



THE
NAVIGATOR
COMPANY

H1/Q2 2021
Results Presentation

July 29th 2021



THE
NAVIGATOR
C O M P A N Y

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H1 / Q2 2021 RESULTS PRESENTATION



01

Main
Highlights

02

Market &
Group
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Outlook

PAPER MARKET RECOVERING IN Q2 2021

- Paper market conditions improved significantly during Q2, with paper demand in Europe increasing 29% YoY in Q2 2021
- Following the significant pulp rally registered in the first half of 2021, paper prices adjusted upwards during Q2; Navigator implemented price increases across all geographies
- Strong paper order book registered throughout Q2, with June ending with one of the largest order book ever registered
- EBITDA margin recovering to 21.4%, sustained by cost containment and price improvement
- Navigator generated a strong Free Cash Flow while paying € 100 million in dividends and reducing Net Debt to € 658 million
- In line with its goal of creating sustainable value and contributing to the reduced use of plastics through its replacement for sustainable materials, Navigator took an important step forward in its diversification strategy by entering into a new business area and developing a series of new products in the packaging sector



H1/Q2 2021 FINANCIAL HIGHLIGHTS

Turnover recovered to € 715 million (+3% vs H1 2020), with the increase in paper volumes offsetting lower price levels

EBITDA totalled € 150 million during H1 (+7%) and margin improved to 21%

Capex remained contained at € 33 million, with slower execution due to the pandemic

Strong Free Cash Flow generation of € 122 million during the first half vs € 114 million in H1 2020

Net Debt decline to € 658 million and Net Debt/ EBITDA improved to 2.22 X, consolidating the Group's financial strength registered over the last years

In millions €	H1 2021	H1 2020	Change HoH	Q2 2021	Q1 2021	Change QoQ
Turnover	715	696	3%	374	341	10%
EBITDA	150	140	7%	80	71	13%
EBITDA /Sales	21%	20%	+0.9pp	21%	21%	+0.7pp
CAPEX	33	49	-16	13	20	-8
Free Cash Flow	122	114	+8	65	56	+9
Net Debt	658	700	-42	658	624	+34
Remunerated Net Debt/EBITDA	2.22	2.29	-0.07	2.22	2.33	-0.11

MAIN QUARTER HIGHLIGHTS

Turnover rose 10% QoQ and 29% YoY to € 374 million, mainly due to a recovery of paper volumes and improvement in pulp prices

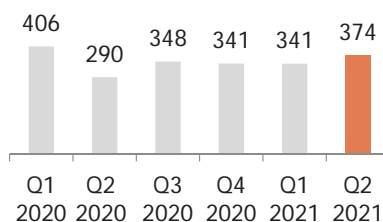
Paper volumes recovered nearly 9% QoQ and 58% vs Q2 2020, and are now aligned with 2019 levels

Slight decline in pulp volumes (-7% vs Q1 2021) due to lower availability of market pulp; tissue adjusted to 25 ktons (-7% vs Q1 2021; -4% vs Q2 2020)

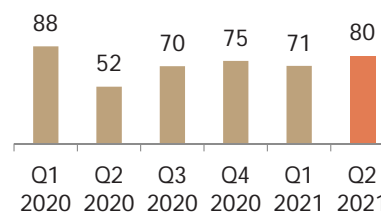
EBITDA reached € 80 million in Q2, presenting the 4th consecutive quarterly improvement

Growing Operational Cash Flow to € 72 million, reflecting a QoQ evolution of 33%

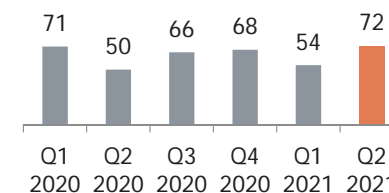
Turnover (M €)



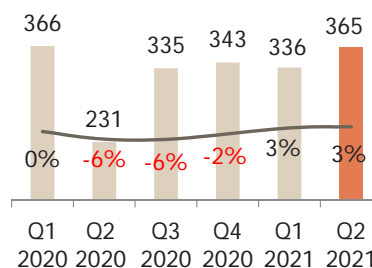
EBITDA (M €)



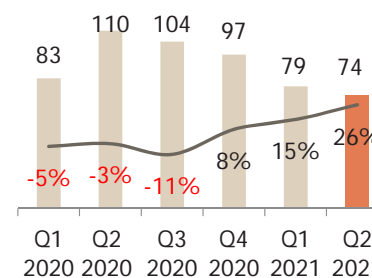
Operational Cash Flow (M €)



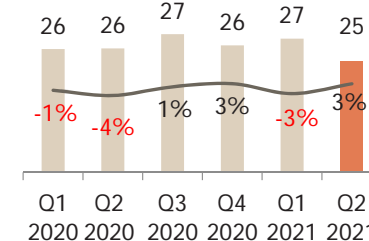
Paper sales (Ktons)



Pulp sales (Ktons)



Tissue sales (Ktons)

