



THE
NAVIGATOR
COMPANY

Q3/9M 2018
Results Presentation

October 30th 2018

PARTICIPATION

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Q3/9M 2018 RESULTS PRESENTATION



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Main
Highlights

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Outlook

9M 2018 / Q3 HIGHLIGHTS



9M 2018 turnover grows 3.5%
to 1.252 M€

Growth in prices offset decrease in volumes due to production stoppages

EBITDA increases 14% to 341 M€ with 27% EBITDA/Sales margin

+ 18% in net income

Group's average price for pulp, paper & tissue continued to improve during Q3

Antidumping rate reviewed down to 1.75%

Q3 2018 EBITDA of 115 M€; **without antidumping impact, EBITDA would be 123 M€ with EBITDA/Sales of 28%**

Start-up of tissue reels production on Cacia

Cost reduction program M2 continues with total estimated impact at **17 M€ YoY**

Capex accelerating to 148 M€ (71M€ in Q3)

Net Debt / EBITDA at 1.65

Increase in ROE and ROCE to 19.6% and 17.3%

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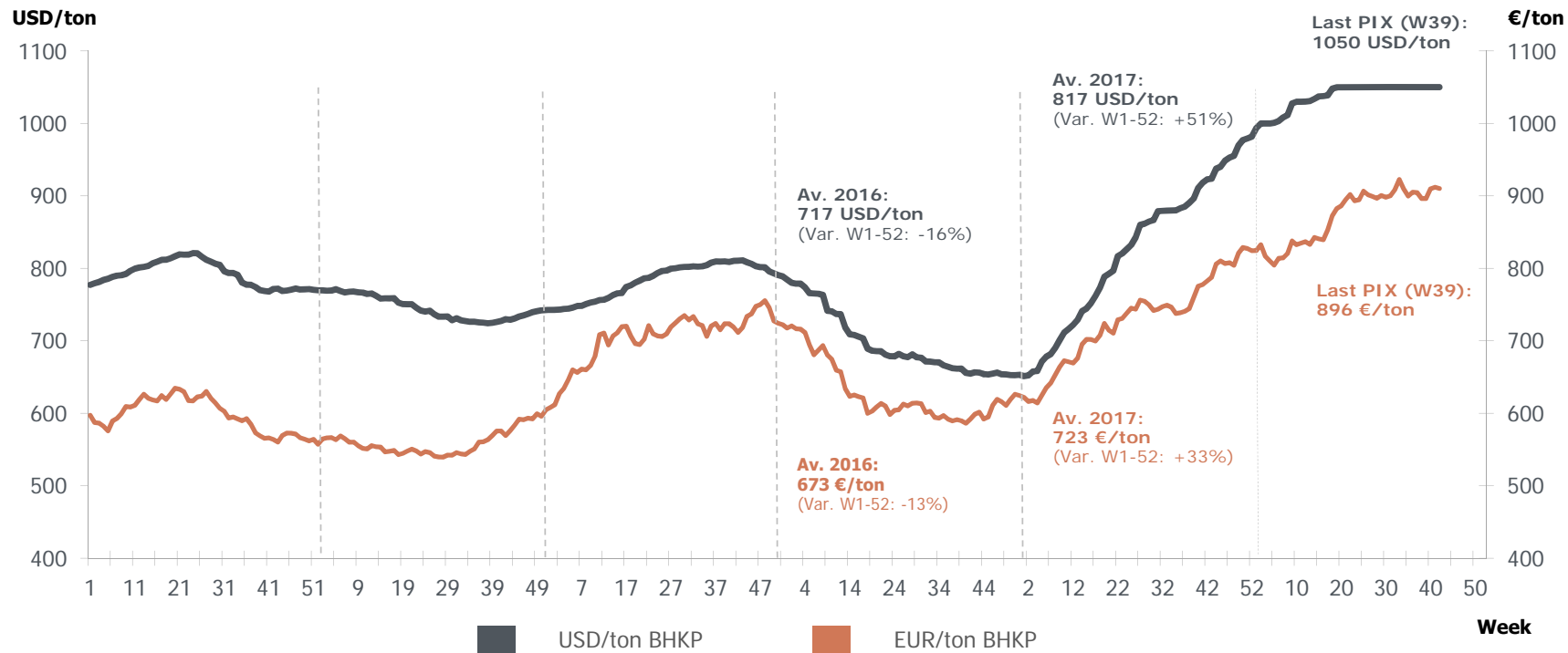
Outlook



PULP PRICES STABILIZING

Pulp prices have been stable for the last 18 weeks and should remain high

PIX Europe



YTD 9M 2018 price increase in BHKP:

- +5.7% in USD
- +8.7% in Euros

YoY 9M average price increase in BHKP:

- +32% in USD
- +24% in Euros

PULP MARKET DURING Q3 2018

Global Context

- Increase in available pulp with ramp-up of new capacity
- Planned and unplanned production stoppages offset this new capacity
- Pulp price stable during the quarter

Chinese market

- Commercial war between China / USA impacting consumption of paper and board
- Devaluation of the Chinese Yuan makes pulp more expensive
- Industrial activity slows down

