



# The Navigator Company

## Q2 /H1 2018 Results Presentation

July 25<sup>th</sup> 2018

# Participation

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## Executive Directors:

Diogo da Silveira

António Redondo

Fernando Araújo

Nuno Santos

João Paulo Oliveira

IR -Joana Appleton

# Q2/H1 2018 results presentation

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- **Main highlights**
- **Market outlook**
- **Group performance**
- **Update on new projects**



# Q2/H1 2018 highlights

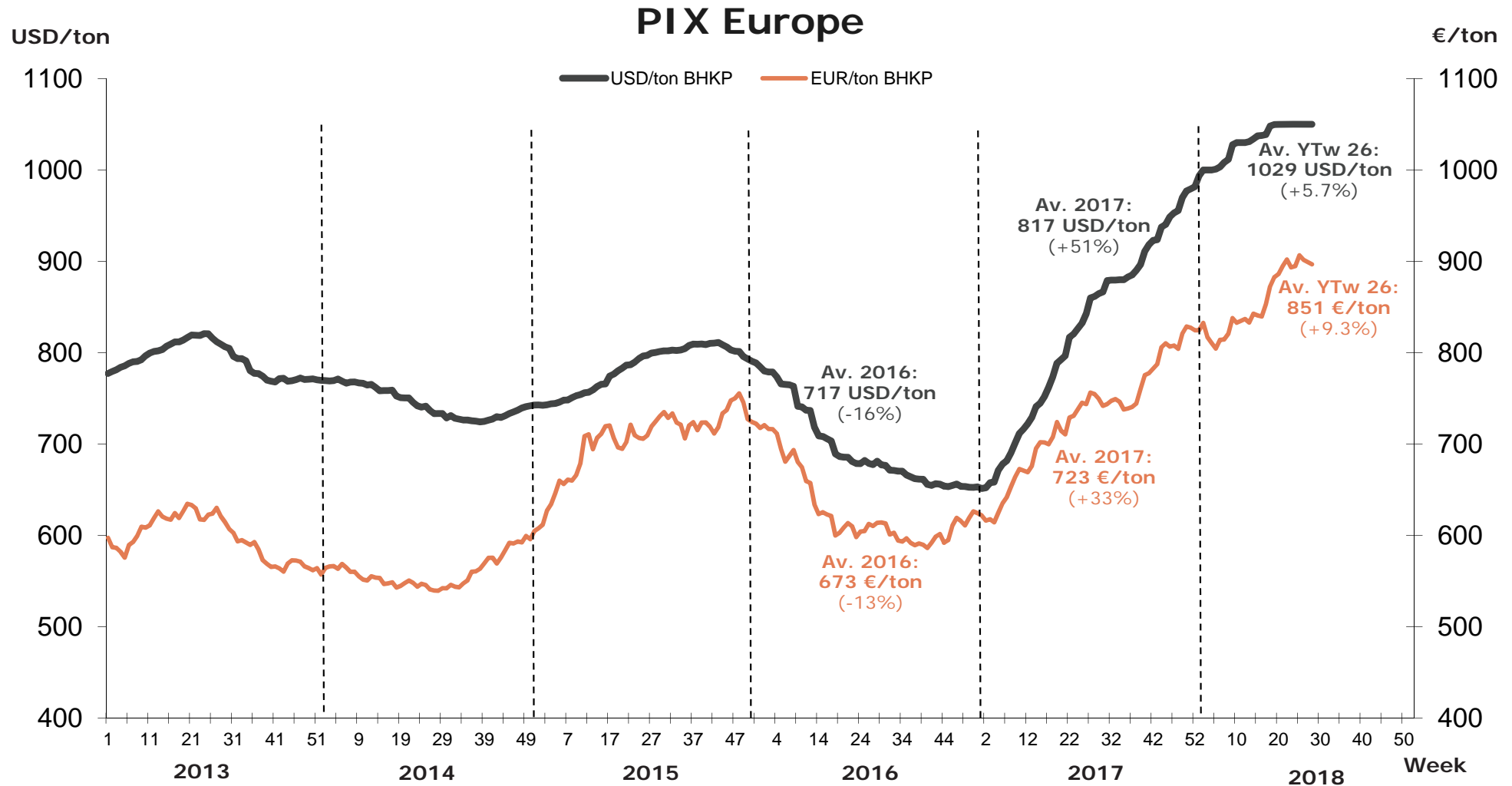
- Q2 sales increase 12% vs Q1, with positive pulp and paper price evolution
- H1 turnover of € 817 million (+0.5%)
- Overall decrease in volumes due to production stoppages, mainly in pulp
- Q2 2018: € 115 million - strongest quarter ever, with EBITDA/Sales of 27%
- M2 program continues with total estimated impact at € 9 million YoY
- Start-up of pulp expansion capacity in F. Foz
- New converting line in Cacia starting production
- Dividend payment of € 200 million in June
- Net debt/EBITDA of 1.7
- Q2 ROCE of 17.9% (vs. 17.0%)