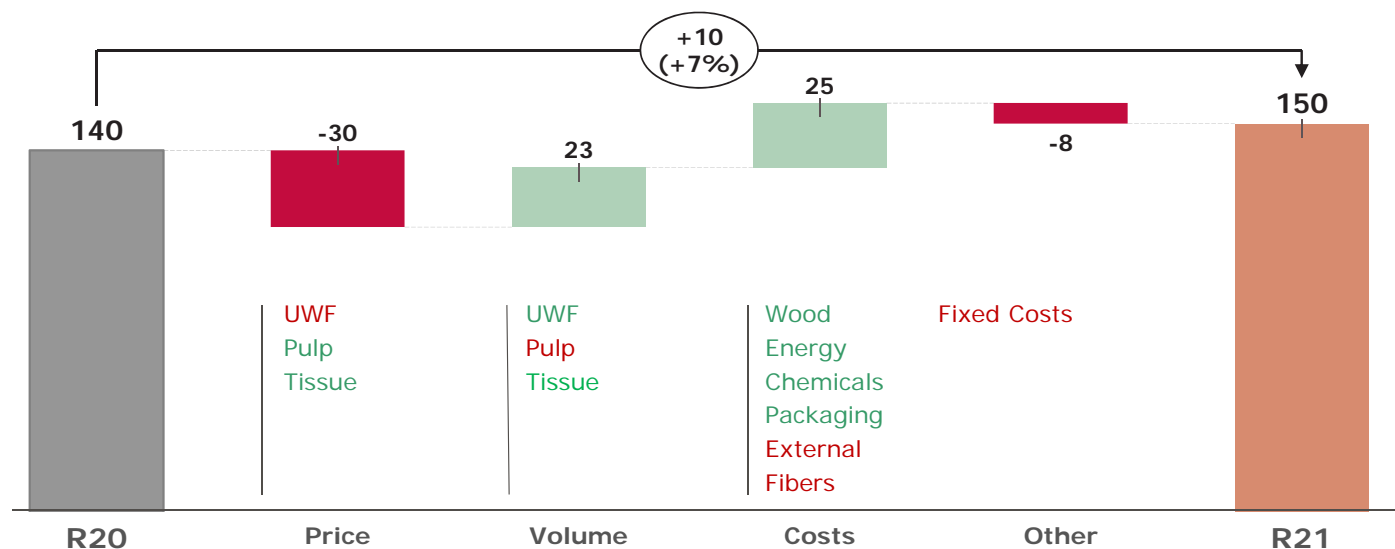


— Average Price Evolution (Quarter) *

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

EBITDA YoY Analysis

Improvement in market conditions prompted the upsurge in Pulp prices and the recovery of UWF volumes, as cost efficiency efforts persist



A

B

C

A

UWF prices lagging the expressive upward trend on Pulp market prices. EUR/USD FX hinders YoY comparison

B

UWF sales volumes improved 17% YoY following global demand growth. Pulp limited by stoppages, low stock and higher paper integration. Tissue in line with last year

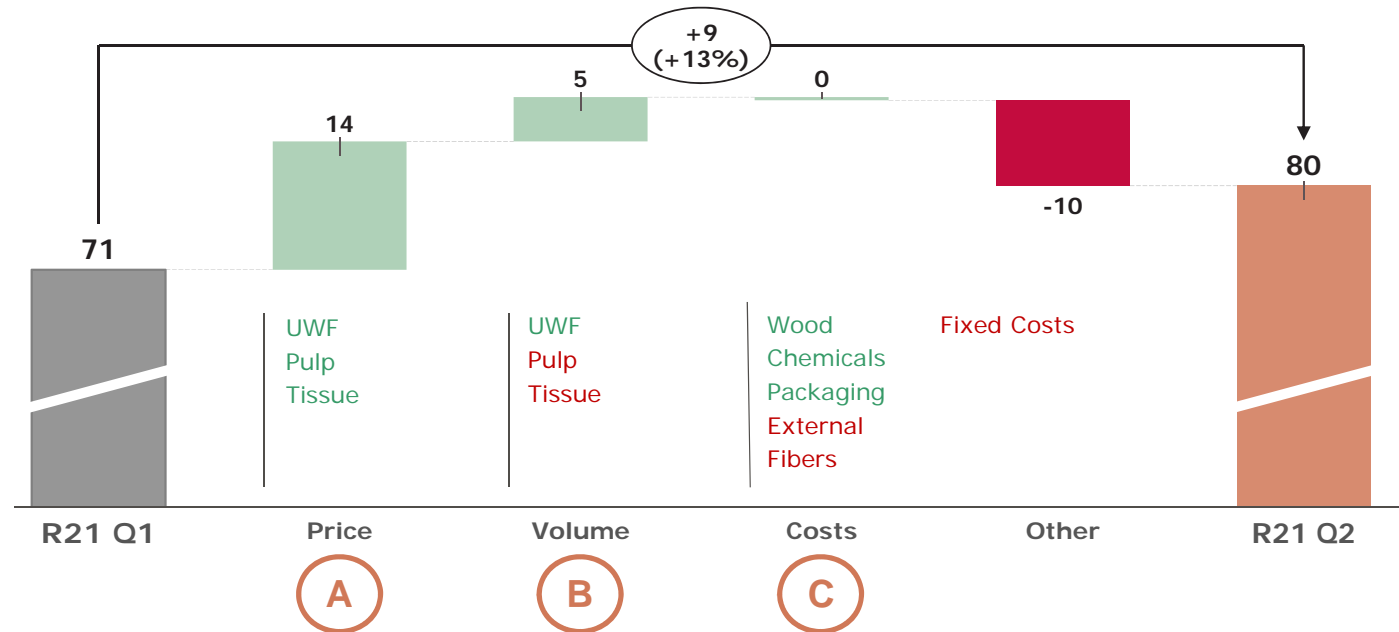
C

Positive impact of variable costs, namely Wood, Energy and Chemicals



EBITDA QoQ Analysis (1/2)

Q2 EBITDA improvement as a result of UWF demand recovery and the positive trend in pulp market prices



A Uptrend in Pulp prices also sustained, to a lesser extent, the positive evolution of UWF and Tissue prices