Structural Situation

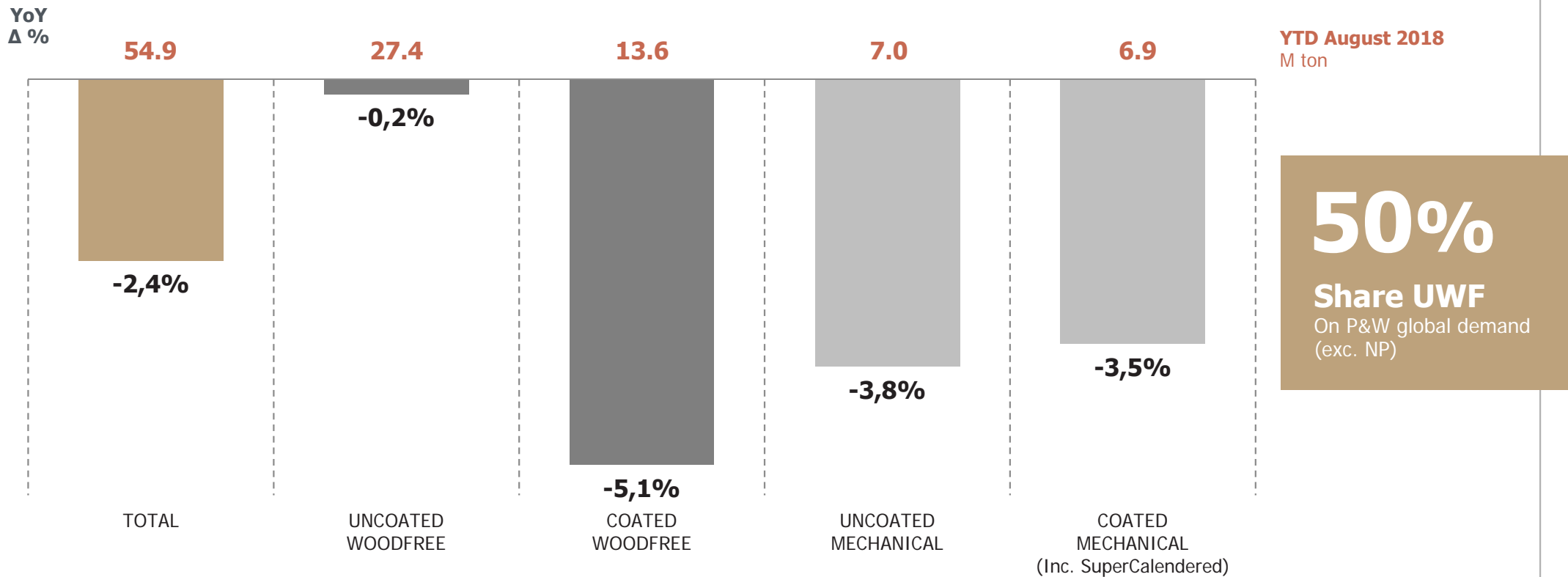
Supply:

- **2019 and 2020 without any significant new pulp capacity planned**
- **Wood availability is an issue**

Demand:

- **YTD Aug. Demand for BEKP increased 4.7% (around 0.9 Mt); if annualized would translate into 1.4 Mt, higher than forecast**

UWF CONTINUES ONE OF THE BEST PERFORMING GRADE IN P&W PAPERS



Source: PPC; The Navigator Company

UWF MARKET CONDITIONS

PULP PRICE

Hardwood pulp prices remain at high levels supporting paper prices

DEMAND

Cool down in demand in Europe but pick up in the US

BALANCE S/D

North American producers continue to close capacity; average operating rates of 91% YTD; 92% in September

PRICE LEVEL

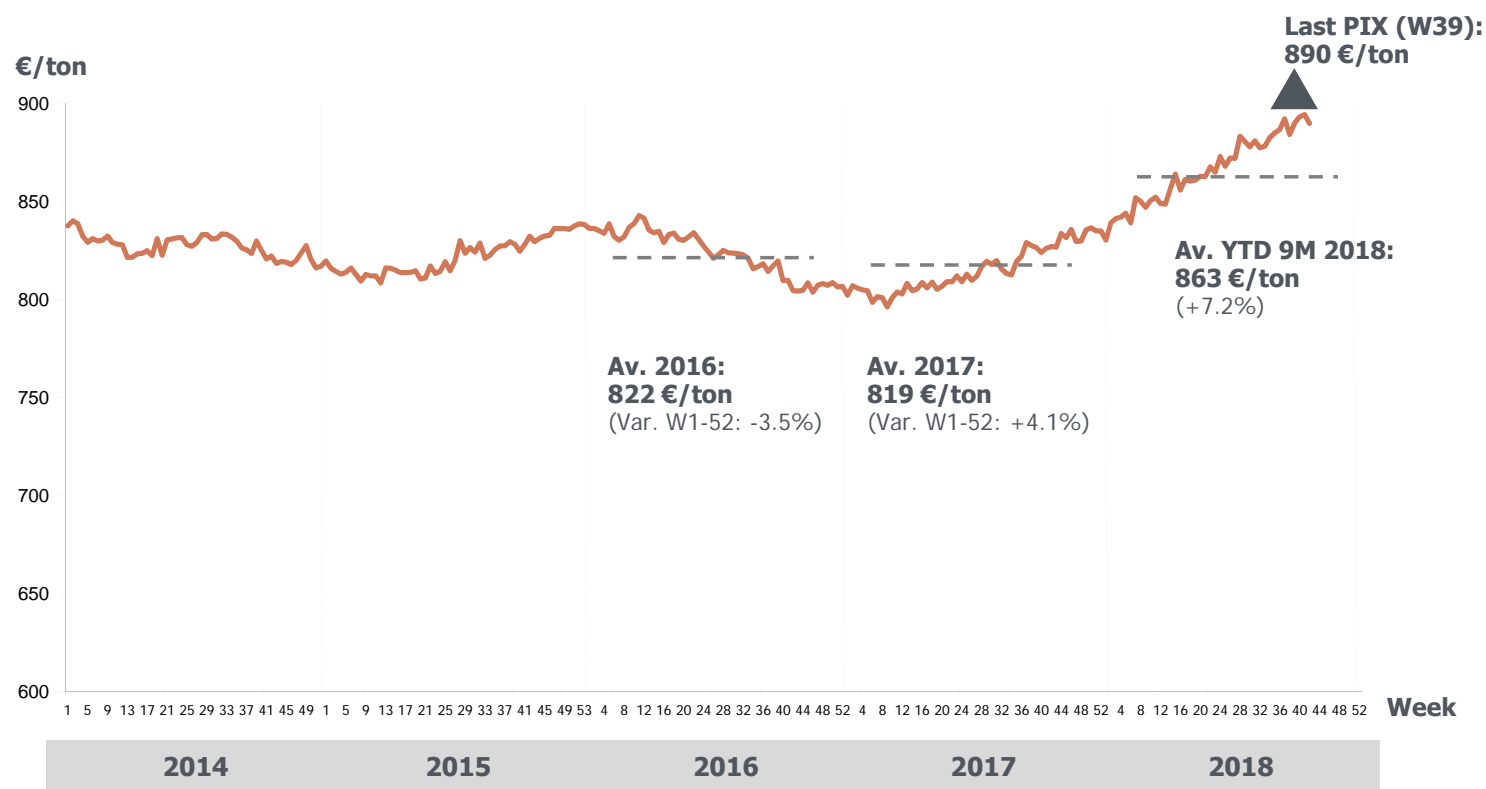
Paper prices have been increasing all over the world;