# 2018: Upward trend in pulp prices continues

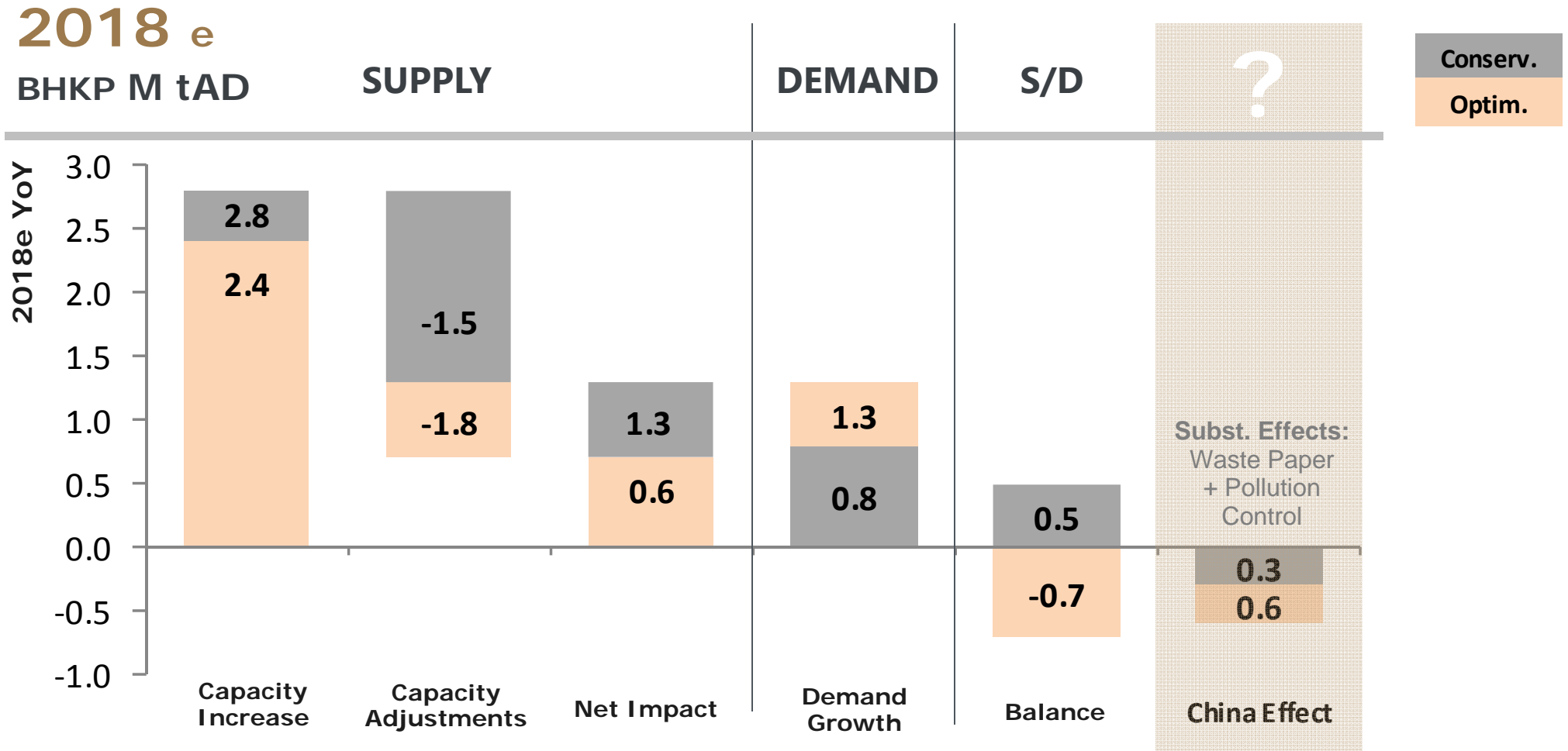
YTD 2018 price increase in BHKP in USD: **+5.7%** and in Euros: **+8.8%**

