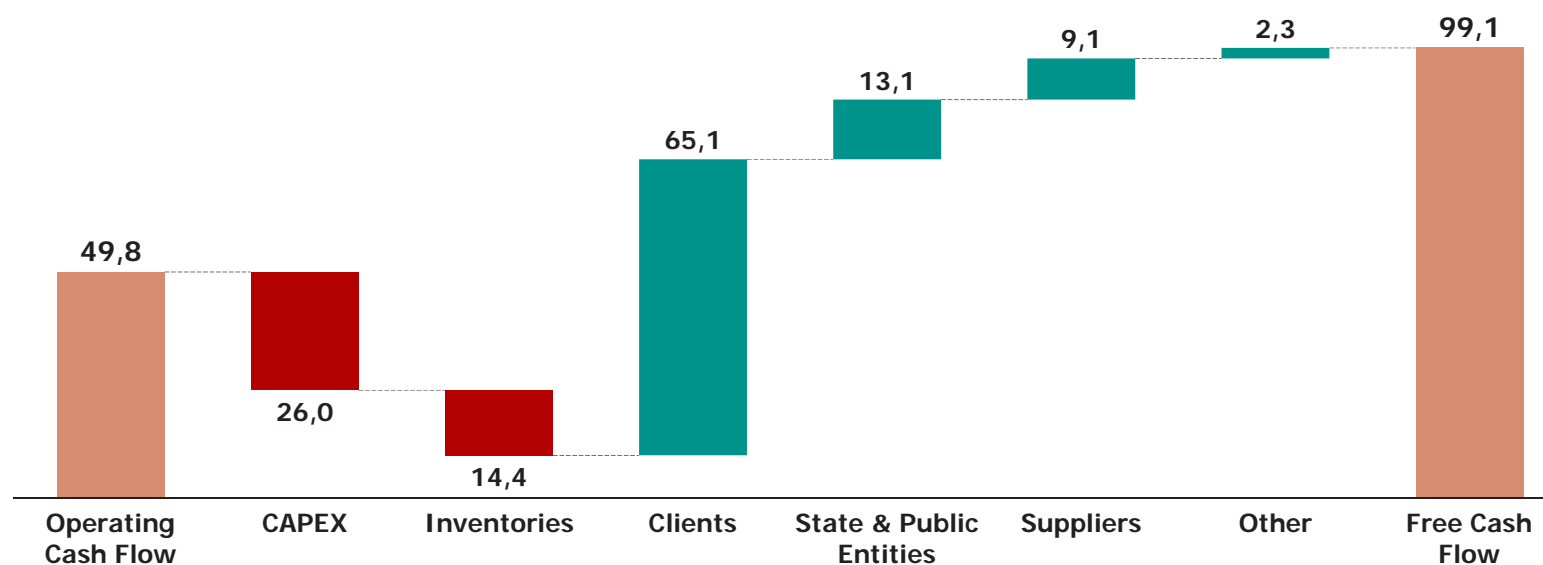
Capex over the last 5 Quarters (M €)