ORDER BOOK

Order books remain comfortable for the industry and Navigator

UPWARD TREND IN PAPER PRICES IN 2017 AND 2018

EUROPEAN MARKET PAPER PRICE – A4 B-COPY



Source: FOEX

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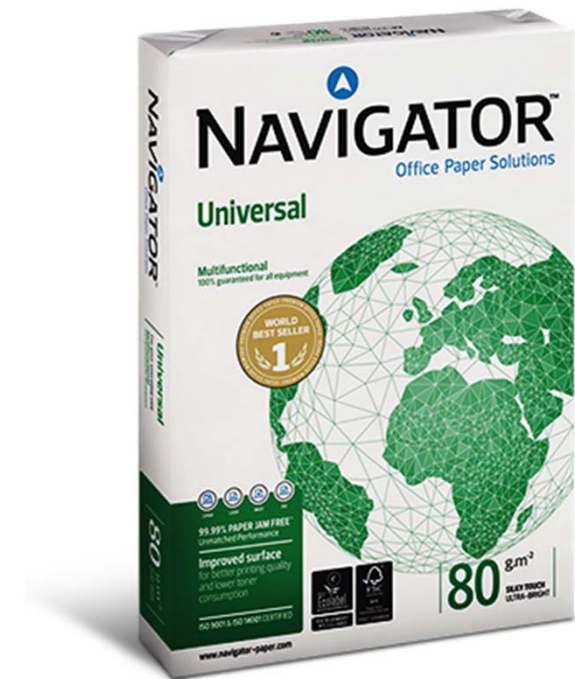
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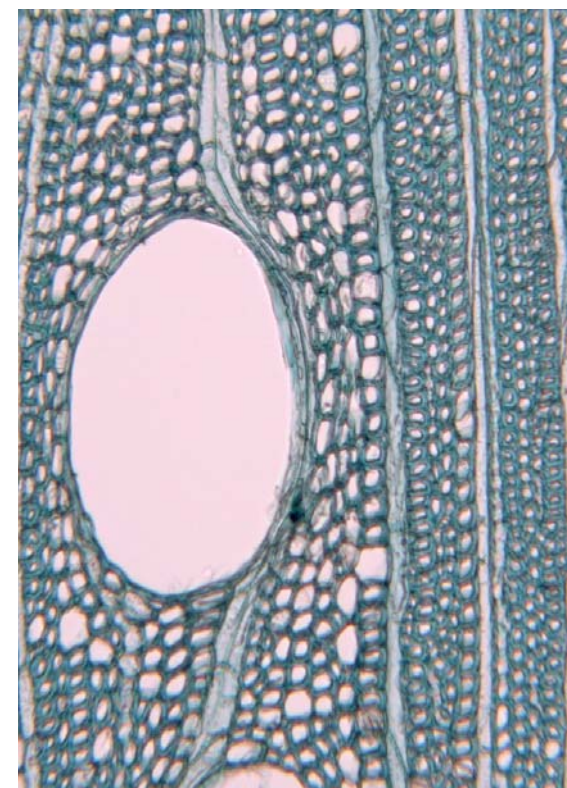
NAVIGATOR PAPER PERFORMANCE IN 9M 2018

- **UWF sales volume of 1.137 kton** (-21.3 kton YoY) and **product mix improvement**:
 - + **Premium products** share up to 55% (+6 pp YoY; +61 kton)
 - + **Mill brands** up to 69% (+7.4 pp YoY; +46 kton)
- Navigator led **3 paper price increases in Europe** (January, March and July) and implemented several increases in **International markets and in the US**
- Average sales price increased **7.8% YoY** in spite of FX negative impact (USD impacted **~30%** of paper sales); with constant exchange rate price increase would have been around 10%



