



THE  
NAVIGATOR  
COMPANY

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Q1 2021

Results Presentation

June 1<sup>st</sup> 2021



THE  
**NAVIGATOR**  
C O M P A N Y

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# Q1 2021 RESULTS PRESENTATION



01

Main  
Highlights

02

Market &  
Group  
Performance

03

Outlook

# Q1 2021 IN LINE WITH Q4 2020 STABLE PERFORMANCE

- With the new lockdowns implemented in Q1, paper demand evolved in line with Q4 2020; market pulp conditions improved significantly with prices in China increasing 46% (+35% in Europe in Euros);
- Navigator concentrated larger maintenance stoppages during Q1, for both pulp and paper mills, impacting output of pulp, paper and energy;
- With very low stocks levels of pulp and paper, sales volumes for paper decreased to 336 ktons (-2% QoQ; -8% YoY) while pulp sales registered a reduction to 79 ktons (-19% QoQ; -5% YoY); tissue volumes remained positive with sales increasing to 27 ktons (+1% QoQ; +4% YoY);
- Turnover stable vs previous quarter, at € 341 million, reflecting a 16% YoY reduction, explained by the lower pulp and paper volumes and paper price evolution – A4-Bcopy index declined 6.4% YoY;
- EBITDA totaling € 71 million (-6% QoQ; -20% YoY) with a relevant 16% quarterly reduction on fixed costs; EBITDA/Sales margin reached 21%;
- Strong FCF generation of € 56 million vs € 15 million in Q1 2020, and last 12 months FCF was € 275 million (highest figure since 2013). Significant reduction of Net Debt to € 624 million (vs € 800 million in Q1 2020), which allowed a comfortable Net Debt/ EBITDA ratio of 2.33X;
- After a wide ranging stakeholder assessment, Navigator launched a new Sustainability agenda for 2030, aimed at Creating Value in a Sustainable Way.



## 3M 2021 FINANCIAL HIGHLIGHTS

Turnover of € 341 million stood in line with Q4 2020, as a recovery in selling prices offset the reduction in pulp and paper sales volumes

EBITDA totalled € 71 million and EBITDA/Sales margin was 21%, circa 1pp lower in relation to Q4 2020

Strong FCF generation of € 56 million and CAPEX of € 20 million focused on maintenance and environment

Strong balance sheet with a significant decline of Net Debt to € 624 million and a comfortable Net Debt/EBITDA of 2.33X

In millions €	Q1 2021	Q4 2020	Change QoQ	Q1 2020	Change YoY
Turnover	341	341	-0.2%	406	-16%
EBITDA	71	75	-6%	88	-20%
EBITDA /Sales	21%	22%	-1pp	22%	-1pp
CAPEX	20	11	+9	23	-3
Free Cash Flow	56	63	-7	15	-41
Net Debt	624	680	-56	800	-176
Remunerated Net Debt/EBITDA	2.33	2.38	-0.05	2.25	+0.08



# MAIN QUARTER HIGHLIGHTS

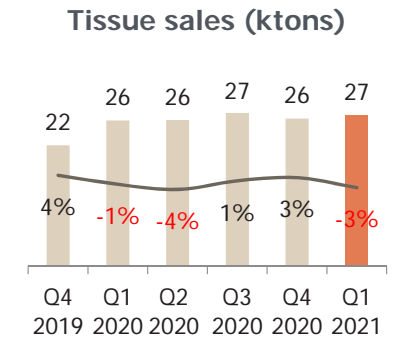
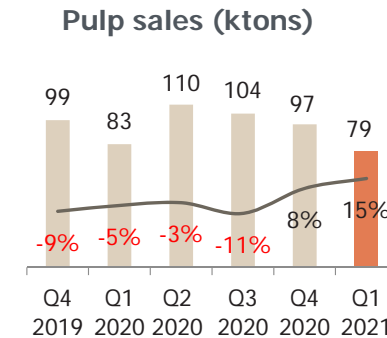
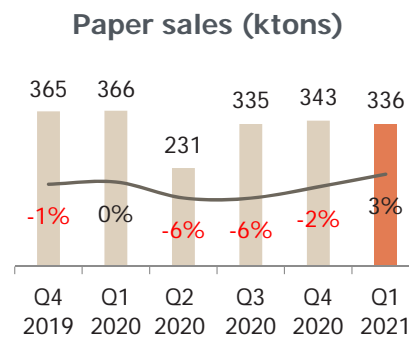
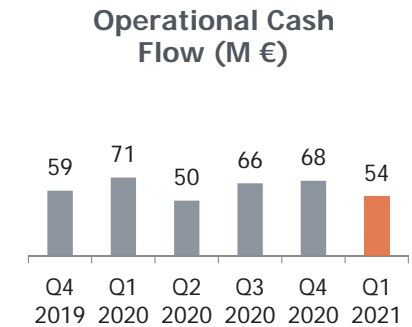
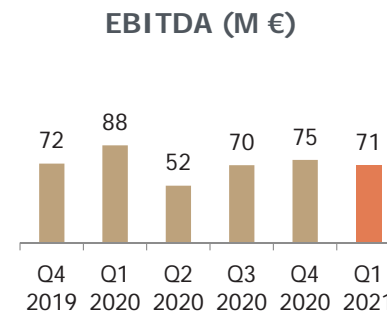
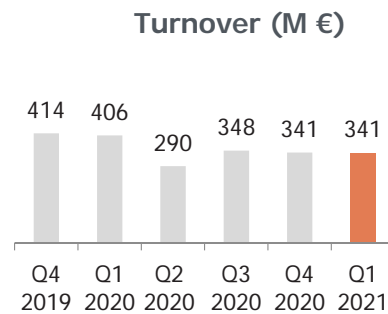
Paper sales were aligned with Q3 2020 and slightly below Q4 2020. Pulp sales impacted by very low inventories at the start of the year and planned maintenance stoppages; tissue volume stable