YoY H1 average price increase in BHKP in USD: **+39%** and in Euros: **+25%**



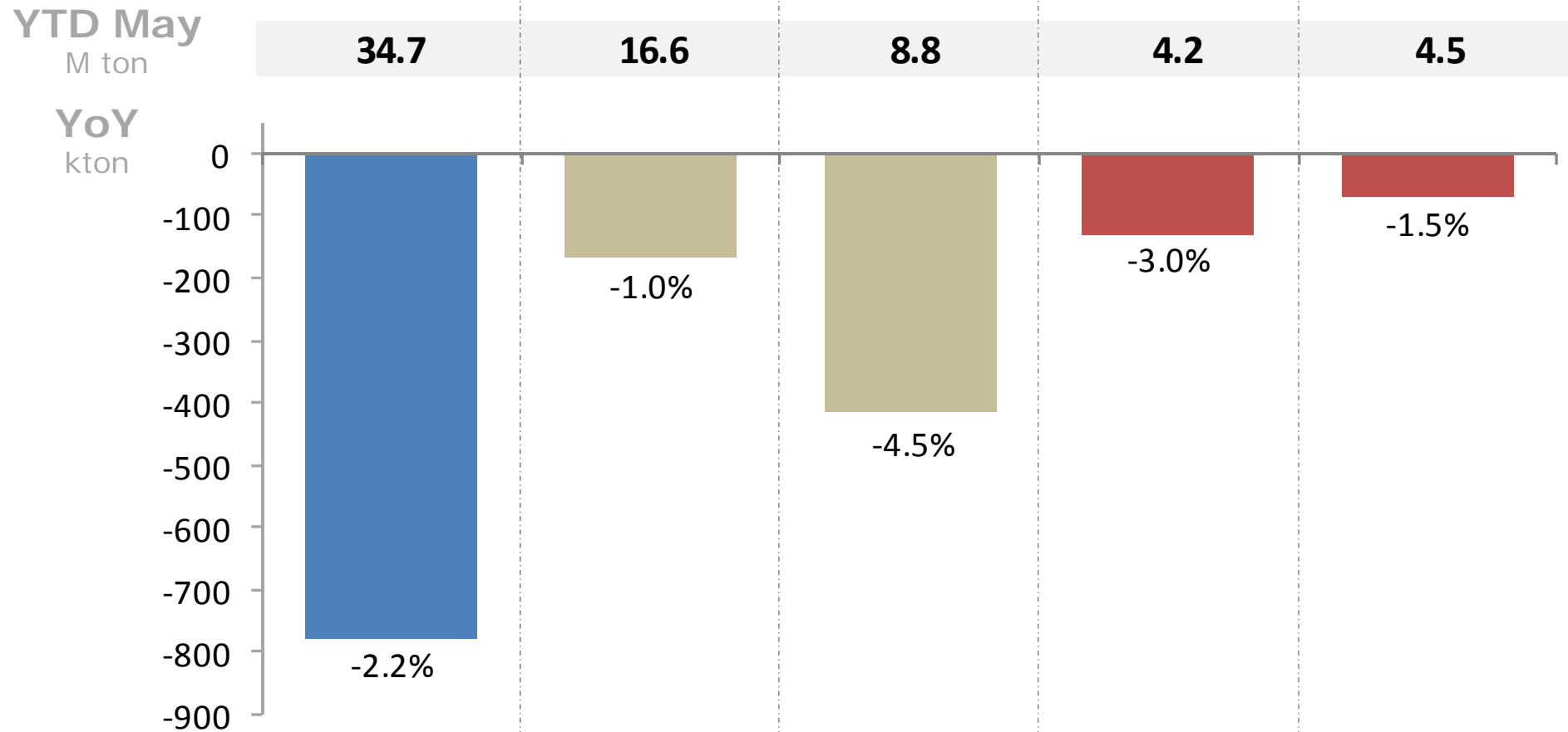
# Pulp market balanced during 2018

China effect could have additional positive impact





# UWF continues one of the best performing grade in P&W papers



**48%**  
Share UWF  
On P&W global demand (exc. NP)

**Uncoated Woodfree**



**Coated Woodfree**



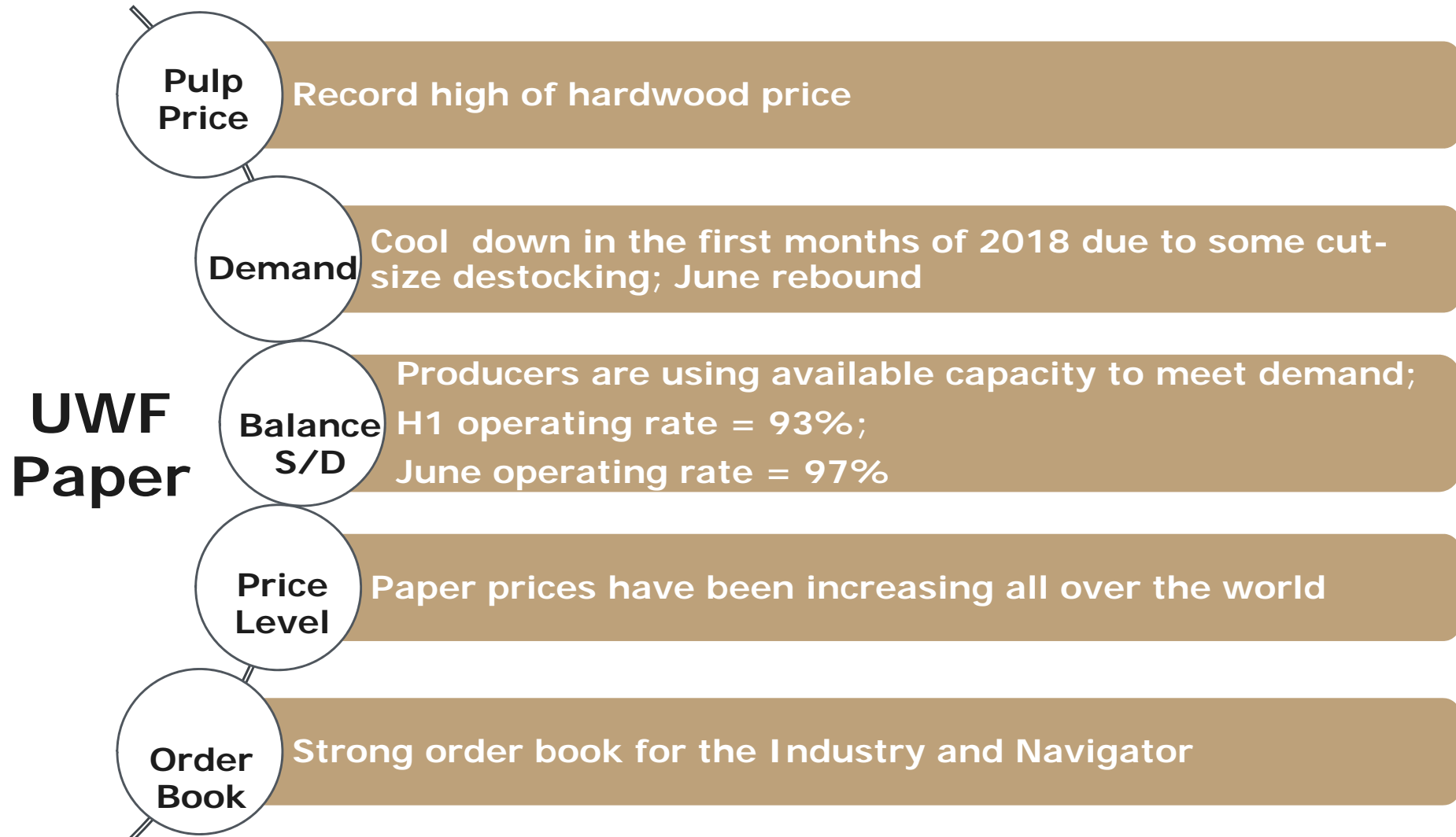
**Uncoated Mechanical**



**Coated Mechanical**  
Inc. SuperCalendered



# UWF Market conditions improving

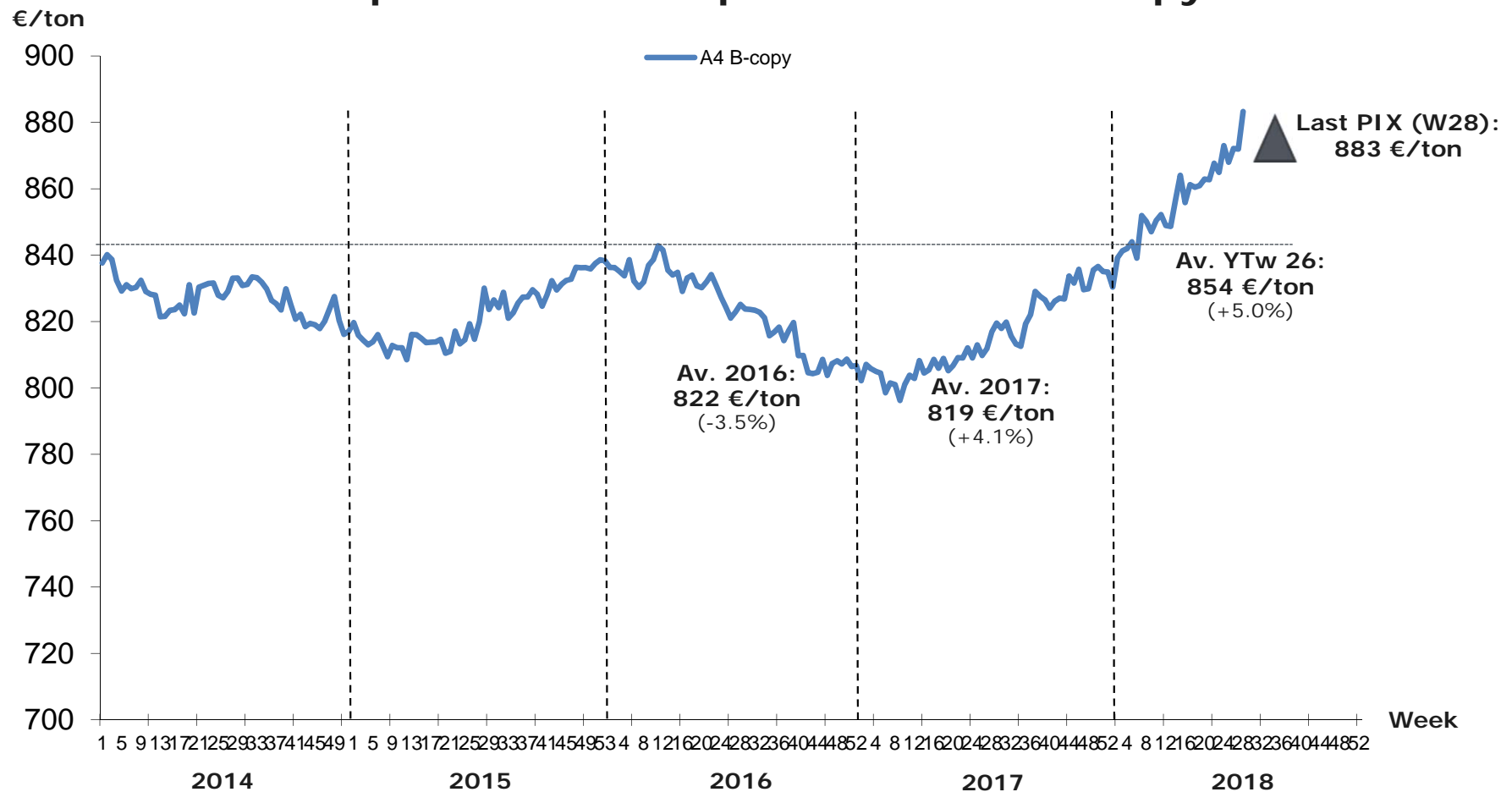




# Improvement in paper price benchmark in 2018

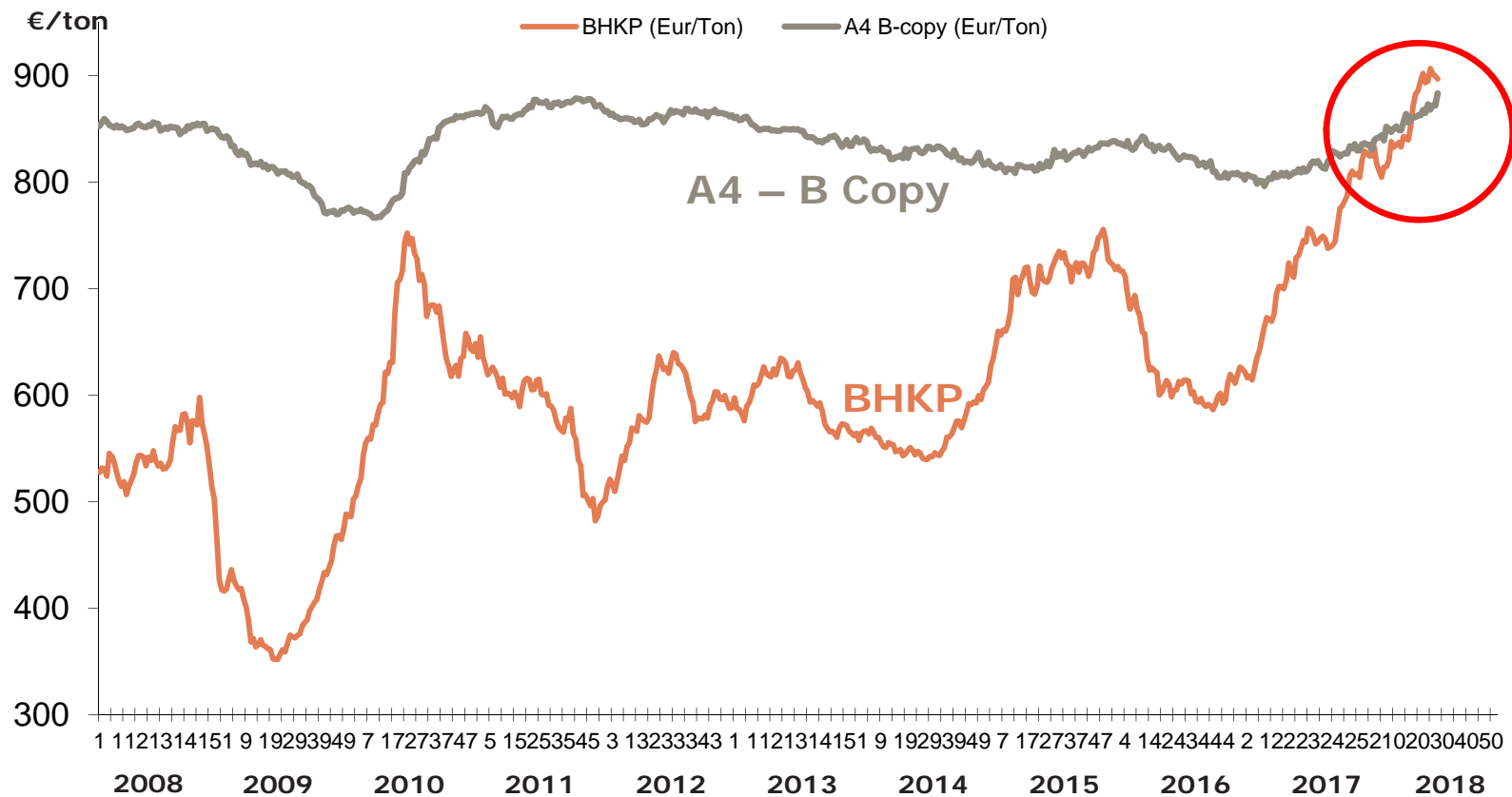
Average benchmark price in H1 improved +6% YoY

## European Market Paper Price – A4 B-Copy



# Pulp and paper – Different price trends

## Index FOEX PIX (Europe)



A4 – B Copy: index for uncotaed woodfree paper (80 g/m<sup>2</sup>)

BHKP: index for bleached harwood kraft pulp (eucalyptus or birch)

# Navigator paper performance in H1 2018

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- UWF sales volume of 756 kton (-15.5 kton YoY) and **product mix improvement**:
  - + **Premium products** share up to 55% (+7 pp YoY; +42 kton YoY)
  - + **Mill brands** up to 68% (+8 pp YoY; +24 kton YoY)
- Navigator led **3 pulp price increases in Europe** (January, March and July) and implemented several increases in **International markets and in the US**
- Average price increased +6% YoY in spite of FX negative impact (USD impacted ~30% of paper sales)

