



THE
NAVIGATOR
COMPANY

9M 2019/Q3 2019
Results Presentation

October 29th 2019

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9M 2019/Q3 2019 RESULTS PRESENTATION



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Outlook

9M 2019 HIGHLIGHTS

Increase in turnover (+1.8%) due to higher paper prices and higher volumes of pulp and tissue sold.

Recurrent EBITDA declined 11.2% YoY pressured by lower pulp prices, lower paper volume and higher production costs

Free cash flow remains strong at € 125.4 million

Total Capex of € 88.3 million, mainly recurring & environment

Dividend payment of € 200 million in April and acquisition of owns shares totalling € 18.4 million

In millions €	9M 2019	9M 2018	%CHANGE 19/18
Turnover	1274.2	1252.3	1.8%
Recurring EBITDA	300.2	338.1	-11.2%
Recurring EBITDA /Sales	23.6%	27.0%	-3.4 pp
CAPEX	88.3	148.4	-60.1
Adjusted Free Cash Flow	125.4	93.5	31.9
Remunerated NetDebt/EBITDA	1.87	1.65	0.22

MAIN QUARTER HIGHLIGHTS

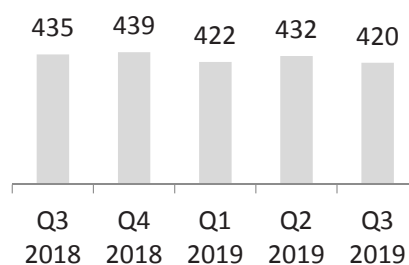
In spite of significant increase in pulp sales, turnover was slightly down in Q3 vs Q2 due to lower paper volumes and pulp prices

EBITDA in Q3 impacted by lower pulp and paper prices

Free Cash Flow remains strong, albeit lower than Q2

Capex in Q3 of € 20 million, mainly maintenance and recurring

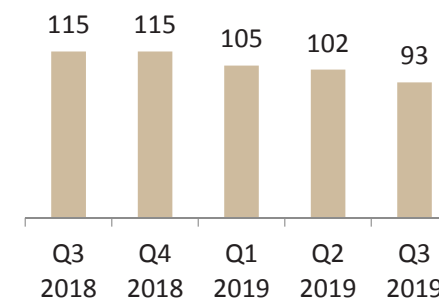
Turnover (M €)



YTD 2018
1 252 M€

YTD 2019
1 274 M€

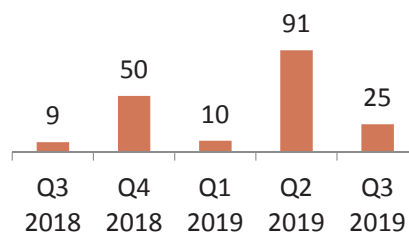
EBITDA (without pellets)
(M €)



YTD 2018
338 M€

YTD 2019
300 M€

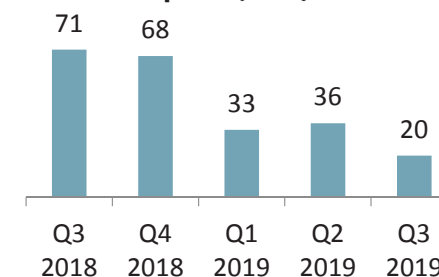
Free Cash Flow (M €)



YTD 2018
93 M€

YTD 2019
125 M€

Capex (M €)