PULP TURNOVER IMPACTED BY REDUCTION IN VOLUME

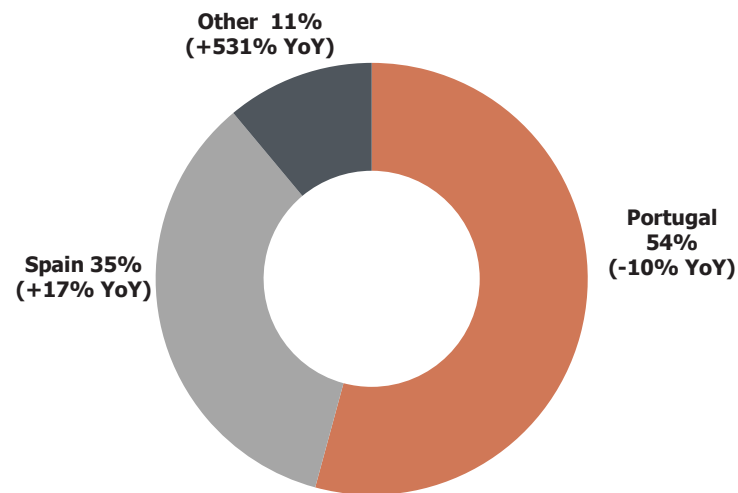
- **Pulp sales in volume of 177 kton**, 74 kton less YoY due to decreased availability of pulp:
 - + **Start of the year with no pulp stocks available**
 - + **Maintenance downtime at Setúbal** pulp mill in Q1
 - + **Extensive downtime for planned maintenance and capacity increase in Figueira da Foz in Q2**, with the need to build up inventory
- Navigator's **net price in 9M 2018 increased** +24% YoY
- Improvement in the weight of Decor and Special paper sales in Europe, **high contribution segments**, from 57% to 76% YOY



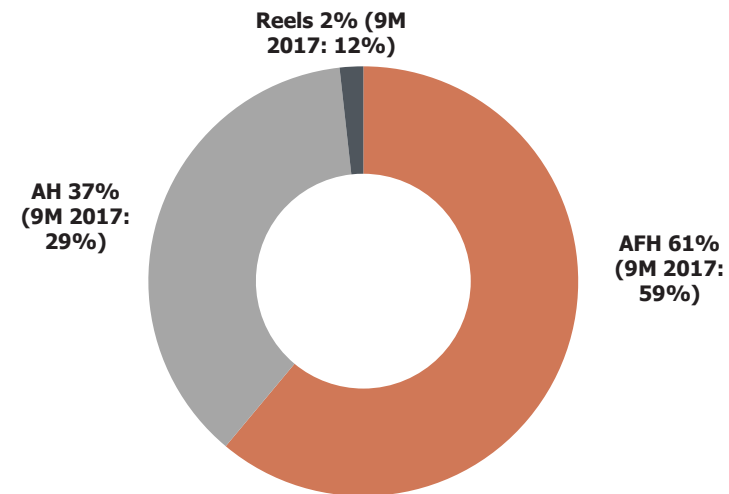


TISSUE BUSINESS IMPACTED BY PULP PRICE

Tissue Sales by market



Tissue Sales by segment

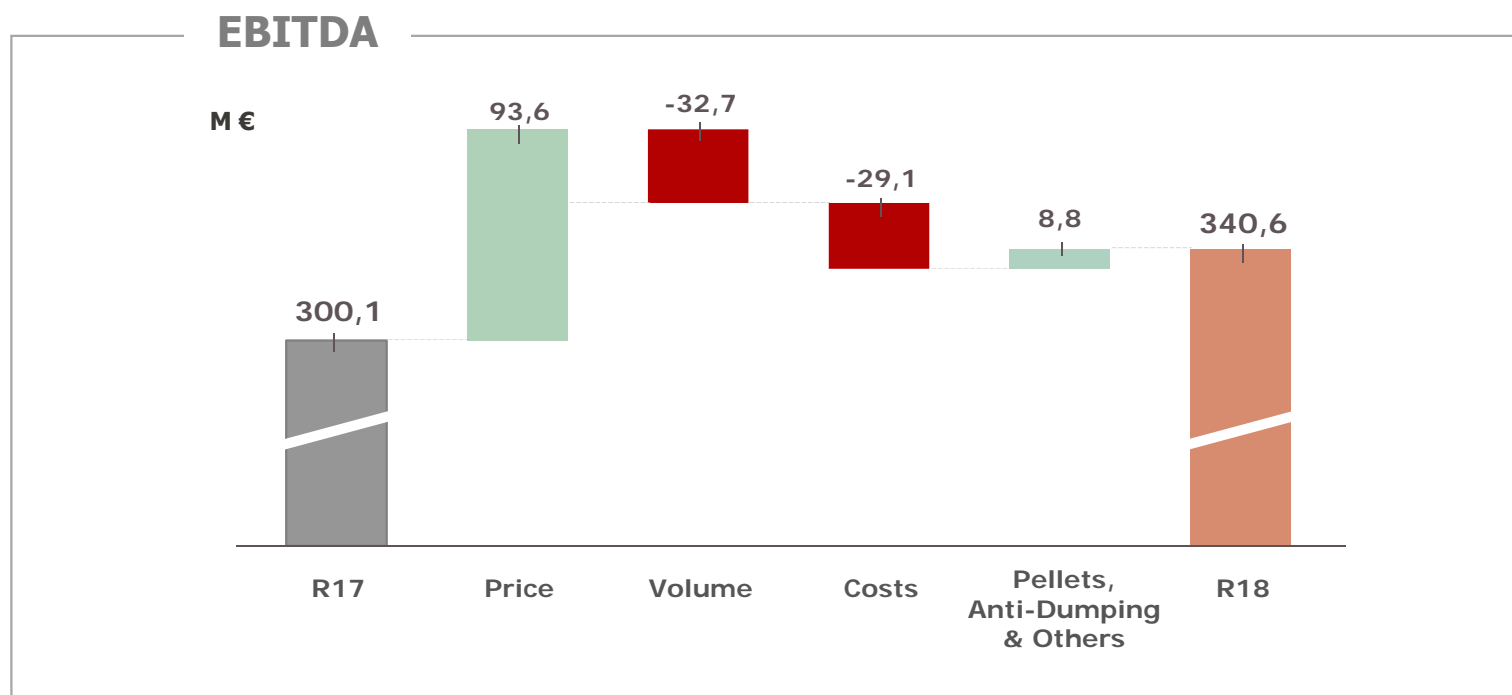


- Global volume of tissue sold increased 9.2% YoY, while converted products grew by 23,6% already including converting sales from Cacia
- **Average sales price 7% higher YoY** due to improvement in product mix (decreased weight of reels) and price increase
- **Sales increased 17% to € 65 million (vs. € 55 million 9M 2017)**
- Operating margin impacted by rise in pulp price