In spite of maintenance stoppages in Q1, turnover remained stable vs Q4, with improvement of paper and pulp sales price

NVG's average pulp price recovered 15% vs Q4 2020 and paper price 3%

With a reduction of 17% in fixed costs vs Q4 2020 and 9% vs Q1 2020, particularly in functioning costs, EBITDA amounted € 71 million, in line with previous quarters

Operational Cash Flow remained strong at € 54 million

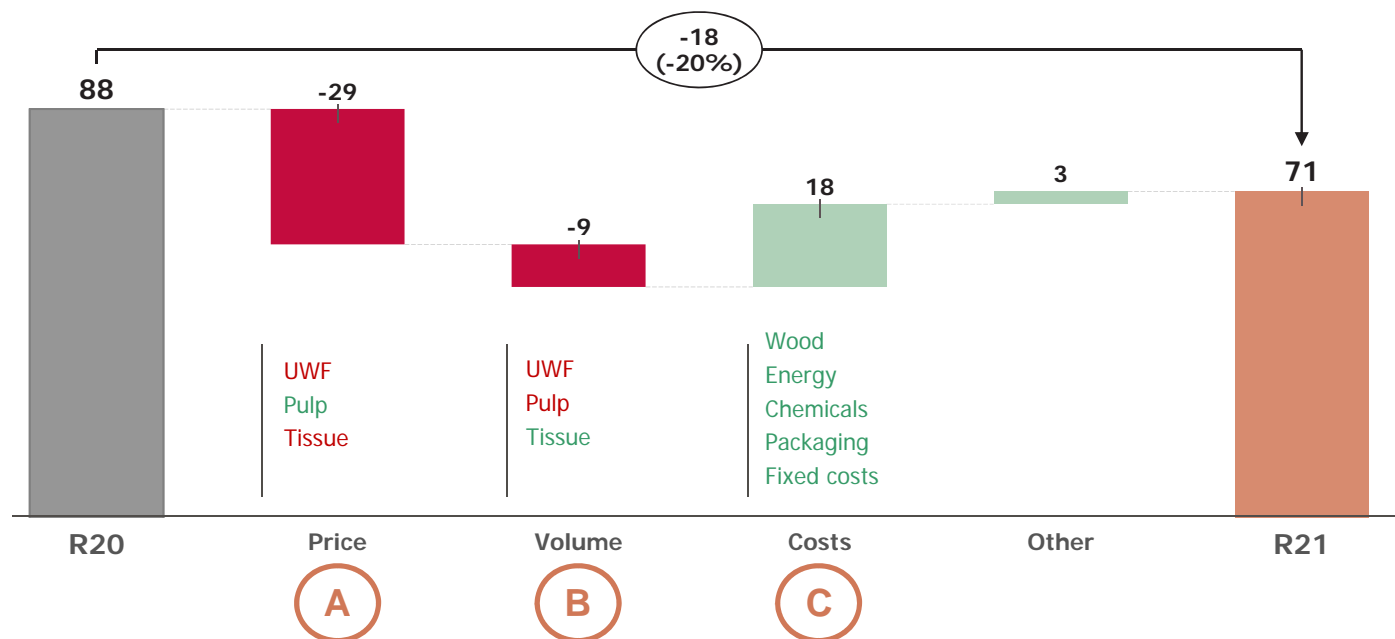


— Average Price Evolution (Quarter) \*

\* Quarterly price evolution is influenced by pure price, exchange rates and mixes

# EBITDA YoY Analysis

COVID lockdowns and planned production stoppages with negative impact on the top line  
Contraction softened by a sound performance on the variable and fixed costs front