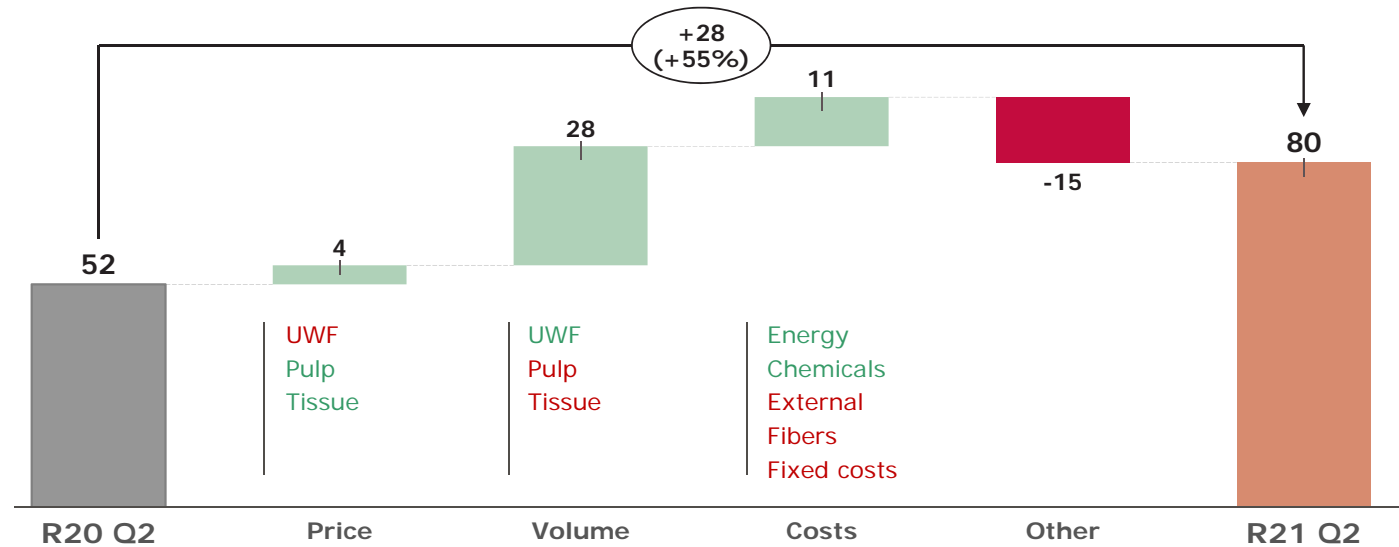
B Improvement in the economic outlook led UWF volumes to grow in Q2. Pulp constrained by lower volumes available, while Tissue was impacted by AfH segment slow-paced recovery

C Positive impact of variable costs, namely Wood, Chemicals and Packaging offset the increase in External Fibers and Fixed Costs



EBITDA QoQ Analysis (2/2)

Significant growth in EBITDA (+55%) as the pandemic effects hampered the group's performance during last year Q2



A

B

C

A

Favorable progression of market Pulp prices. Product mix with higher % of FG benefits Tissue prices. UWF slightly below last year figures (-2%)

B

UWF sales volumes significant growth (+58%) compared with Q2 2020 bottom, also reduced Pulp available for sale

C

Optimization efforts initiated in 2020 persist, with positive results particularly in variable costs

H1 / Q2 2021 RESULTS PRESENTATION



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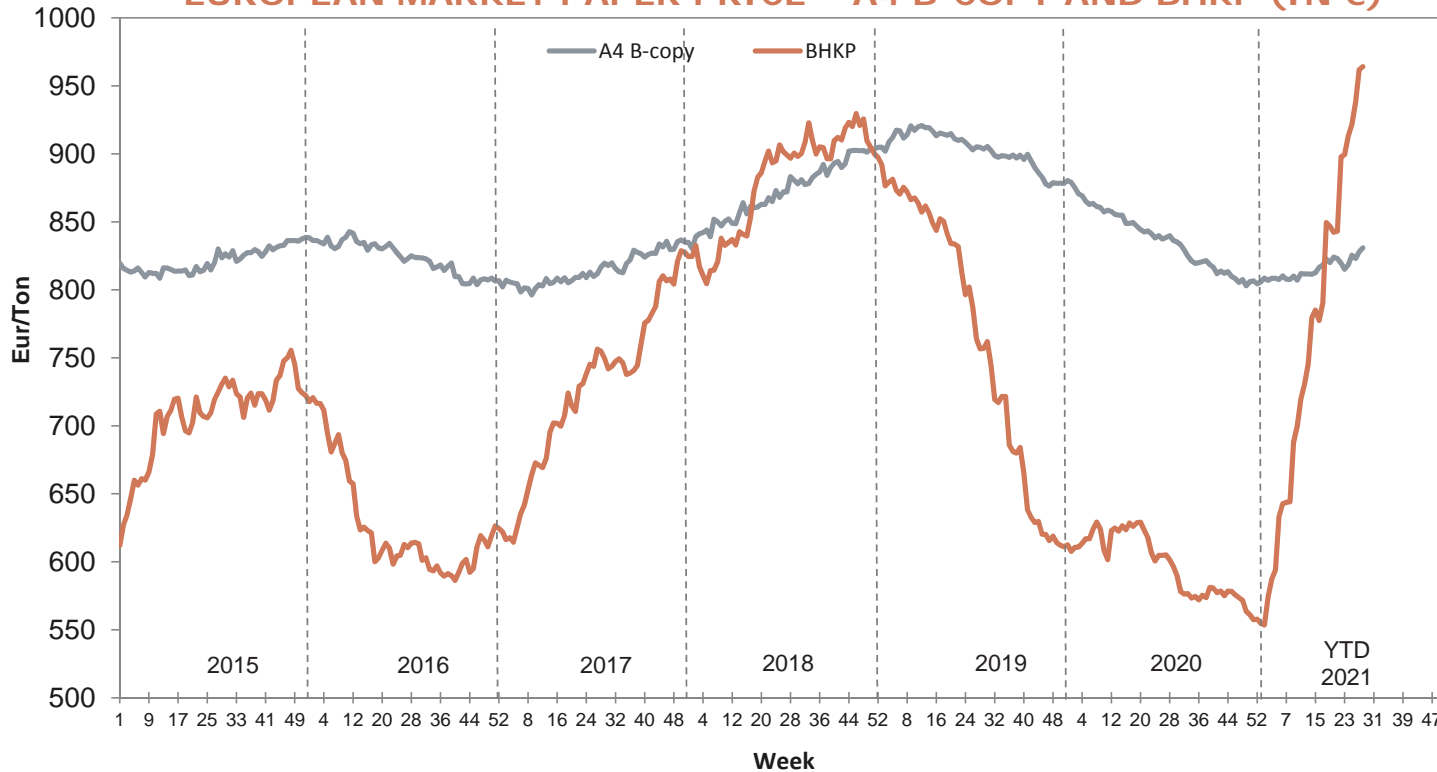