# Pulp turnover impacted by reduction in volume

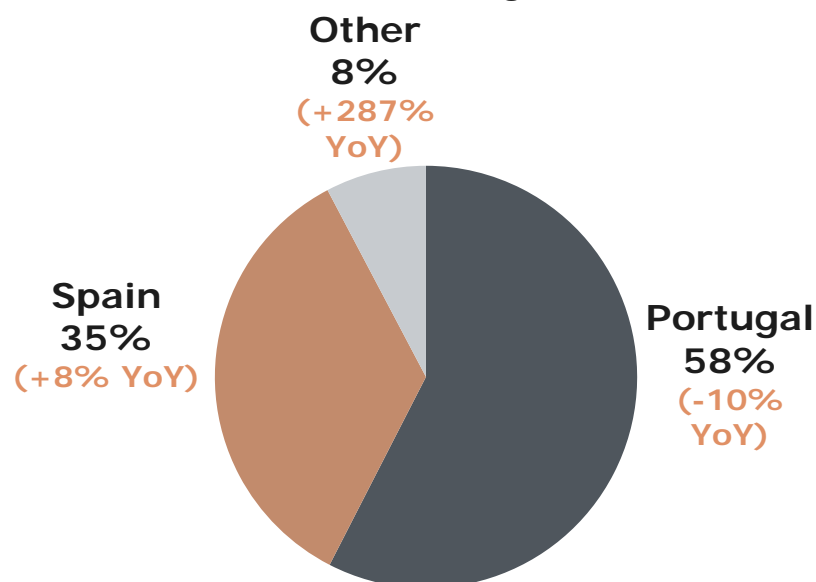
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- **Pulp sales in volume of 114 kton**, 68 kton less YoY due to decreased availability of pulp:
  - + **Maintenance downtime at Setúbal** pulp mill in Q1
  - + **Stock build up and downtime at Figueira da Foz** (for planned maintenance + pulp capacity increase project)
- Navigator's **net price in H1 2018 increased +27% YoY**
- Improvement in the weight of Decor and Special paper sales in Europe, **high contribution segments**, from 52% to 80% YoY

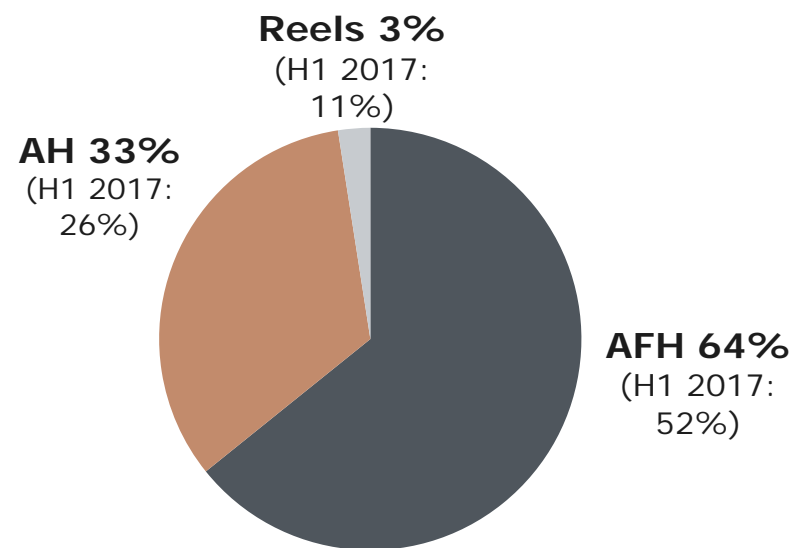
# Tissue business impacted by pulp price

- Global volume of tissue sold increased 2% YoY, while converted products grew by 17%
- Average sales price 7.6% higher YoY due to improvement in product mix (decreased weight of reels) and price increase
- **Sales increased 9% to € 40 million (vs. € 37 million)**
- Operating margin impacted by rise in pulp price