**A** UWF prices lagging the current upward trend on Pulp market prices. FX (EUR/USD) hinders YoY comparison

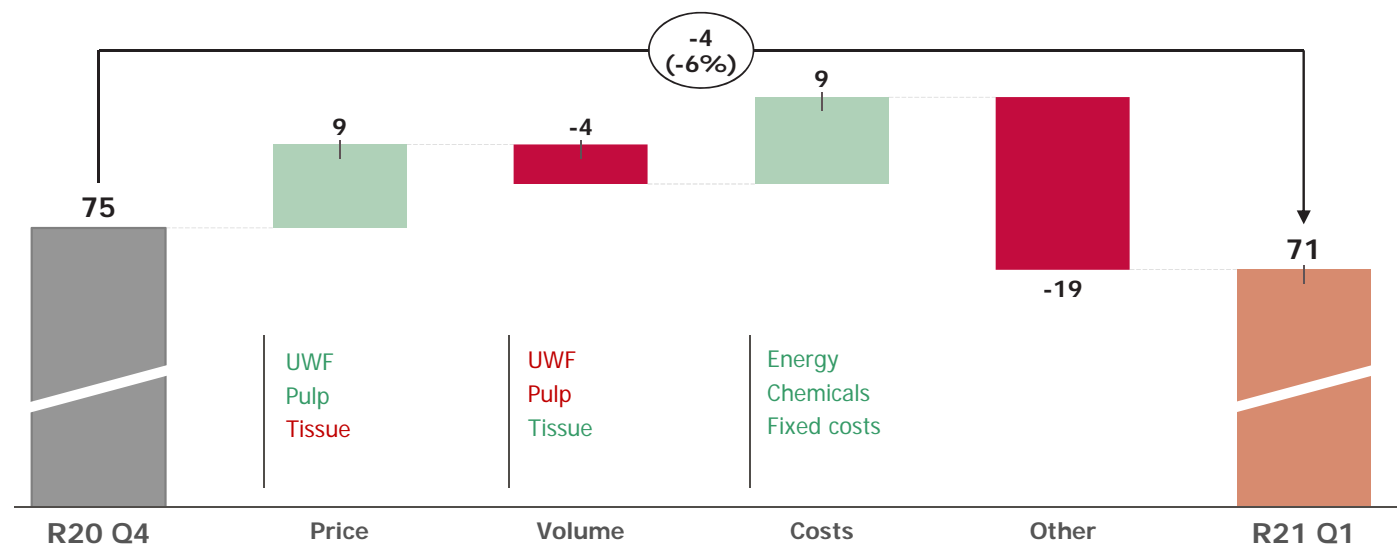
**B** Global demand for UWF falls ~5% YoY. Pulp and UWF planned stoppages anticipated to Q1 2021, limiting volumes available for sale

**C** Positive impact of variable costs, along with savings in fixed costs, namely functioning costs



# EBITDA QoQ Analysis

Recurring EBITDA in Q1 reflects a similar demand context in UWF, with a significant recovery of pulp prices and a favorable evolution of fixed costs



- A** Ascending Pulp prices also sustained, to a lesser extent, the positive evolution of UWF prices
- B** Planned stoppages during Q1 restrained volumes sold in Pulp and UWF businesses
- C** Optimization efforts initiated in 2020 persist in variable and fixed costs, with significant savings attained
- D** Other include the positive impact from revaluation of bio assets namely from Mozambique in Q4 2020