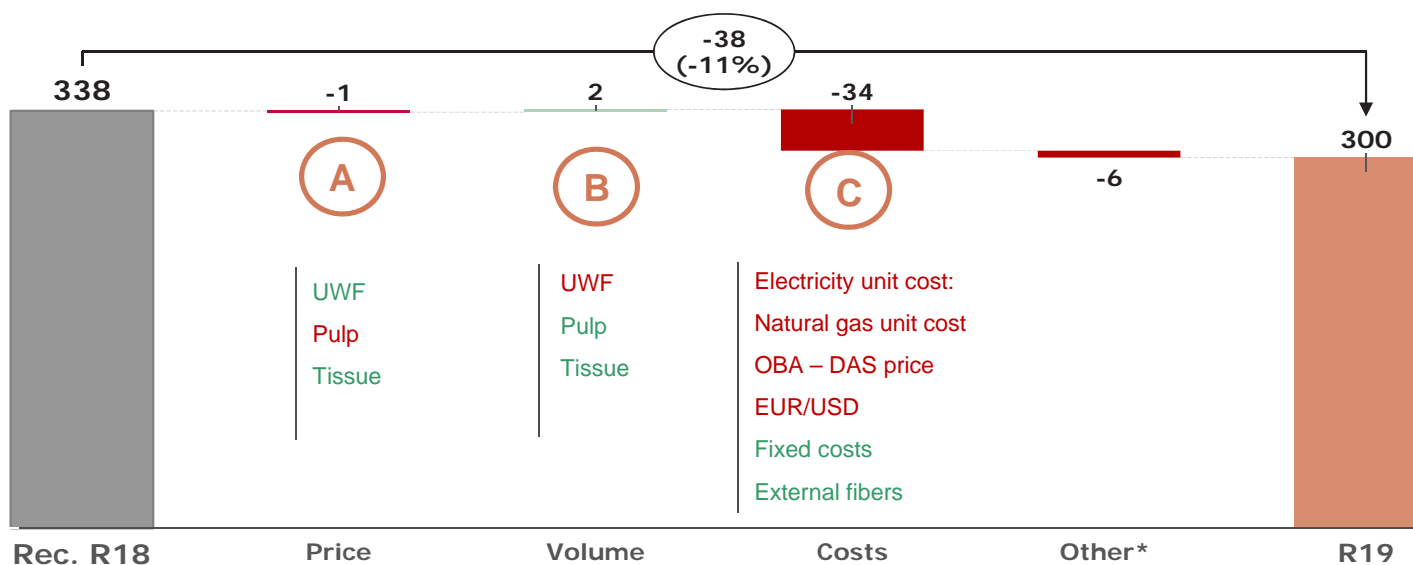


YTD 2018
148 M€

YTD 2019
88 M€

9M 2019 Recurring EBITDA

Increase in volumes is offset by increase in costs (Energy, Wood and Chemicals)



Price impact flat as paper price increase was offset by pulp decline



Positive volumes for pulp and tissue outbalance negative impact of paper volumes



Negative impact of variable costs mainly due to price increases in energy, wood, chemicals;

Improvement in external fiber and personnel costs

* includes bio assets and land sales

CONTINUOUS FOCUS ON COST EFFICIENCY

M2 program estimated impact on EBITDA of **14 M€**

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

- Optimization of wood consumption
- Optimization of maritime and road logistics
- Global negotiation on the acquisition of chemical products

Zero Based Budget - reduction of fixed costs: running costs & overheads in non-industrial areas