## Tissue Sales by market



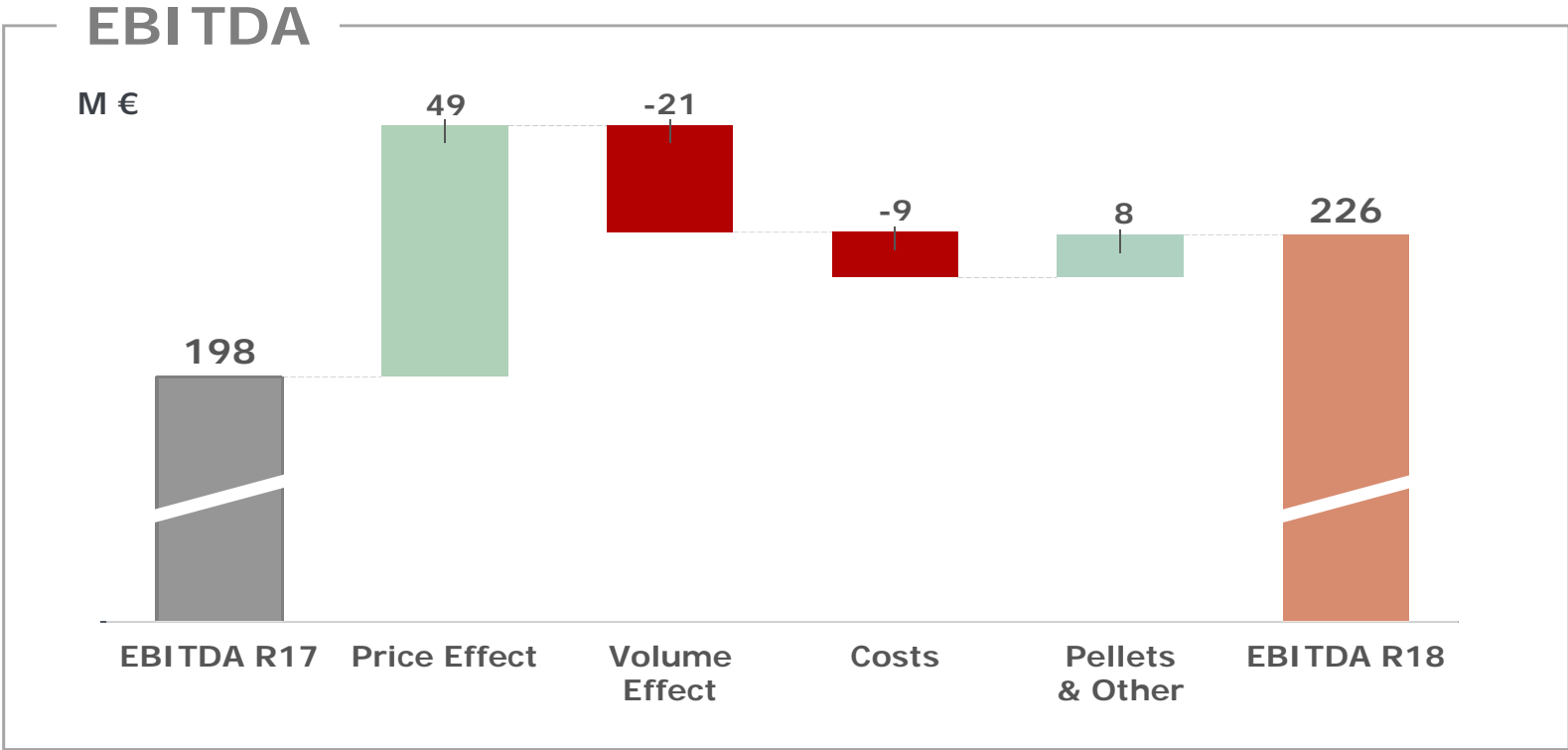
## Tissue Sales by segment



# EBITDA Performance in H1 - record level



## Positive impact of pulp and paper prices in EBITDA



Pellets & others: Pellets net impact - Bio assets - TG3 indemnity

# M2 cost reduction and efficiency programme continues

- Estimated impact YoY on EBITDA in H1 2018 of € 9.2 million, mainly due to:
  - + Fibre consumption: € 1.1 million
  - + Sea transport to Europe and overseas: € 1.0 million
  - + Paper machines' planning and production optimization: € 1.0 million

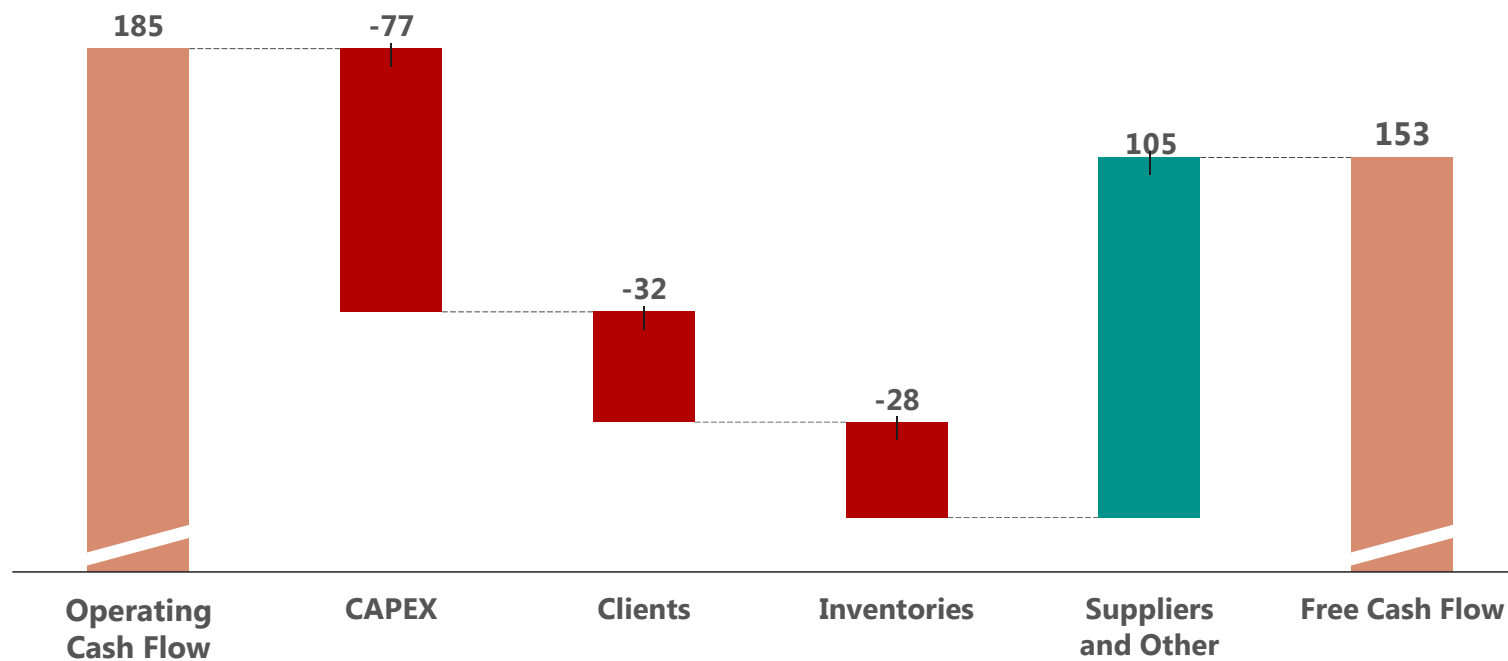
*Savings in energy contracts renegotiation estimated at € 14.1 million*





# Free Cash Flow at € 153 million

Free Cash Flow positively impacted by strong operating cash flow, cash from pellets sale and VAT reimbursement