EBITDA PERFORMANCE IN 9M - RECORD LEVEL

Positive impact of pulp and paper prices in EBITDA

Price effect includes 30 M€ negative impact of FX



PERMANENTLY FOCUSED ON OPERATIONAL EXCELLENCE

through cost reduction and efficiency - M2 program

> Global 5 year target for 2016-2020: **€100 million**,
of which **€43 million** already achieved in 2016 & 2017

> **M2 program** estimated impact
on EBITDA of **€ 17.2 million** YOY

> **143 new initiatives** of cost reduction since the beginning of the
year, with the following examples impacting **EBITDA:**

PM4 increase in efficiency (Setúbal): € 1 million

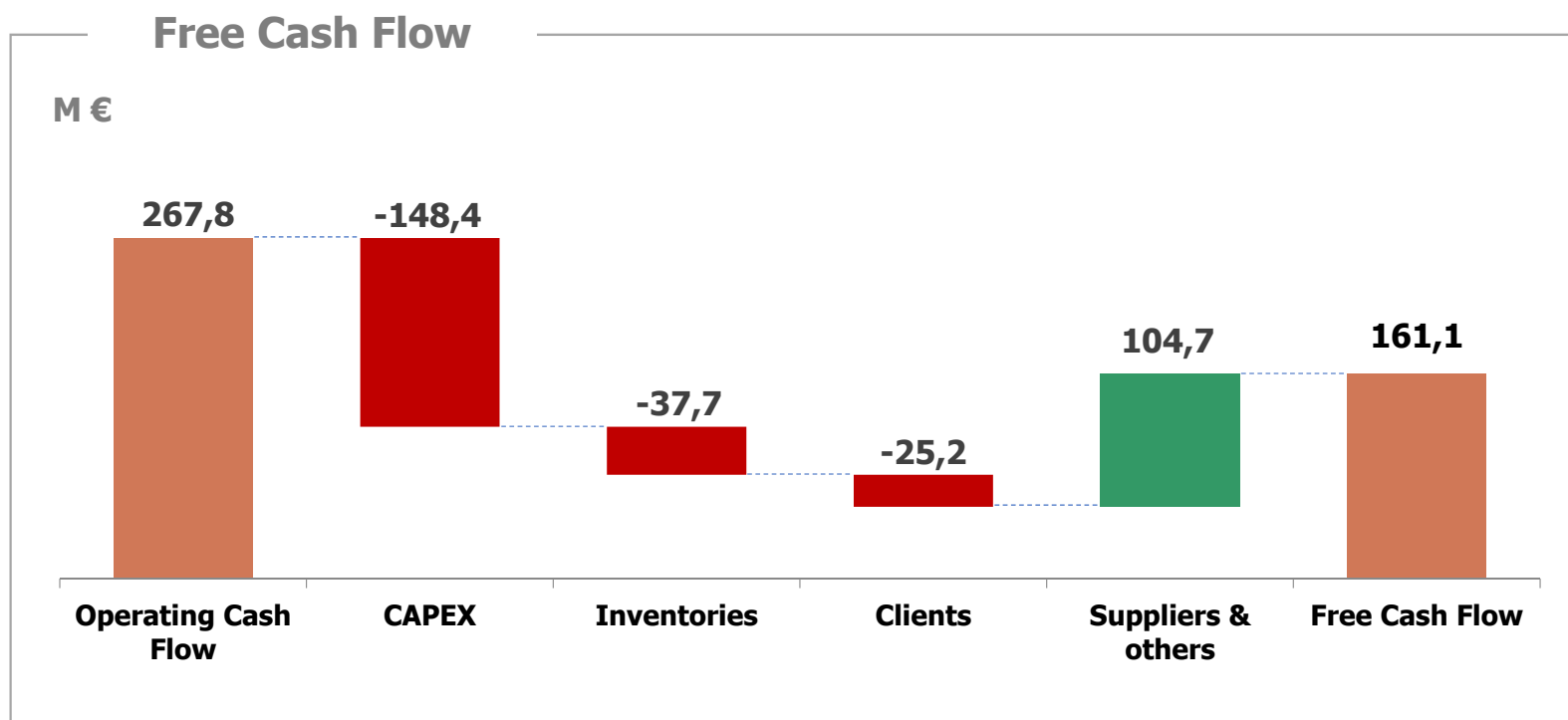
Chemical consumption optimization (Cacia): € 995 thousand