VERY STRONG FREE CASH FLOW GENERATION IN Q2

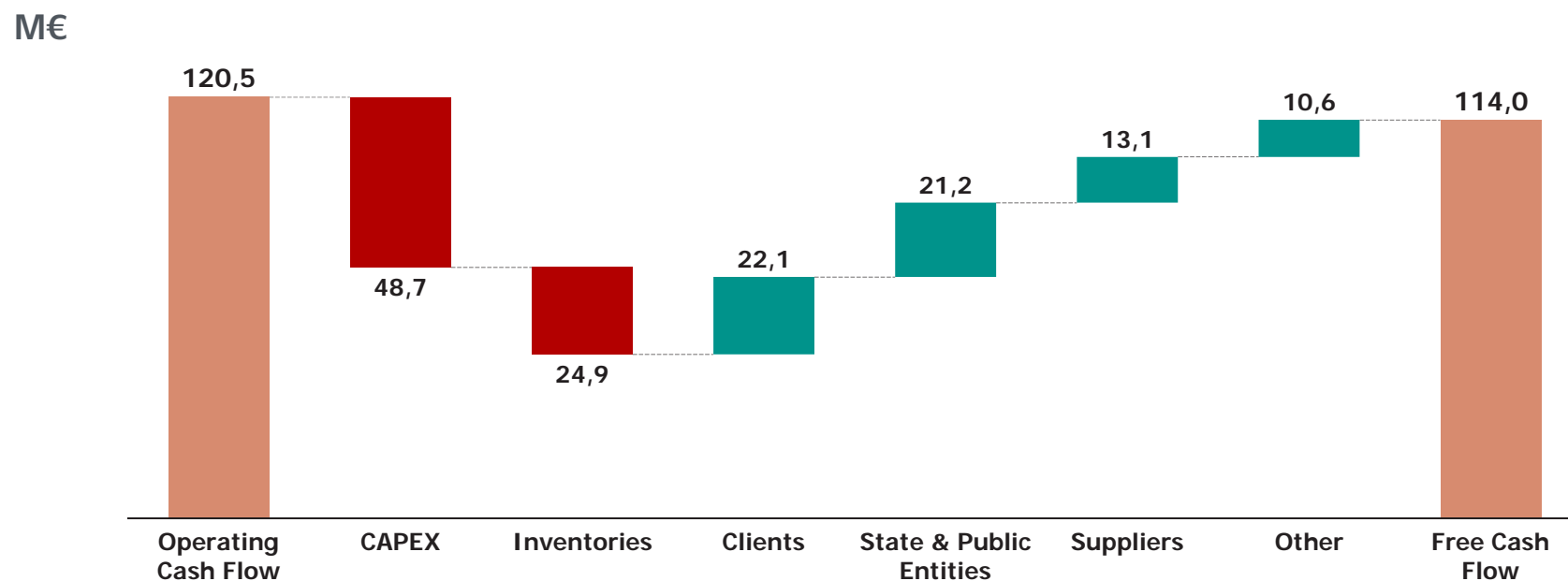
Vigorous generation of Free Cash Flow of € 99 million, comparing favorably with FCF of € 15 million in Q1 2020; efficient management of working capital, with both strong cash conversion of clients receivables and careful management of suppliers

M€



H1 - STRONG FREE CASH FLOW GENERATION

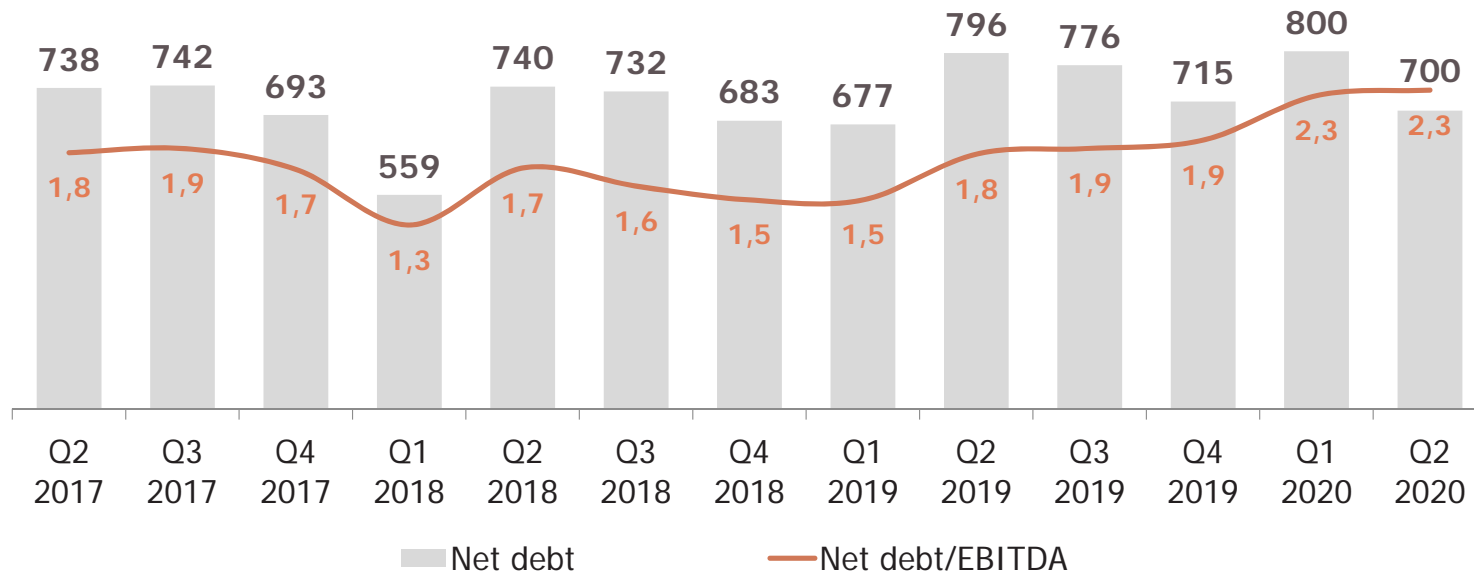
Very strong generation of Free Cash Flow of € 114 million, comparing favorably with FCF of € 101 million in H1 2019; efficient management of working capital, with both strong cash conversion of clients receivables and careful management of suppliers, with recourse to financial solutions to support their liquidity