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01

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Highlights

02

Market &  
Group  
Performance

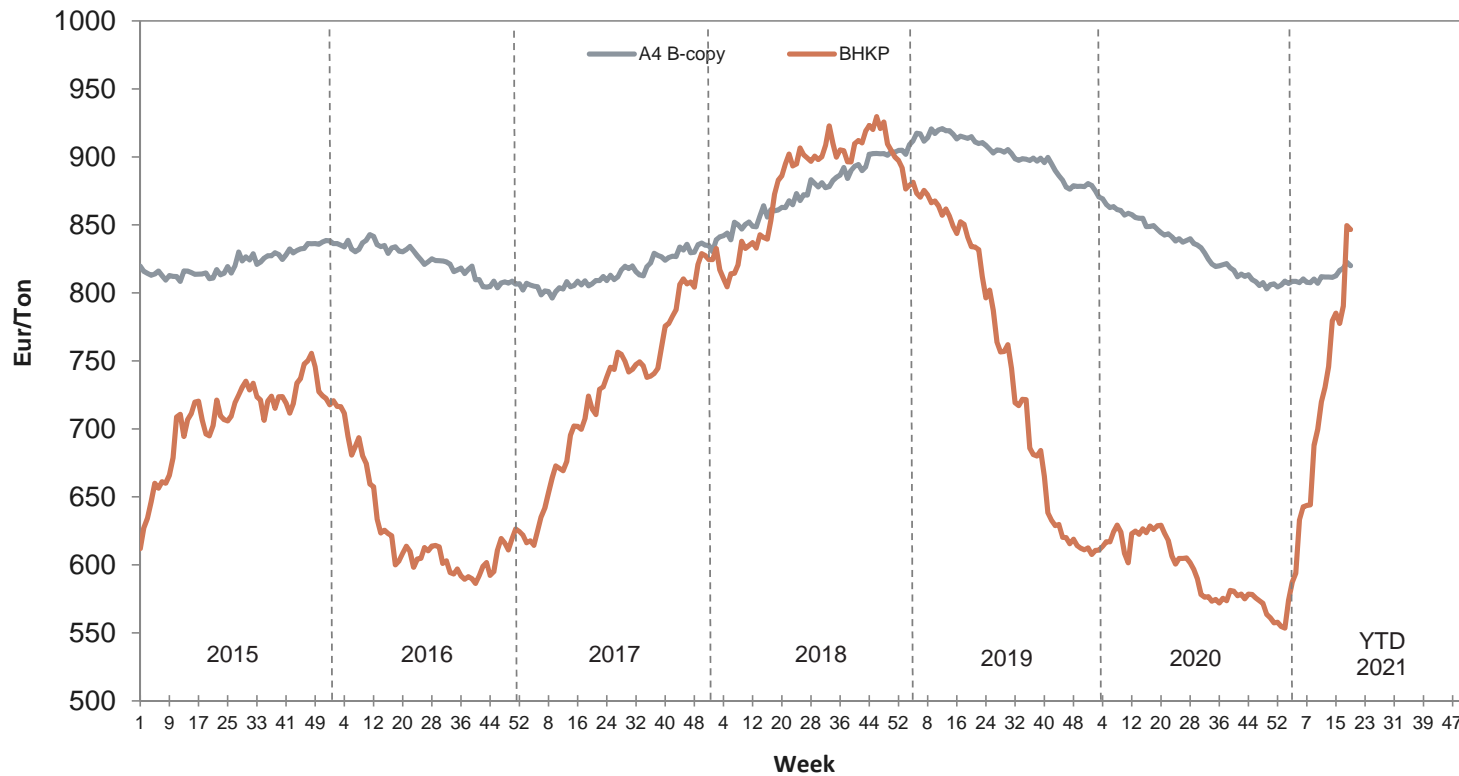
03

Outlook

# PULP & PAPER PRICES IN 2021

Gross pulp prices saw a significant recovery when comparing with Q4  
Paper price suffered a decline of 6.4% YoY

## EUROPEAN MARKET PAPER PRICE – A4 B-COPY AND BHKP (IN €)



### Average BHKP prices

	2014-18	2020	Q1 2021
Europe USD	817	680	782
Europe EUR	701	596	650
China USD	633	460	628

### Average A4 B-Copy price

	2014-18	2020	Q1 2021
EUR	832	836	809

# UPDATE ON THE PULP MARKET

- After proving to be a resilient market in 2020 (with short fibre growing by 6%), global pulp market in 2021 revealed a recovery in benchmark prices in 2021, with successive increases occurring during the quarter;
- BHKP price in USD in China increased approximately 46% in the first three months of the year, improving 29% in Europe, up from USD 680/ton to USD 876/ton (+34% in EUR, € 191/ton);
- The improvement on prices was sustained through strong stimulus measures on the global economy, with China's economy recovering and fuelling an upward cycle in commodities, while exchange rate trends (appreciation of the CNY and Euro against the USD) also sustained higher prices in USD. The speculative rally on NBSK futures prices on the Shanghai Futures Exchange drove up the spot price of Softwood, widening the gap between SW and HW;
- Another key factor was the recovery of pulp demand that started by the end of 2020, particularly in China, boosted by the increased global consumption of tissue and relevant P&B demand, especially for UWF and carton board;
- Pulp supply was conditioned by both several planned and unplanned production stoppages occurred during the period and the conversion of some short fibre pulp capacity to dissolving pulp. Logistic issues also contributed to the constrain on pulp availability;
- With several new announcements of price increase in Europe for May and June, the gap between pulp prices in Europe and China will be reduced, but still favors China.

# UWF MARKET CONDITIONS 1/2

## PULP PRICE

Global pulp market is showing recovery in benchmark prices, with continuous increases occurring during the first three months of the year, sustaining paper price increase;

- Global demand for P&W fell around 8% YTD March, with UWF performing better than other grades: -5% vs -8% in coated and mechanical papers (-12% uncoated and -18% coated);

## DEMAND

- UWF paper demand in Europe during Q1 had a similar evolution (-9%) with a substantial improvement occurring in March and April (-4% YTD), with apparent demand increasing 16% during April;
- In the USA, demand for UWF in the first three months of the year fell approximately 14%. Demand evolution and a capacity reduction of around 15% allowed a recovery in the capacity utilisation rate, up from 83% in January to 88% in March; preliminary figures for April point to demand improving 11% (YTD April -9%);

## BALANCE S/D

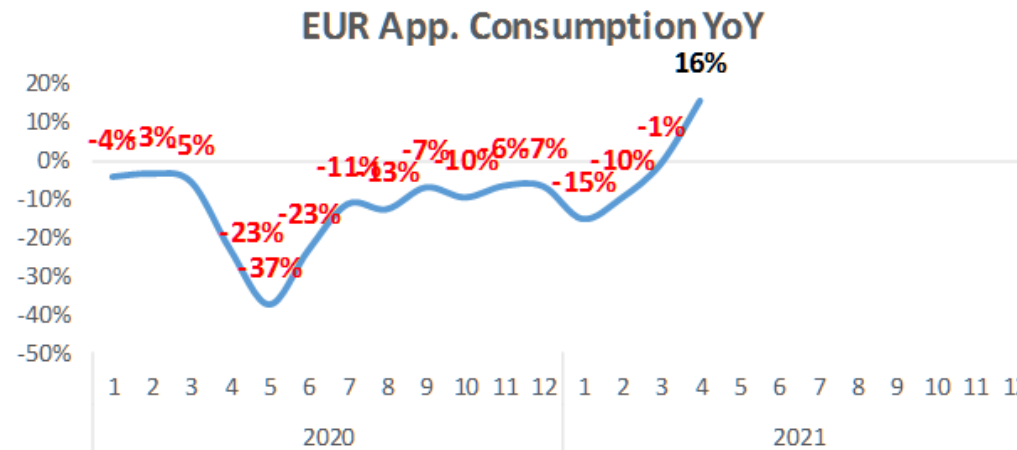
Capacity exits between 1.8-2.1 million tons in the US and other closure announcements in Europe, which will take around 8% of the European capacity, are creating a positive pressure in the balance between paper demand and supply;

## PRICE LEVEL

Benchmark index for A4 paper in Europe declined 6.4% YoY to € 809/ton vs 864/ton in Q1 2020 and remained in line with Q4 2020. Index gained 2% YTD (May 25<sup>th</sup> 2021).