50 initiatives identified corresponding to 10M€ savings



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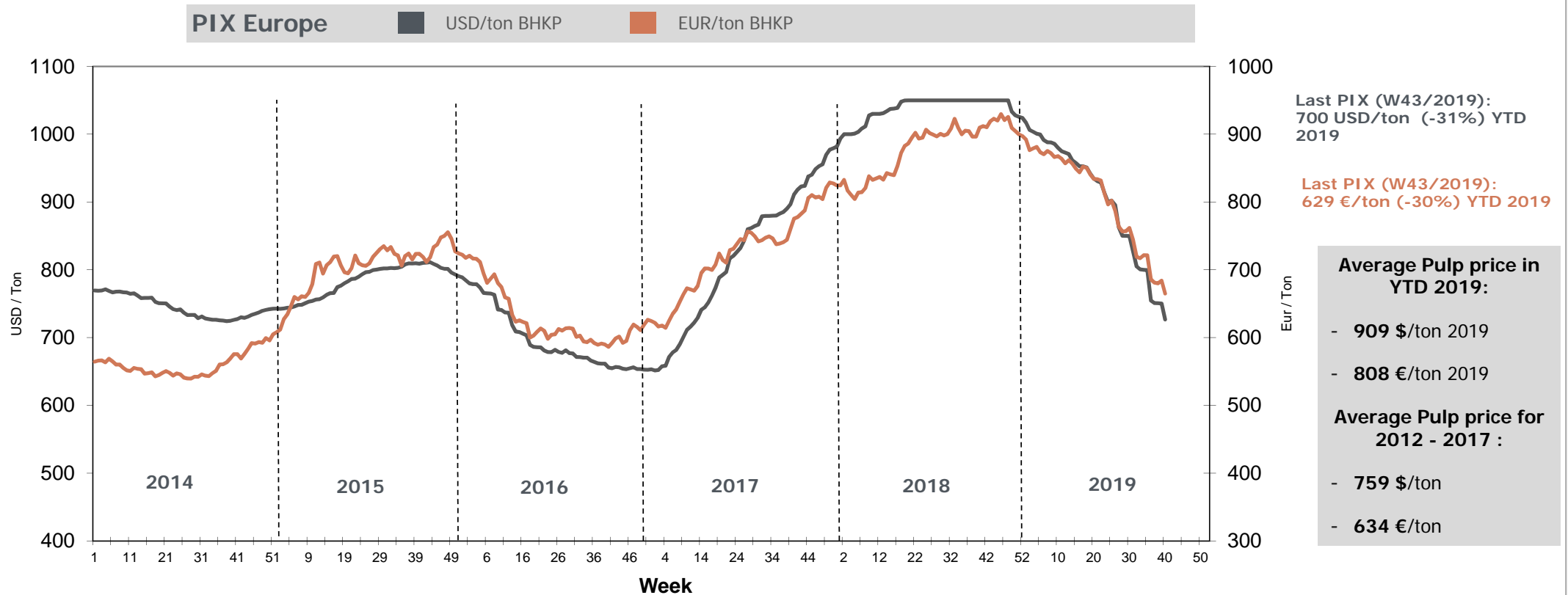
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SIGNIFICANT CORRECTION IN PULP PRICES SINCE END 2018



RECAP ON THE PULP MARKET

- During Q4 2018, market pulp demand experienced a significant decrease, falling 1.7 million tons YoY. China accounted for 90% of this reduction and Europe followed 2/3 months later. With Chinese buyers reducing pulp purchases, prices began to fall and producers stock started to build-up at Chinese (& European) ports
- From Q4 2018 to end Q1 2019, Chinese big pulp buyers reduced significantly their purchases, forcing a spiral of price reduction in pulp prices (YTD ~ -28%); producers stocks continued to increase while buyers used a significant part of their own inventories
- Currently, demand in China seems to be back to normal and growing; there are production cuts (maintenance and market driven) from major pulp suppliers in Latin America and Asia announced for Q3 and Q4
- Pulp production costs are increasing due to wood and chemicals; high-cost hardwood producers in China are now significantly pressured by lower pulp prices
- With buyer stocks at low levels, restocking should occur upon price growth expectations

With no new pulp supply forecasted until mid-2021, medium term fundamentals remain sound, but could be negatively impacted by economic and political instability