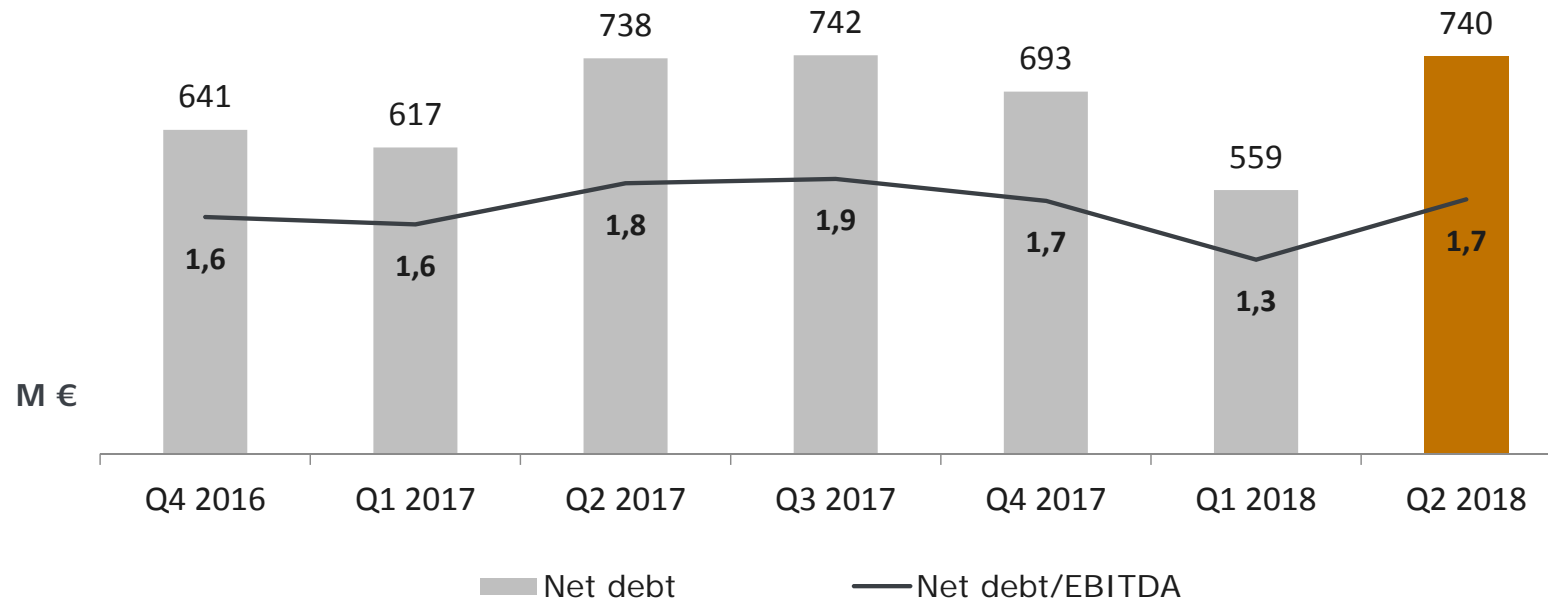


Others includes:

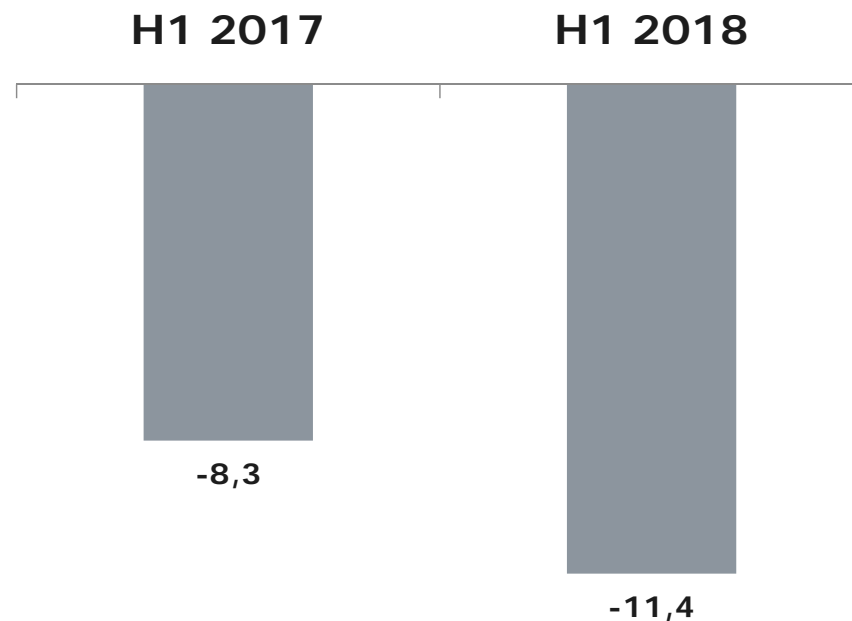
- Cash from pellets business sale (€ 68 million)
- VAT reimbursement (€ 53 million)

# Net debt at € 740 million

Net debt at similar levels as Q2 2017, after € 200 M of dividend payment and € 77 M in capex