## UWF MARKET CONDITIONS 2/2

### Significant improvement in UWF conditions in March and April



- YTD Apr demand declined 3.9%, showing a clear recovery since the beginning of the year;
- Reduced apparent consumption in Europe mainly due to lower imports
- NVG order book grew since the beginning of the year and stood at 57 days at the end of April, comparing to a order book of 32 days for the industry;
- Stocks at mills stable at 32 days for the industry and at 14 days for Navigator at the end of April (stocks for intermediate process reels and finished products)

# NAVIGATOR PAPER & PULP PERFORMANCE



## PAPER PERFORMANCE in Q1

- UWF sales volume decreased 2% in Q1, comparing with previous quarter, to 335 ktons;
- Average selling price impacted by product and market mixes and penalised in a higher level by exchange rates evolution in international markets;
- Paper turnover was stable versus Q4 2020 and declined 18.5% versus Q1 2020;
- Navigator was able to keep a robust order book at the end of the quarter, 57 days, an improvement of approximately 60% observed along the quarter, which favourably compares with the 30 days level of its competitors and the rough 40 days registered in the homologous period;
- Navigator stock level dropped to a level of around 13 days by the end of March, as compared to an average 31 days of its competitors, thanks to a careful management of working capital and a good start of the year in terms of demand.

## PULP PERFORMANCE in Q1

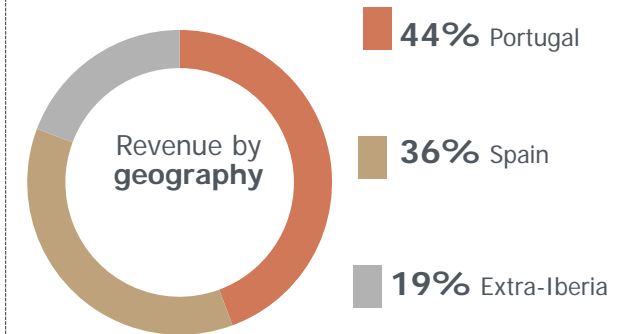
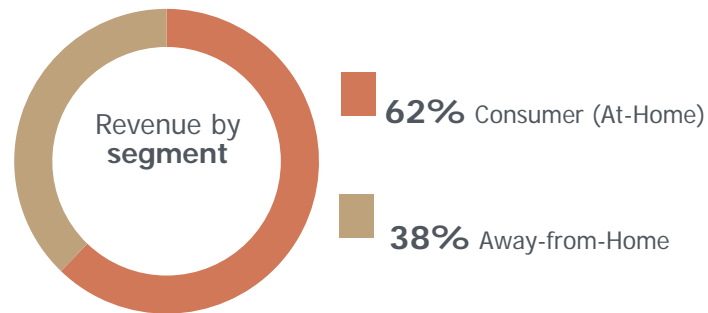
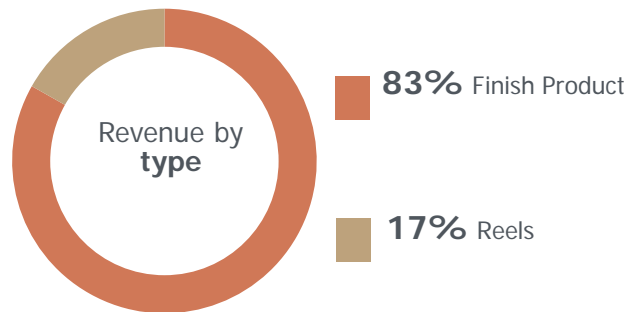
- Pulp available for sale restrained by anticipated production shutdowns, and low inventories at the beginning of the year: total volume amounted to 79 ktons (-5.5% YoY; -18.6% QoQ);
- The recovery in pulp prices since the start of the year helped mitigate the decline in sales volumes, allowing total sales value 2.1% above the registered in Q1 2020 but reflecting a decline of 6.4% QoQ.