PULP & PAPER PRICES IN H1 2021

Strong recovery on pulp prices during the quarter (+31% QoQ; +51% YoY)

Average paper prices declined 3% YoY, although improving when compared to the beginning of the year (+1.3%)

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



Average BHKP prices

	2014-19	2020	H1 2021
Europe USD	823	680	905
Europe EUR	711	596	752
China USD	622	460	702

Average A4 B-Copy price

	2014-19	2020	H1 2021
EUR	844	836	814

Source: FOEX



UPDATE ON THE PULP MARKET

PRICE

- Very strong pulp prices increase since the beginning of the year, reaching historical levels, first in China and then in the rest of the world:
 - BHPK in Europe (June): 938 €/ton (+69%)
 - BHPK in China (June) : 759 USD/ton (+52%)
- In recent weeks, prices in China are coming back to historic averages; currently in Europe a peak has been reached

DEMAND

- Difficult comparison with 2020, when demand for hardwood increased 6% (+2.2Mt), comparing to an average increase in 2020-2019 of +1.1 Mt/year and a CAGR of 4%
- Still, demand for hardwood pulp remains robust, even if registering a global decline of around 1.3% YTD, with Europe growing 0.9% and China 1.3%

SUPPLY

- Producers operating at very high operating rates during the first five months of 2021 (93% in HW)
- Longer maintenance stoppages (planned and unplanned) and adverse weather conditions limiting wood availability and pulp production
- Significant drop in producers short fiber stocks to 37 days in June (vs historical levels of 44 days); Chinese stocks in ports are increasing (1.9 Mt in May, which implies less than 30 days of stock)
- In spite of expected start-up of new capacity during Q3, impact in the market should be gradual and not be felt before 2022

UWF MARKET CONDITIONS 1 / 2

PULP PRICE

All time record high price BHKP puts significant pressure on paper producers; BSKP is also at very high levels and other cost inputs such as chemicals and logistics have registered strong increases

DEMAND

- Global Printing and Writing demand increased 1% YTD May, with Uncoated Woodfree registering a positive performance of +4% which compares with 0% in coated paper and -5% in mechanical paper
- In Europe, UWF paper demand in the first semester performed even better, growing about 6%, with a notable evolution in Q2 of +29% YoY
- In the USA, preliminary figures point to 0.3% YTD growth in UWF paper demand, with Q1 falling 12% but Q2 improving 17%; such rebound is visible in other regions, namely in China, where May YTD 2021 growth reached 18% vs 2020

BALANCE S/D

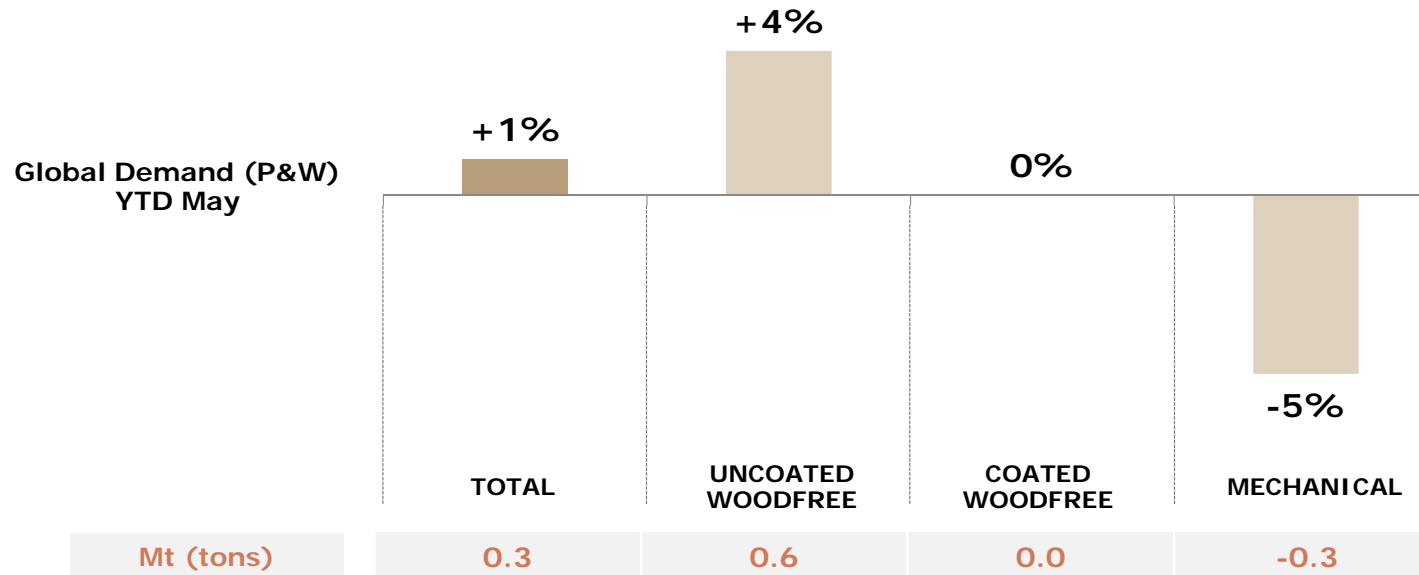
- Improved balance between supply and demand following exits and conversions from UWF in North America (-1 Mtons in 2020-2021) and in Europe (-0.9 Mtons between Q3 2021-Q1 2022)
- Trade flows from major export origins are constrained due to high sea freight rates and improving demand on local markets