# H1 2018 – Financial results

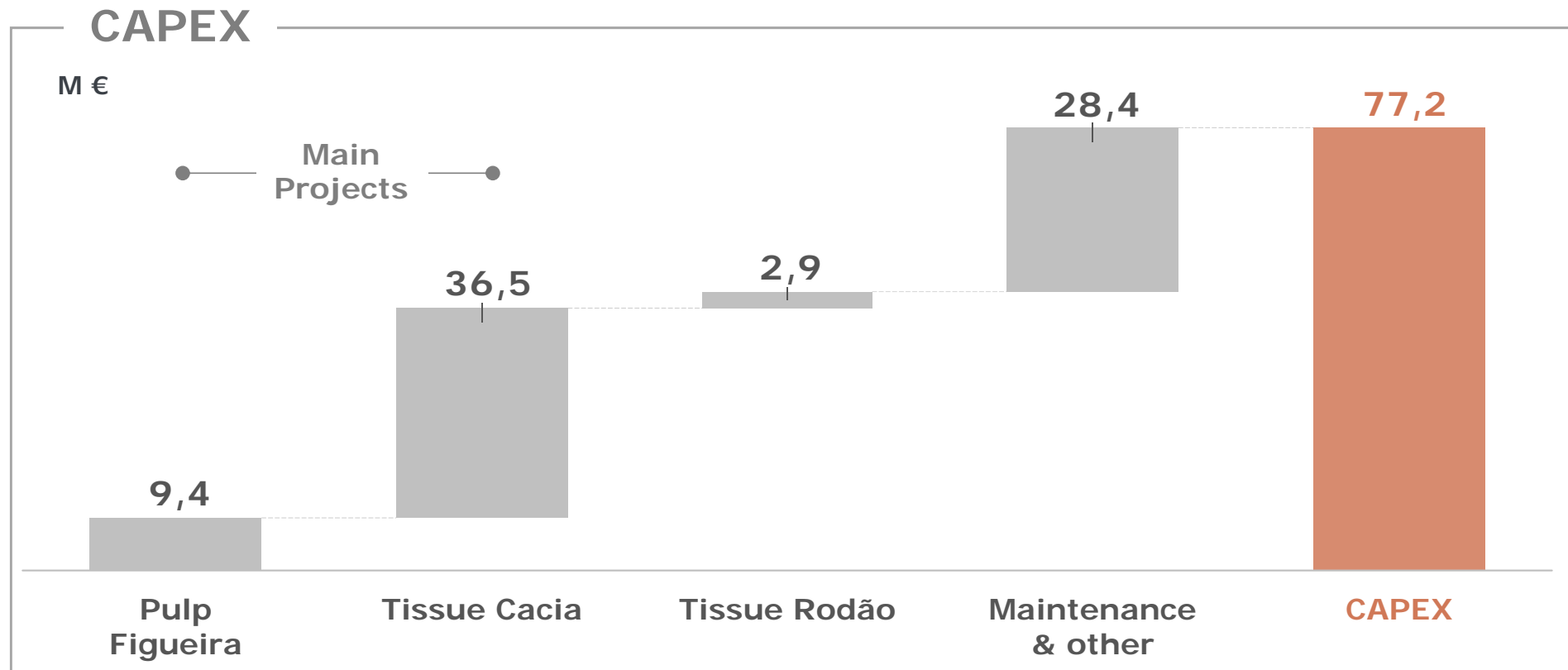


**Financial results  
negatively impacted by  
one off item**

**Financial results decreased  
from - € 8.3 to - € 11.4 million:**

- Negative impact of € 3.3 million, related to the difference between the nominal and present value of the outstanding amount regarding the sale of the pellet business
- Positive impact of currency hedging and exchange rate was offset by the negative impact of liquidity management

# CAPEX of € 77 million (vs. € 35 million)



# Outlook for 2018

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**Pulp:** positive trend should continue in the near future

**Tissue:** still high pressure on margins despite price improvement;  
Navigator will implement further price increases

**Paper:** order book remains strong and new price increases are  
anticipated in Europe and the rest of the world

- 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 rate**
- **Q3 main challenges: normalization of volumes and start-up of tissue reel production at Cacia mill**

# Update on Cacia tissue project



- **Project unfolding as planned:**
  - + Converting line starting in May
  - + Reels production to start up in Q3 2018
- **Successful book-building of new clients in Portugal, Spain, France and UK**

# Start-up of Pulp Expansion at F. Foz

## Optimization Project 3 – Ecoefficiency:

**Total CAPEX of € 81.5 million**

### **Main Goals:**

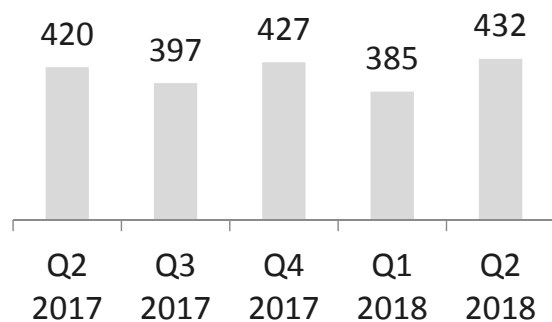
- Increase the annual pulp production from 580,000 to 650,000 tAD
- Increase the efficiency of pulp process
- Reduce wood and chemicals specific consumption
- Implementation of BAT (ex: O<sub>2</sub> delign)
- Environmental advantage for flue gas and liquid effluent emissions
- Collection and burning of diluted odorous gases

**Project completed and ramping-up**

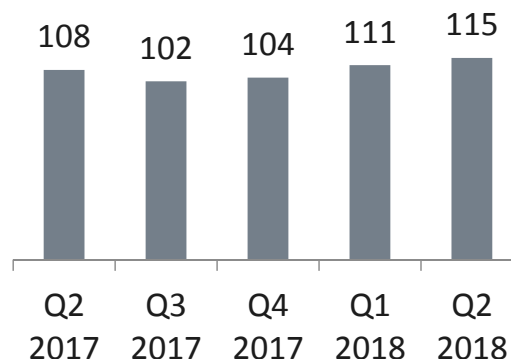


# Quarterly figures – YoY evolution

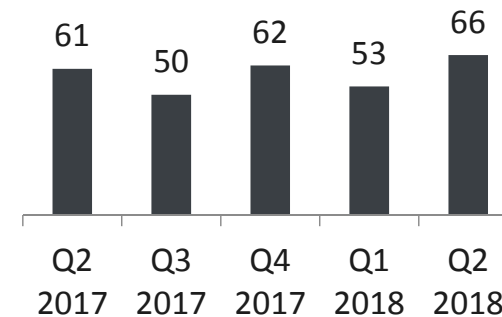
### Turnover (M €)



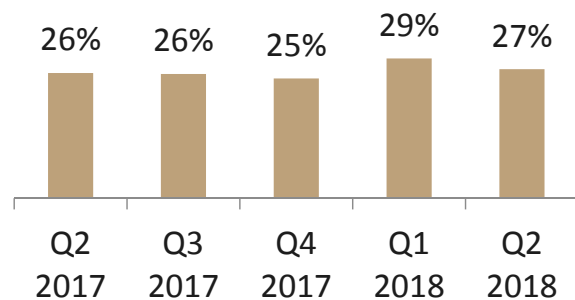
### EBITDA (M €)



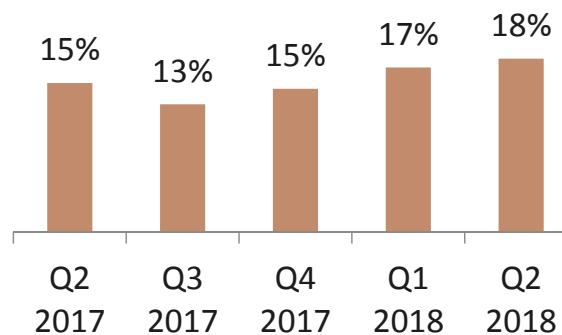
### Net Earnings (M €)



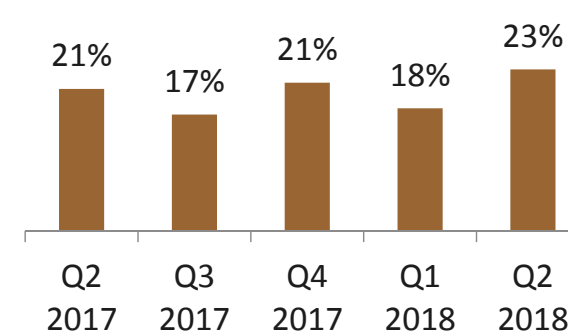
### EBITDA/Sales (%)



### ROCE (%)



### ROE (%)



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