## SOLID PERFORMANCE IN TISSUE BUSINESS

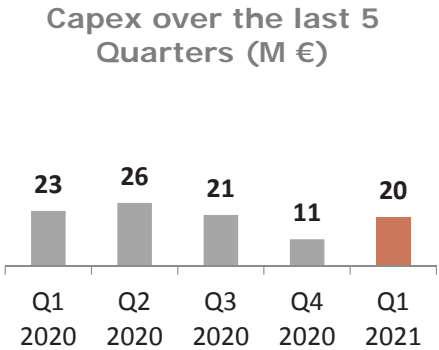
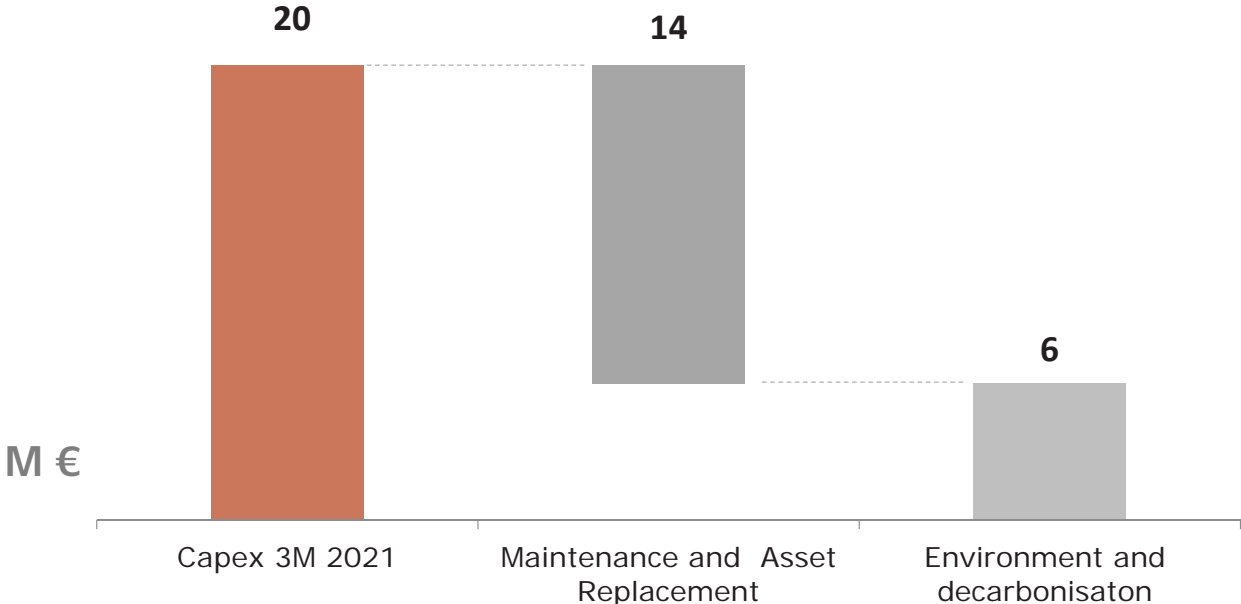
In spite of lockdowns and travel restrictions imposed at the beginning of the year, particularly impacting the Away-from-Home segment, NVG's tissue performed remained solid



- Sales turnover was in line with the same period in 2020 and reflected an increase of 3% when compared with Q4 2020;
- Average selling price was 4% below the registered in Q1 2020, mainly due to a higher weight of reels in the sales mix; sale price for finished products evolved positively;
- Global volume of tissue sold of 27 ktons (+4% YoY), sustained by very strong sales in At-Home products.

# CAPEX OF € 20 MILLION IN 2021 (VS € 11 Million in Q4 2020)

CAPEX during Q1 mainly directed at maintenance, including the new woodchip pile in Aveiro, and environment, including the biomass boiler and the solar plants in Figueira da Foz (completed) and Setúbal (under construction)



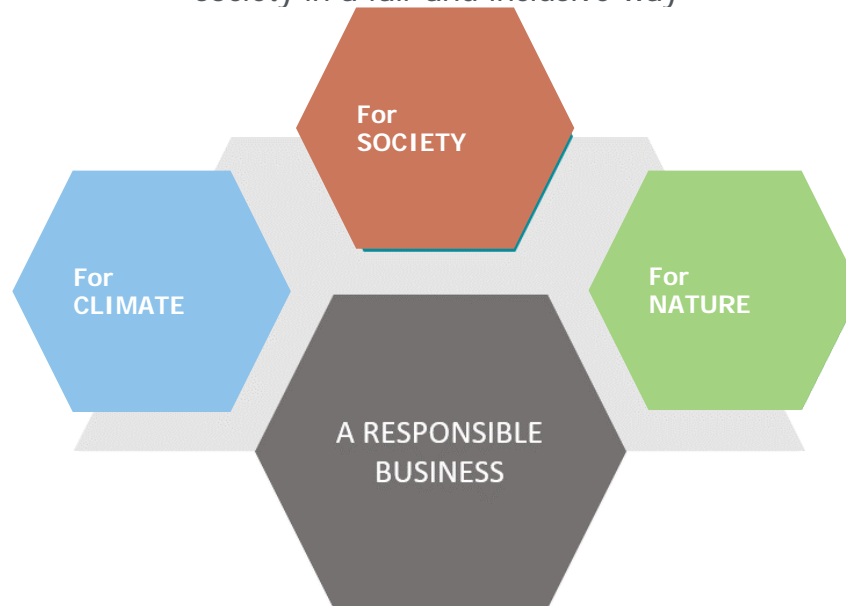
# NEW 2030 SUSTAINABILITY AGENDA

A responsible business agenda aligned with Navigator's Purpose:

**People, their quality of life, and the planet's future are what inspire and move us. We want to share with society not only our outcomes, but also our knowledge, experience and resources in the search for a better future**

Develop our **people**, engage **communities** and share value with society in a fair and inclusive way

Contribute to a **circular** and **low carbon** economy, based on research development and technology



Preserve and value the **natural capital**, thus generating economic, ecological, and social value by minimizing the ecological footprint and **optimizing efficiency** in the use of resources

Create value and business opportunities with responsibility, applying **ethical** principles and demonstrating **integrity** and **transparency** in everything we do

# ENERGY – SOLAR PHOTOVOLTAIC

The energy generation through renewable energy sources constitutes one of the company's strategic axis. This is shown through relevant investments in solar plants in self consumption regime.