PRICE LEVEL

A4 B-copy price index for Europe by end of June was in 823 €/ton, a positive evolution since the start of the year (806 €/ton). Navigator applied price increases in all regions throughout the semester, with its real price in Europe evolving above the index between Q1 and Q2

UWF MARKET CONDITIONS 2/2

PAPER MARKET RECOVERING WITH UWF DEMAND GROWING 4% YTD MAY



- Decline in UWF imports to Europe of 27% has supported sales of European producers to Europe (+11%)
- This decline is (in part) driven by the very steep increase in global container rates following the faster than expected recovery in consumer demand, container shortages and the shift of consumer spending from services to goods

Source: PPC

NAVIGATOR PAPER & PULP PERFORMANCE



PAPER PERFORMANCE in Q2/H1

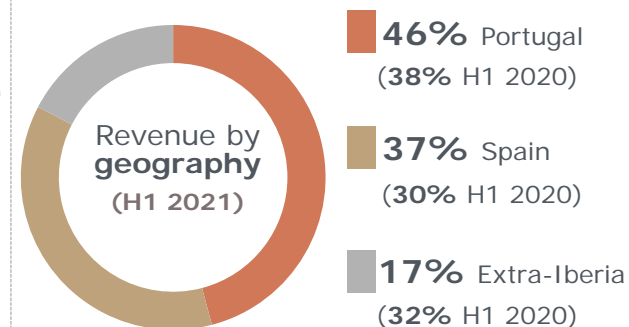
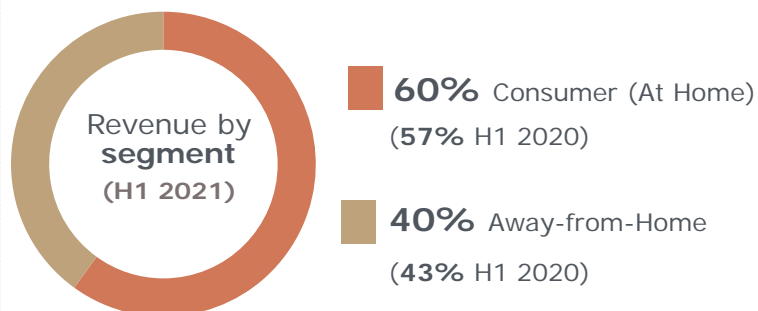
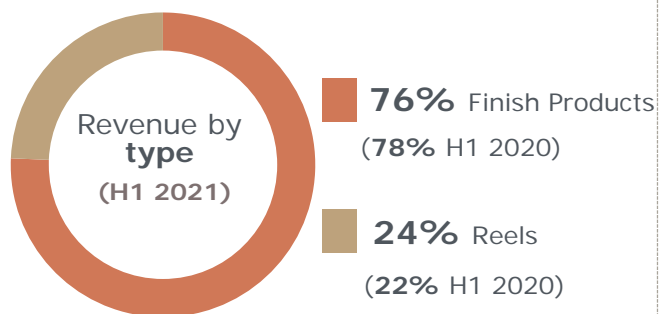
- UWF sales volume increased approximately 17% in H1; Q2 volume registered a positive trend vs. the previous quarter (+9%) to 365 Ktons, reaching figures in line with 2019 levels
- Solid improvement in paper turnover: +9% in H1 vs H1 2020, +54% QoQ and +12% Q2 vs Q1 2021
- Navigator registered a strong order book during H1, ending the month of June with a total order level of 55 days, comparing favorably with the 32 days of competitors, and 30 days achieved in the H1 2020
- Navigator paper stocks declined through the period, standing at 13 days of stock, compared with an average of 29 days from its competitors

PULP PERFORMANCE in Q2/H1

- Navigator started 2021 with a relatively low stock level which, together with higher paper integration and the large maintenance stoppage at the end of Q1 at Figueira da Foz, reduced volumes available for sale during the first half. Pulp volumes stood at 152 Ktons, 21% below H1 2020 (when market pulp availability was significantly higher)
- Pulp price recovery since the beginning of the year mitigated the drop in volumes and total sales in the first semester were 3% below the value YoY