Optical Brightening Agents consumption reduction (F. Foz): € 716 thousand



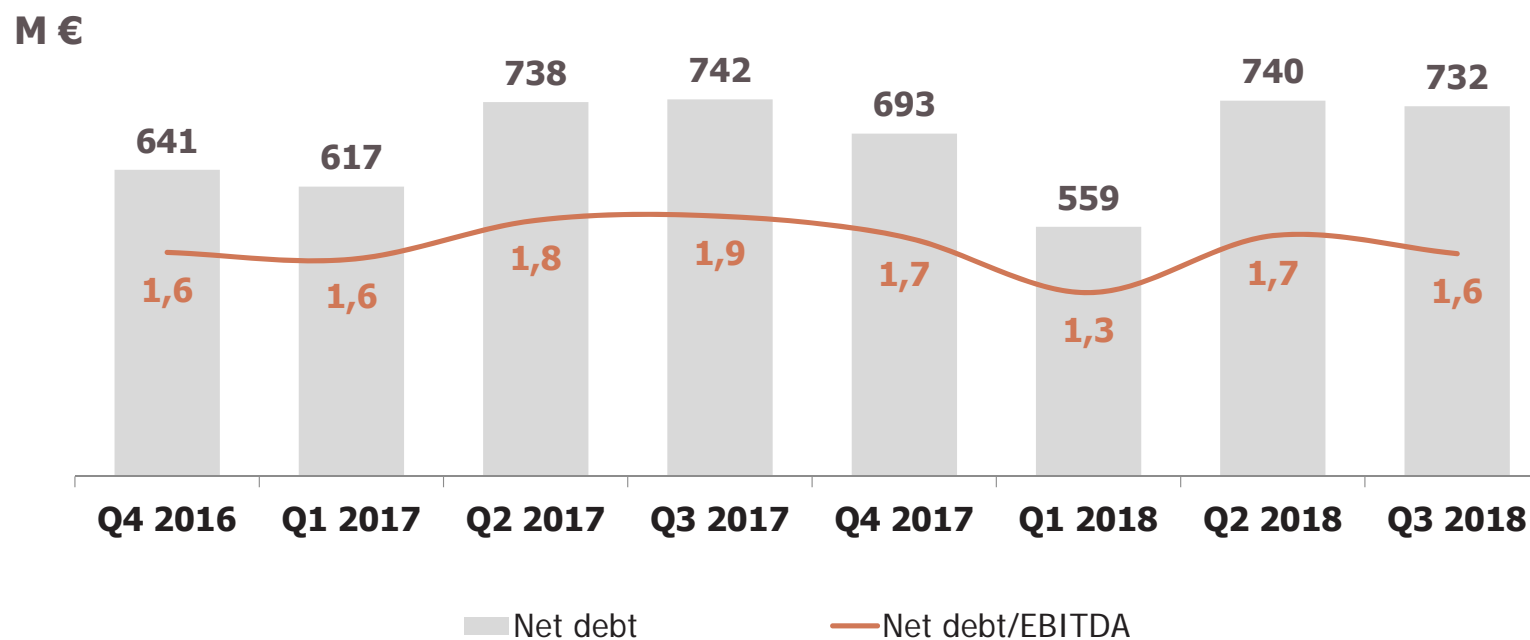
FREE CASH FLOW AT € 161 MILLION

Free Cash Flow negatively impacted by high Capex and sizeable corporate tax payments, but positively impacted by cash from pellets sale



NET DEBT AT € 732 MILLION

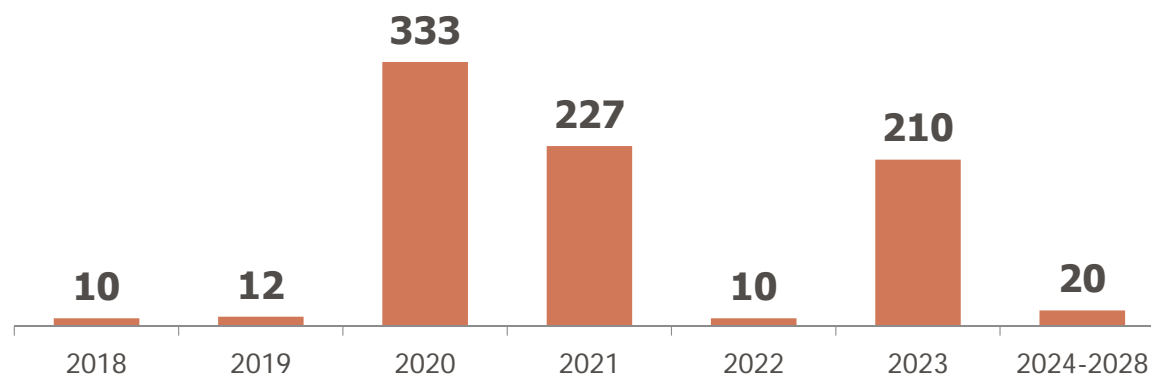
Net debt evolving positively in Q3, but increasing vs. end of 2017, due to € 200 M of dividend payment and € 148 M in Capex



DEBT PROFILE

Debt maturity profile

Total debt: € 821 million
Average maturity: 2.9 years



Current Average Cost of Debt

(September 2018):

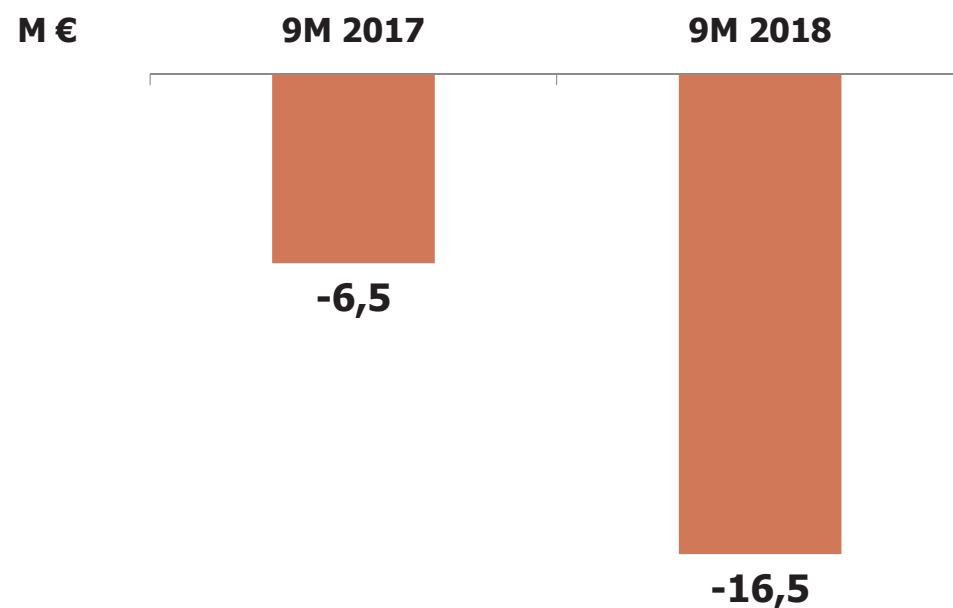
1.50%

Debt Rate Profile

(September 2018):