NET DEBT at € 700 MILLION

Net debt declined € 15M* vs year-end 2019, after the Group proceeded to the distribution of approximately € 100 million in reserves to shareholders
 Net debt evolved very favorably from Q1 to Q2, sustained by lower capex and management of working capital

M €



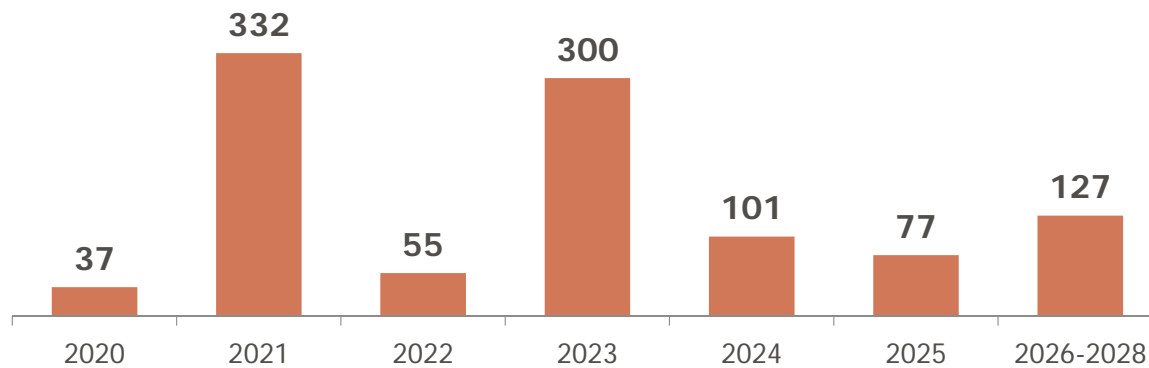
* Without IFRS 16

Conservative Debt Profile

Navigator increased its short term liquidity to 317 M€ at the end of June and has no significant repayments in 2020; current average cost of debt remains very competitive