TISSUE MAINTAINS SOLID PERFORMANCE

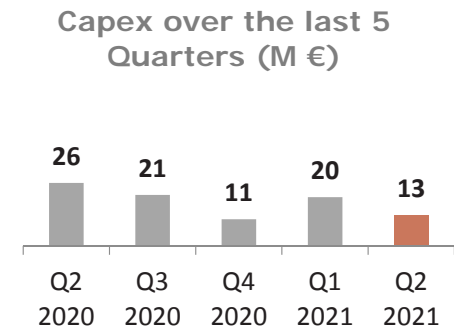
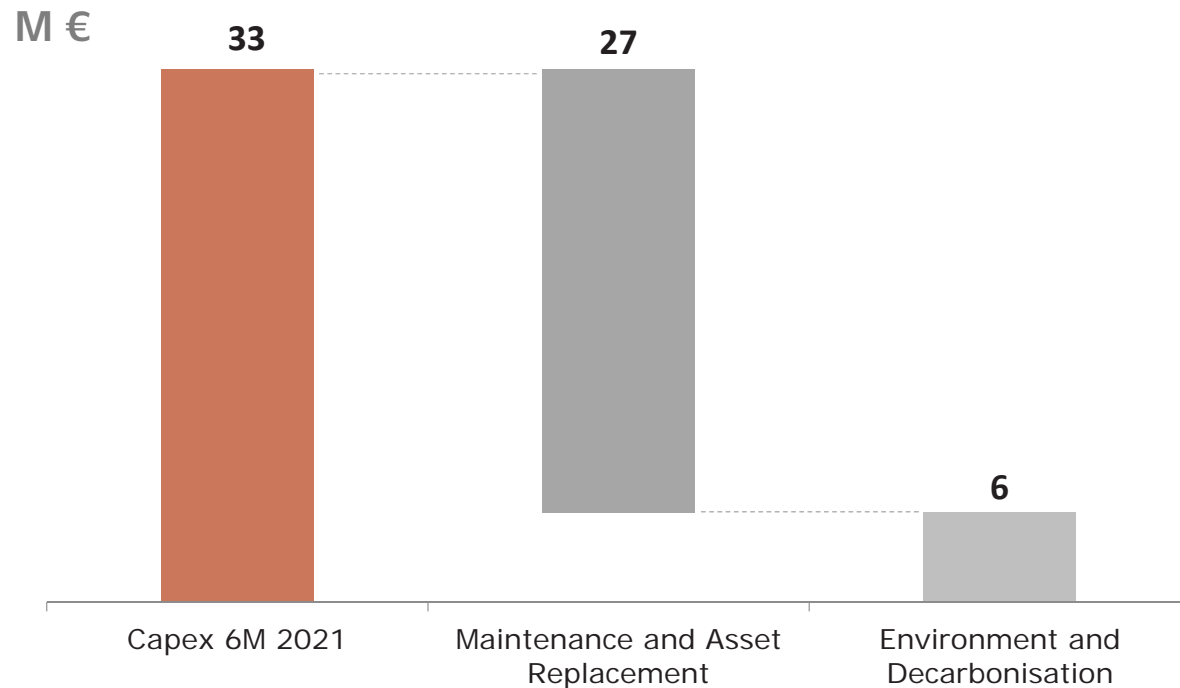
High pulp prices are pressuring tissue producers and several price increases have been announced



- Global tissue business kept a good performance during the semester, with 51.8 Ktons of volume sold, similar to the previous year
- Average selling price was +0.4% above H1 2020, with price of finished products evolving positively
- Sales turnover of the semester was in line with the value reached in the first semester of 2020
- After the mobility restrictions in the beginning of 2021, a gradual recovery of the Away-from-Home segment is expected, as vaccination programs unfold and economic perspectives improve

CAPEX OF € 33 MILLION IN H1 (VS € 49 Million in H1 2020)

CAPEX is being executed according to plan, albeit with some delay due to the pandemic situation. Total of € 33 million in H1 including € 27 million directed at maintenance and efficiency improvements, € 4.5 million for the biomass boiler in Figueira da Foz and € 0.6 million for the woodchip pile in Aveiro



CREATING SUSTAINABLE VALUE

NEW PACKAGING PRODUCTS

Navigator has developed a new growth strategy aligned with its purpose to create sustainable value for its shareholders and for society at large, making a better planet to hand down to future generations through sustainable products and solutions that are natural, recyclable and biodegradable, and that contribute towards carbon sequestration, oxygen production, the protection of biodiversity, soil formation, and the fight against climate change, **Navigator is launching innovative packaging solutions for the food industry, safer, more hygienic, resistant and in line with the concept of sustainable shelf ready packaging.**

The company's strategy in the development of this new line of products is based on the following criteria:



CREATING SUSTAINABLE VALUE

NEW PACKAGING PRODUCTS

- Increase significantly packaging volumes by year-end and enlarge offer by 2022
- By 2025/2026, produce up to 200 Ktons of the following packaging products:
 - ✓ shopping bags (brown and white)
 - ✓ Food packaging (brown and white)
 - ✓ Kraftliner (brown and white)
- Capex involved in this first phase of approximately € 12 million/year