Fixed	Variable
63%	37%

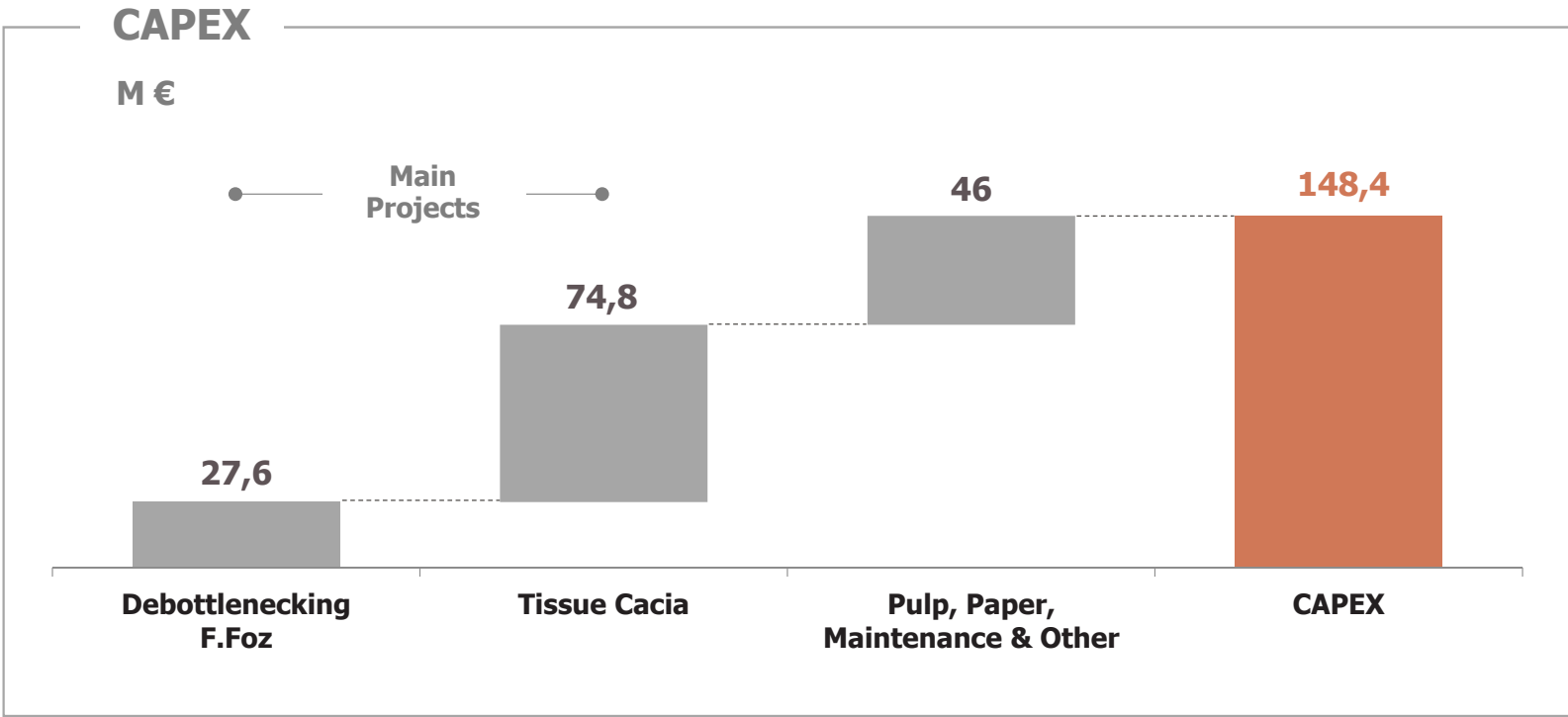
9M 2018 – FINANCIAL RESULTS



**Negative impact of € 10 million,
resulting from:**

- **€ 5 million** currency hedging
- **€ 3.3 million** related to the difference between the nominal and present value of the outstanding amount regarding the sale of the pellet business
- **€ 1.5 million** loss from interest from Cash investments

CAPEX OF € 148 MILLION (VS. € 76 MILLION)



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Outlook for Q4 2018

PULP



Prices should remain stable at a high level

TISSUE



Navigator implemented a price increase for November

Start-up of integrated tissue mill will bring additional volumes

PAPER



Positive outlook for UWF prices continue in 2018:

Navigator implemented another price increase in European markets in October

Order book remains solid

OUTLOOK



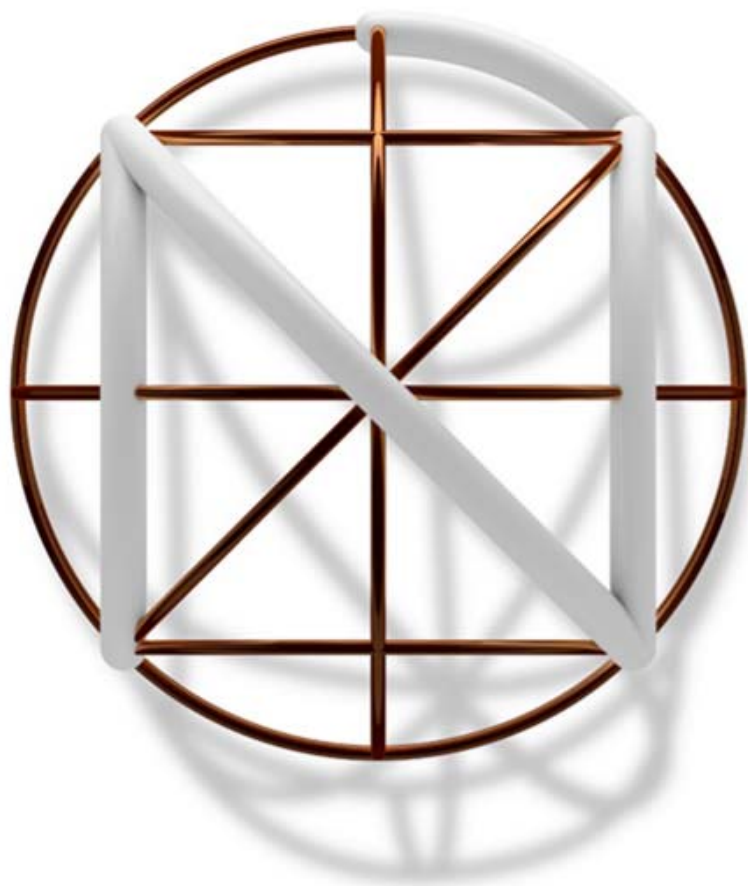
No foreseeable change in market conditions for pulp and paper in the near future and **main concerns remain consequences of increasing trade tensions and impact on exchange rates**

Q4 main challenges: reduction in volumes available for sale due to production stoppages and impact of Hurricane Leslie

SUBSEQUENT EVENTS

HURRICANE LESLIE'S LANDFALL

- On October 13 and 14, Hurricane Leslie's landfall in Portugal particularly affected Figueira da Foz, causing property damages at the Company's industrial mill site located in that area. The mill had no supply of water, electricity or telecom services and consequently production was halted.
- The Company proceeded immediately with the works required to repair the damages caused to the mill and on October 19th, managed to restart production at the pulp line and the paper machines
- This unexpected stoppage represented a loss of 9 thousand tons of pulp and 10 thousand tons of paper which will impact volumes available for sale during Q4



Q3/9M 2018 RESULTS PRESENTATION

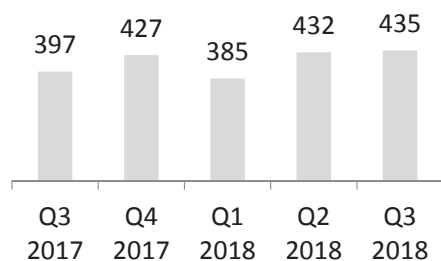


Back-up slides

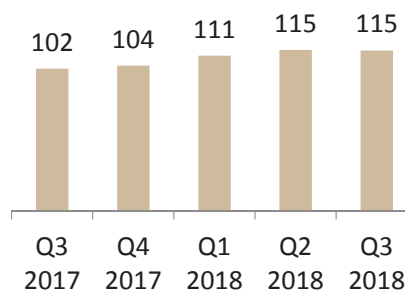


QUARTERLY FIGURES – YOY EVOLUTION

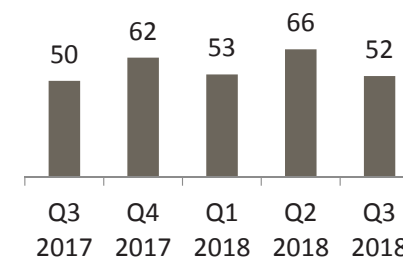
Turnover (M €)



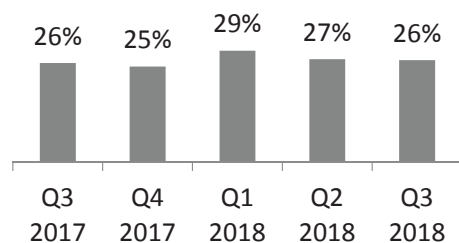
EBITDA (M €)



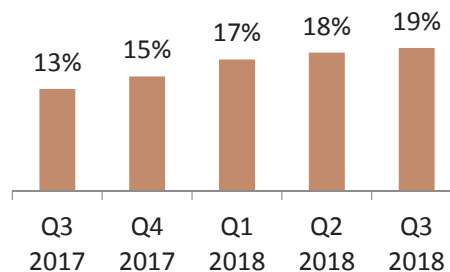
Net Earnings (M €)



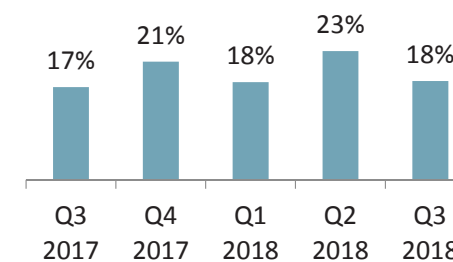
EBITDA/Sales (%)



ROCE (%)



ROE (%)



CACIA TISSUE PROJECT UPDATE

Unfolding as expected



Successful book-building of new clients in Portugal, Spain, France and UK

MAIN UPDATES

Converting line started in May

Start-up of reels production in September 2018 – currently in ramp-up phase

4 converting lines already ongoing: two Domestics, Industrial and Napkins

Navigator becomes the 3rd largest producer in Iberia with production capacity of 130 kton reels and 120 kton converting

START-UP OF PULP EXPANSION AT F. FOZ

Project completed and ramping-up



Optimization Project 3

Ecoefficiency:

Total CAPEX of € 81.5 million

**MAIN
GOALS**

Increase the annual pulp production from 580,000 to 650,000 tAD

Increase the **efficiency** of pulp process

Reduce wood and chemicals specific consumption

Implementation of BAT (ex: O₂ delign)

Environmental advantage for flue gas and liquid **effluent emissions**

Collection and burning of diluted odorous gases



THE
NAVIGATOR
C O M P A N Y

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