The construction of a new solar photovoltaic plant in Figueira da Foz contributes to the reduction of CO2 emissions and for the company's goal to reach carbon neutrality by 2035

**PM2 Figueira da Foz**  
**7 700 solar panels**  
**2.6 MW** of installed capacity  
(Navigator's biggest solar photovoltaic plant)  
**1 300 t CO<sub>2</sub> emissions/year avoided**

Current total solar  
energy capacity

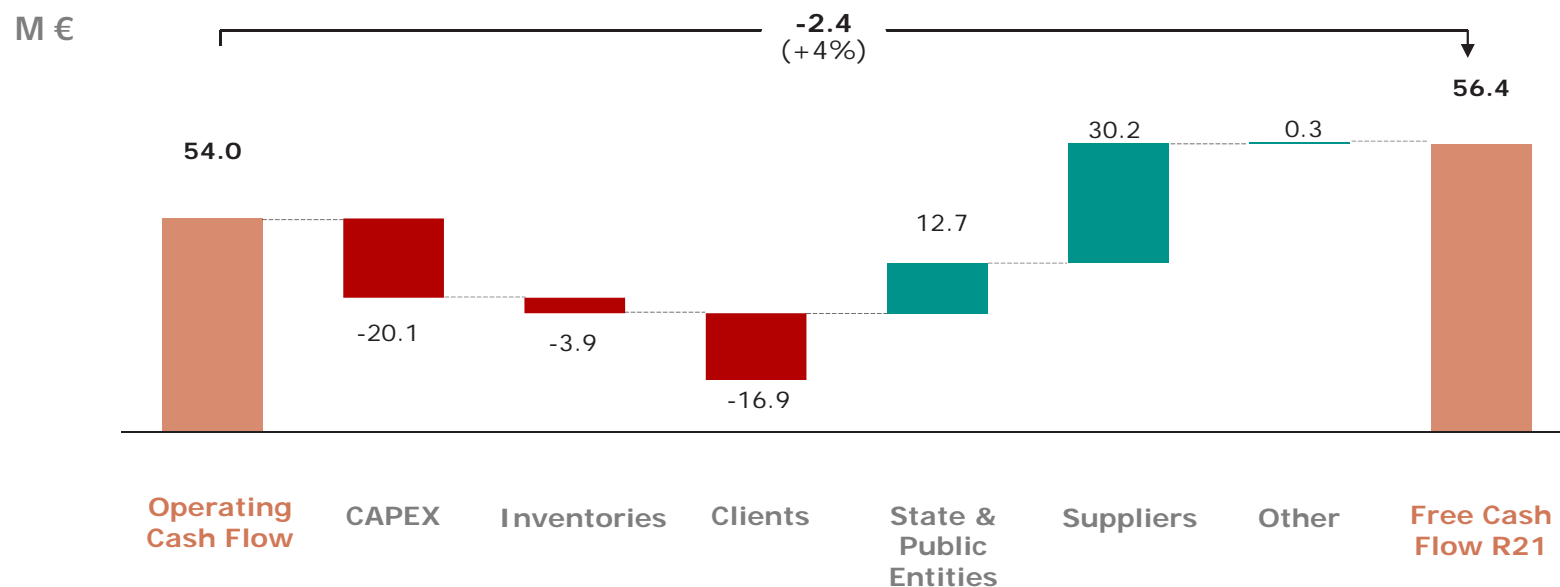
**5 MW**

**UPCOMING  
PROJECTS (2022)**

- **Navigator Pulp Setúbal:**  
**4 680 solar panels**  
(installed capacity **1.8 MW**);