SHOPPING BAGS



FOOD PACKAGING

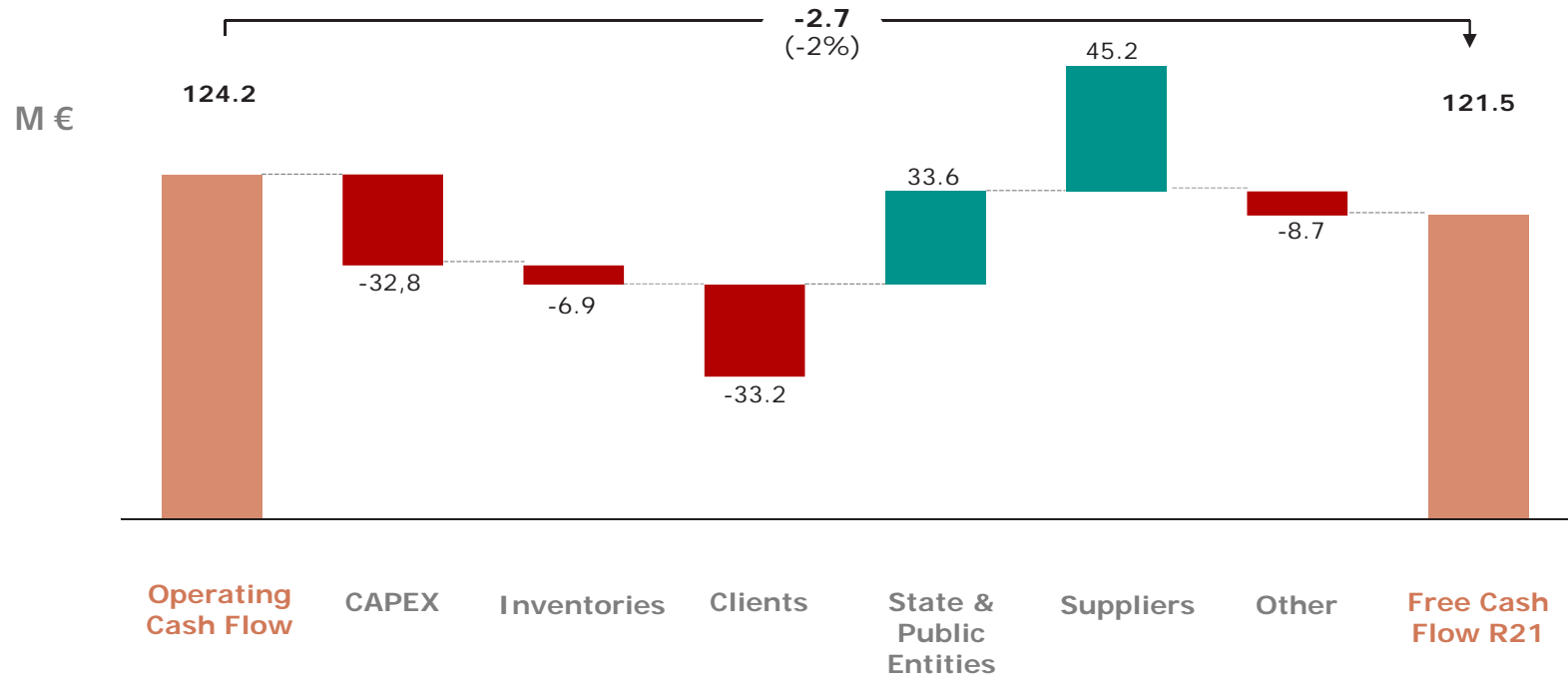


KRAFTLINER



€ 122 MILLION OF FCF GENERATION IN H1

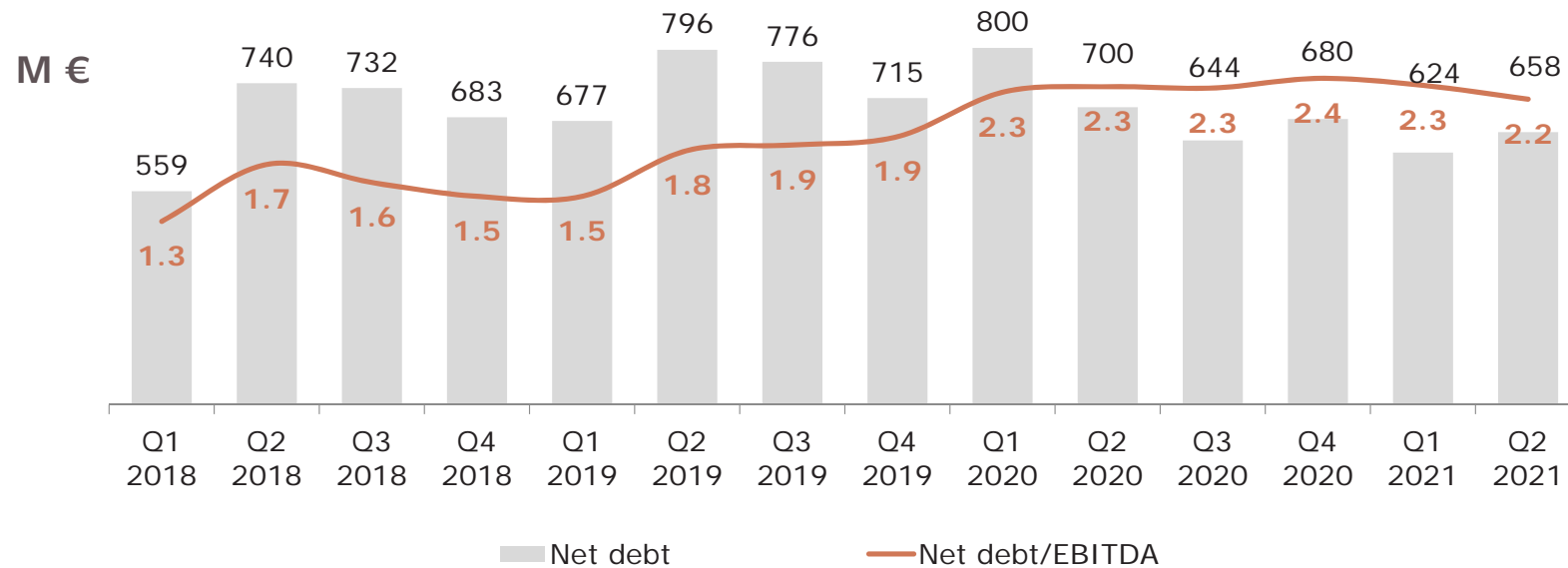
Strong Free Cash Flow generation of € 122 sustained by a careful management of suppliers and CAPEX reduction



NET DEBT OF € 658 MILLION

Net Debt reduced to € 658 million at the end of June, a € 22 million reduction when compared with year-end 2020, after the dividend payment of € 100 million to shareholders at the end of May