Debt maturity profile

Total debt: € 1,027 million
Average maturity: 2.9 years



Current Average Cost of Debt
1.58%

Debt Rate Profile

Fixed	Variable
69%	31%

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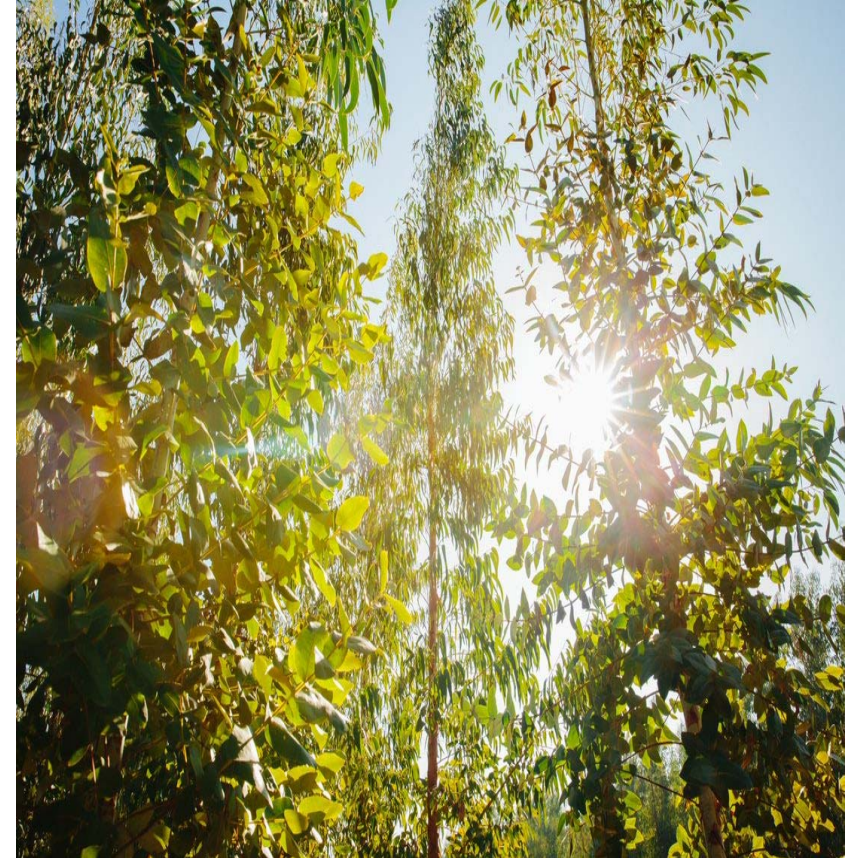
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Q2/H1 2020 SUMMARY

- Decline in consumption of UWF across the world due to the Covid-19 pandemic and the general lockdowns of economies
- Navigator managed paper production output during most of the quarter, avoiding inventories build-up, further price erosion and preserving working capital
- With a more diversified business, with increased tissue and market pulp sales, and a strong cost action, the Group is well protected against these adverse market conditions and continues to present a significant ability to generate cash flow
- With an increase in short term liquidity and a reduction in Net Debt, Navigator maintains a strong financial standing
- Production activity in the paper mills is returning to normal, and the significant efforts to prepare the seasonally slow summer period have allowed the Company to increase its order book to comfortable levels



Swift response to Covid-19 and prompt measures to preserve business well being were put in place

Suppliers

Balance mill's needs while securing suppliers' activities

- ✓ Improve working capital while supporting suppliers (namely forest producers) through financial instruments

Liquidity

Increase immediate liquidity with € 95 million unused facilities, with additional € 65 M of short-term financing guaranteed in April

- ✓ Short term liquidity increased to € 317 million
- ✓ Renegotiation of debt maturing in 2021

Capex

Capital expenditure for 2020 revised from an estimated €158 million to € 70 million

- ✓ € 49 million registered in the first half, with 80% related to projects started in previous years
- ✓ Decarbonisation plan continues

Efficiency and cost reduction programmes

Annual target for reduction in fixed costs in 2020 of € 46 million

- ✓ € 22 million reduction in fixed costs achieved

Outlook for 2020

Progressive recovery of UWF business in Q3, albeit at a slow pace and depending on the rhythm of economic progression; high level of uncertainty persists

Navigator will continue with its strong commercial planning, cost efficiency programs and effective management of liquidity

PULP

- Seasonal weak period in Q3 also impacted by demand cool off for tissue products and packaging and drop in production of graphic papers
- Supply may be impacted by production and maintenance stoppages, providing some support to historically low pulp prices, which may recover in Q4
- Navigator will continue with its commercial efforts to improve market pulp volumes

PAPER

- After a very difficult market environment in Q2, activity is slowly getting back to normal, albeit at a slow pace
- Having placed a strong effort in the preparation of the traditional slow Summer season, Navigator records a healthy order book, with all of its paper mills currently back in operation

TISSUE

- Demand for the At-Home segment expected to slow down, as the Away-From-Home segment experiences a gradual recovery
- Navigator expects to maintain a good level of industrial performance



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