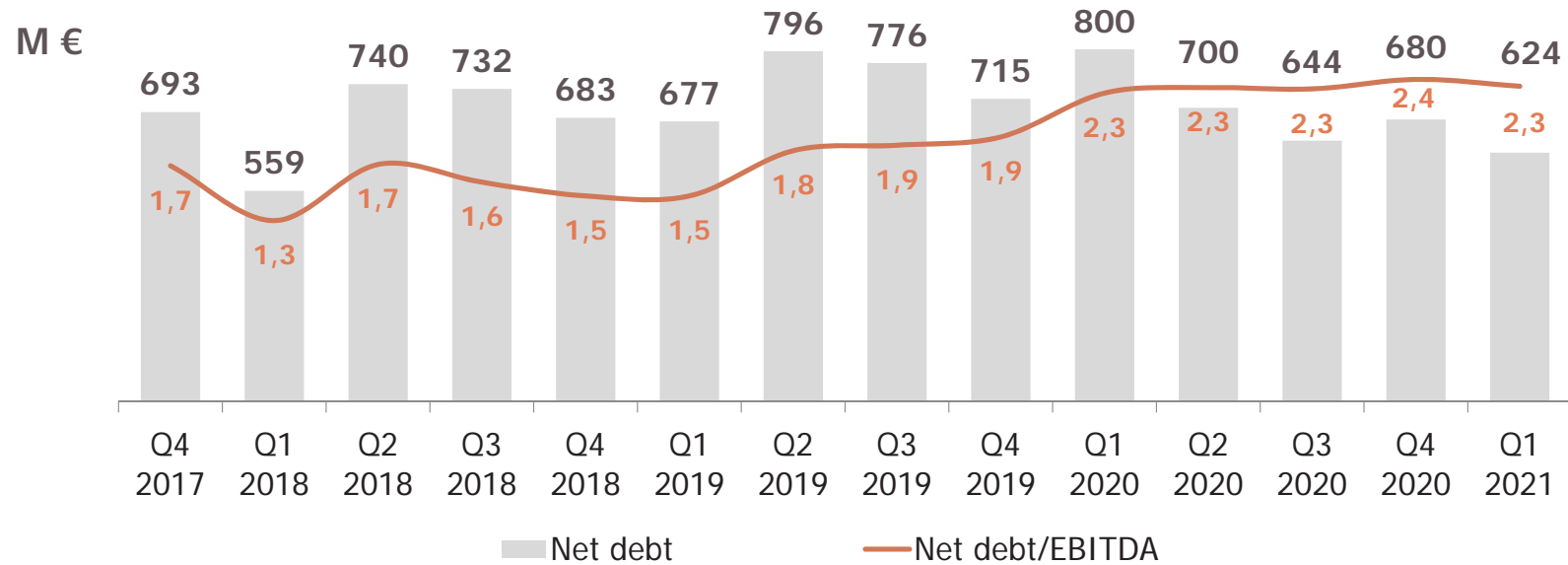
## STRONG FCF GENERATION IN Q1

Great cash flow generation of € 56.4 million in Q1 favourably comparing with € 15 million in Q1 2020; effective cost management of working capital together with a careful policy of supplier management positively impacted this result



## NET DEBT OF € 624 MILLION

Net debt declined € 56 million\* vs year-end 2020 and € 176 million YoY, totaling € 624 million in Q1



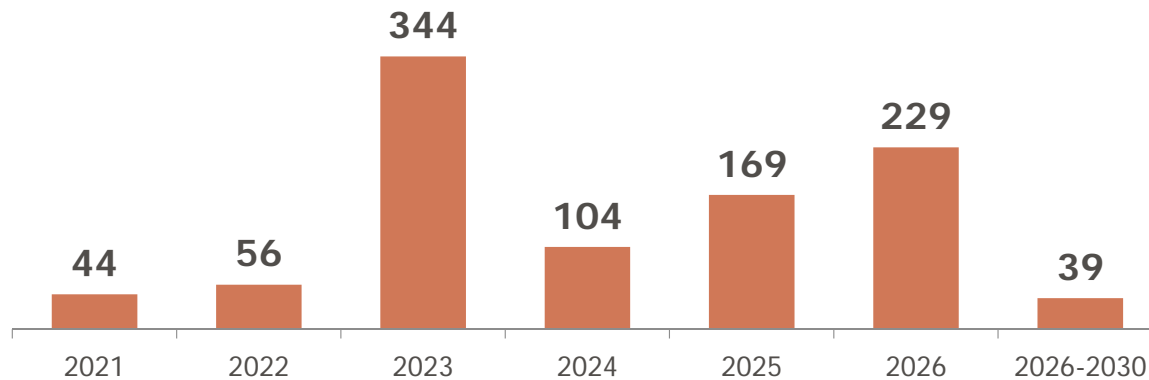
\* Without IFRS 16

# DEBT PROFILE

Q1 impacted by the reimbursement of € 40 million and issuing of € 42.5 million. Significant restructuring occurring in April, in a global amount of € 240 million The Group was able to increase debt maturity to 3.5 years and reduce medium and long-term cost of debt

## Debt maturity profile

Total debt: € 984.9 million  
Average maturity: 3.5 years



## Current Average Cost of Debt

(March 2021):

**1.5%**

## Debt Rate Profile

(March 2021):

Fixed	Variable
<b>65%</b>	<b>35%</b>



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01

Main  
Highlights

02

Market &  
Group  
Performance

03

Outlook

## Q1 2021 SUMMARY

- Q1 impacted by new surges in Covid-19 infections and subsequent lockdowns in some of Navigator's key markets, with paper demand evolving at an identical rhythm as the previous quarter, and pulp prices showing a great recovery;
- Planned maintenance stoppages during Q1 impacted pulp, paper and energy output;
- Tissue performed positively, in spite of continued pressure in Away-From-Home
- Favourable costs evolution, allowed an EBITDA of € 71 million and a margin EBITDA of 21%
- Very strong free cash flow generation during the quarter, corresponding to last 12 months FCF generation of approximately € 275 million, the highest value recorded since 2013
- Net debt reduction to € 624 million; comfortable Net Debt/ EBITDA of 2.33X
- Confirmation of the ADD rate for POR3 and start of the Sunset Review



# OUTLOOK FOR 2021

While the economy recovers and the vaccination plan is being implemented, it is expected that pulp and paper market conditions remain globally positive

**Navigator's efforts on an efficient cost management and focus on implementing its investment plan and sustainability projects to face new challenges and opportunities, as well as the 2030 Agenda commitment to a responsible business management are key for the company's success over the next decade**

## PULP

- After sharp price increments since the start of the year, a more moderate evolution is now expected, with a degree of stability in China, while prices in Europe are expected to increase; narrowing the price gap between the regions.

## PAPER

- Capacity exits in the US and closure announcements in Europe are creating a positive pressure on the balance between demand and supply;
- Pulp prices at high levels in all regions sustain the progressive implementation of paper price increases;
- Restrictions as high maritime freight costs and delays in the logistics chain are reducing the presence of non-European competitors in Europe and some of Navigator's overseas key markets.

## TISSUE

- An increase in pulp price and other production factors are driving pressure on producers' margins;
- Navigator announced a 6%-8% price increment on tissue products, with a number of other producers also announcing price increases for the second quarter. Such increases are currently under way.



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