Navigator continues to deleverage, with Net Debt / EBITDA at 2.2 X



* Without IFRS 16

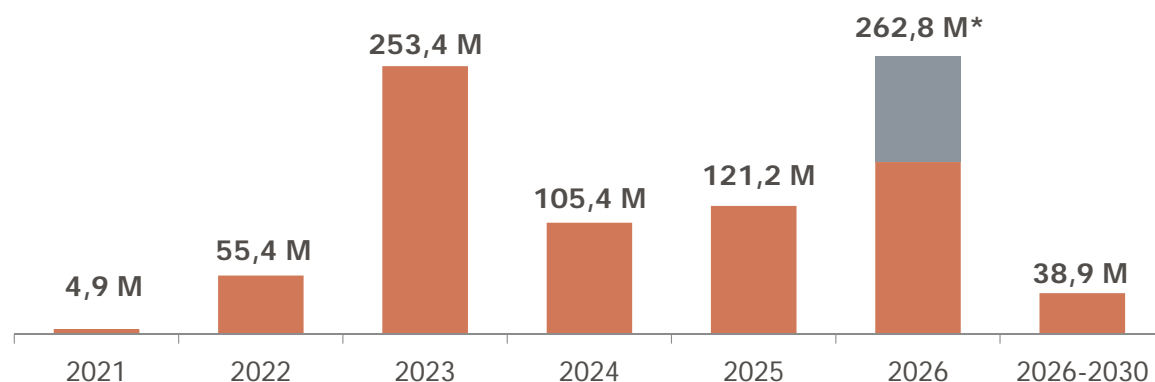
EXTENSION OF DEBT MATURITY

Navigator has been extensively renegotiating its debt, seeking to diversify sources of funds and extend average tenure; a new € 100 million sustainable linked bond as been contracted, anticipating the maturity in 2023

The average costs of debt remains low and weight of fixed debt rate increased to 85%

Debt maturity profile

Total debt: € 842.1 million
Average maturity: 3.6 years



Current Average Cost of Debt

(June 2021):

1.5%

Debt Rate Profile

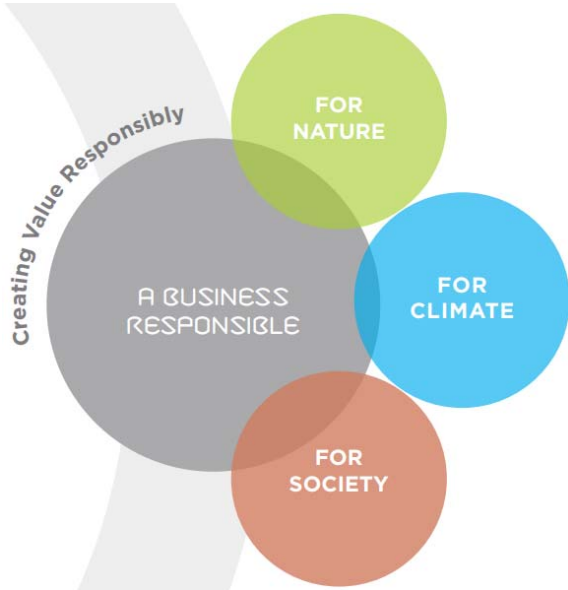
(June 2021):

Fixed	Variable
85%	15%

* Includes in grey the new ESG linked bond of 100 M€ to be issued in August

NEW ESG LINKED BOND

- Navigator has contracted a sustainability linked bond in the amount of € 100 million, with a 5 year maturity (to be issued on August 5th 2021), anticipating the reimbursement of a € 100 million bond maturing in 2023
- The bond is linked to 2 ESG indicators which are very relevant to the Pulp & Paper industry and material to Navigator´s business:
 - Reduction of CO2 emissions
 - Increase the percentage of certified wood acquired in the Portuguese market
- These topics are included in Navigator´s sustainability agenda for 2030 and are aligned with the UN´s SDGs



Our contribute to UN's Sustainable Development Goals

CORE SDGs



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Outlook



H1 2021 SUMMARY

- After a start of the year marked by new Covid-19 waves and lockdown periods in some of Navigator's key markets, Q2 2021 registered a gradual reopening of economies and a positive evolution for paper demand
- Paper volumes recovered significantly, already at 2019 levels and Navigator registered a strong order book throughout the first half, with June ending with one of the highest order book ever registered
- EBITDA margin improved to 21.4% sustained by cost containment and price improvement
- Very strong FCF generation of € 122 million, reflecting a reduction in inventories, client support initiatives and low Capex
- Net debt reduction of € 22 million, to € 658 million, improving Net Debt/ EBITDA ratio from 2.33 to 2.22 X
- Launch of new and innovative packaging solutions at the Setúbal mill with the intent to scale production up to 200 Ktons in 2025/2026

OUTLOOK FOR 2021

As vaccination plans progress and restrictions due to the pandemic ease, global economic conditions are expected to improve and provide support to paper, pulp and tissue business activities

PULP

- Adjustment in pulp prices are expected in the second half, with China already showing some correction. Prices in Europe should peak in Q3. Even after adjustments, pulp prices should remain above historic average
- High sea freights and logistic issues forecasted to continue during H2

PAPER

- Positive perspectives for the paper business due to the improvement in supply / demand balance in the coming quarters; operating rates of 91% are expected during H2
- Upward price pressure continues (high pulp prices, freight costs, chemicals and energy) and expected price increases should continue; some announcements have been made for Q3

TISSUE

- Significant cost inflation expected to impact tissue producer's margins during H2
- Increase in selling prices announced, albeit slower implementation than planned
- Navigator has in course a cost reduction plan to support the tissue business's EBITDA



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