UPDATE ON PAPER MARKET

Global paper demand impacted by economics and destocking

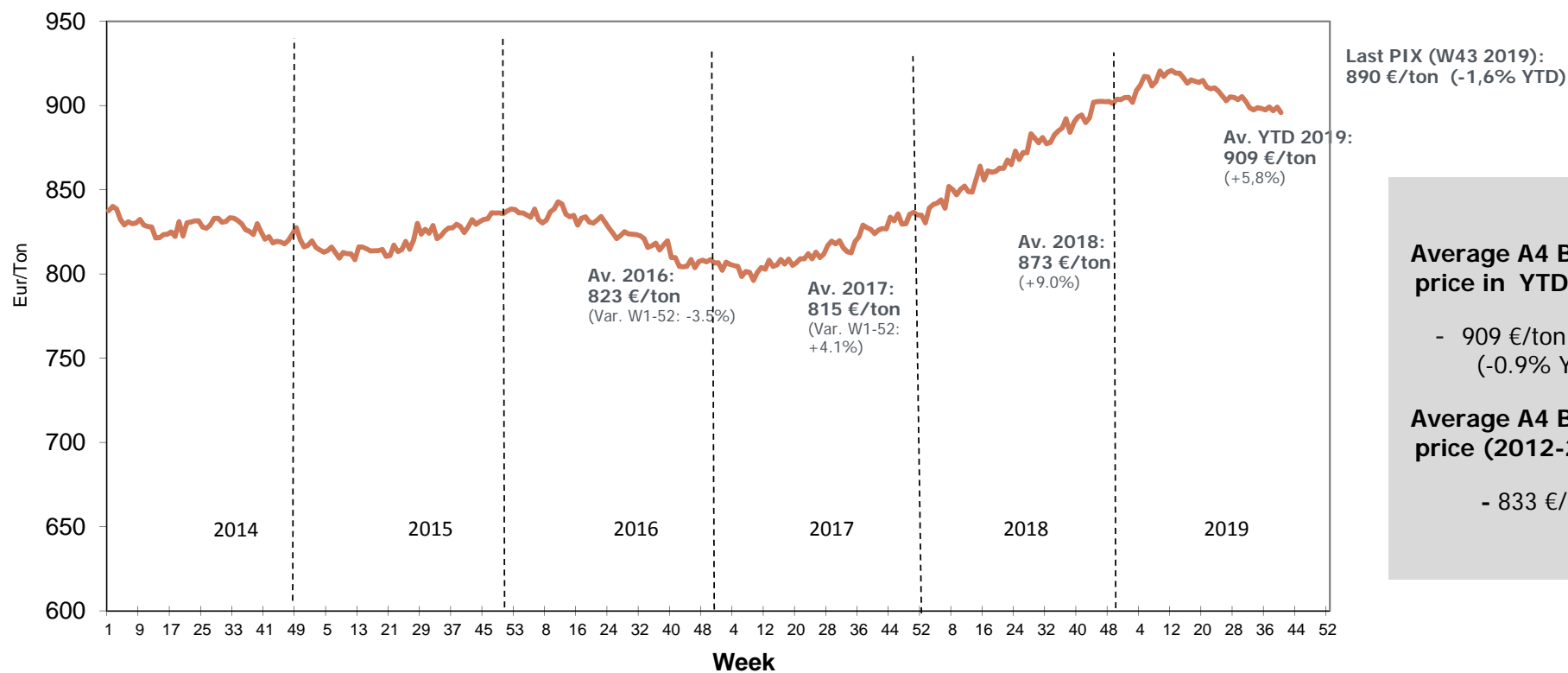
Global Printing & Writing Demand					
	Total	UWF	CWF	UME	CME
YTD August 2019	-6.3%	-2.6%	-8.9%	-11.2%	-10.5%
Avg L5Y	-2.3%	-0.3%	-3.1%	-4.0%	-5.8%

- Recent decline of P&W demand well above trend, indicating not only the effects of economic cooldown but also an overall destocking across the entire supply chain.
- UWF remains resilient when compared to other grades, with demand falling significantly in August (after a small pick-up in July)
- Demand for UWF in Q3 experienced a particularly severe drop in Europe of -5.2% and USA of -7.8% (vs Q3 2018) well above levels recorded in previous years

PAPER PRICES IN STABLE TREND

Average price in 2019 above average price in the last 10 years

EUROPEAN MARKET PAPER PRICE – A4 B-COPY



Average A4 B-COPY price in YTD 2019:

- 909 €/ton 2019 (-0.9% YTD)

Average A4 B-COPY price (2012-2017):

- 833 €/ton

UWF MARKET CONDITIONS

PULP PRICE

Hardwood pulp prices continue to fall in Europe but seem to have stabilized in China

DEMAND

Paper demand falling above trend in 2019, facing a pipeline destocking; UWF continues to show the highest resilience among the major graphic papers;

BALANCE S/D

Several producers announced conversion / shutdowns of UWF in 2019 in Europe (-280 kton), US (-822 kton), Asia (-882 kton) and Latin America (-180 kton), partially offsetting new capacities entering the market; strong momentum in Chinese paper market with price recovery and conversions of paper machines from Containerboard to UWF paper

PRICE LEVEL

Even though pix price avg. 2019 YTD is still 5% above 2018 (908 € in 2019 vs 864 € in 2018), paper prices are under pressure;

NAVIGATOR PAPER & PULP PERFORMANCE



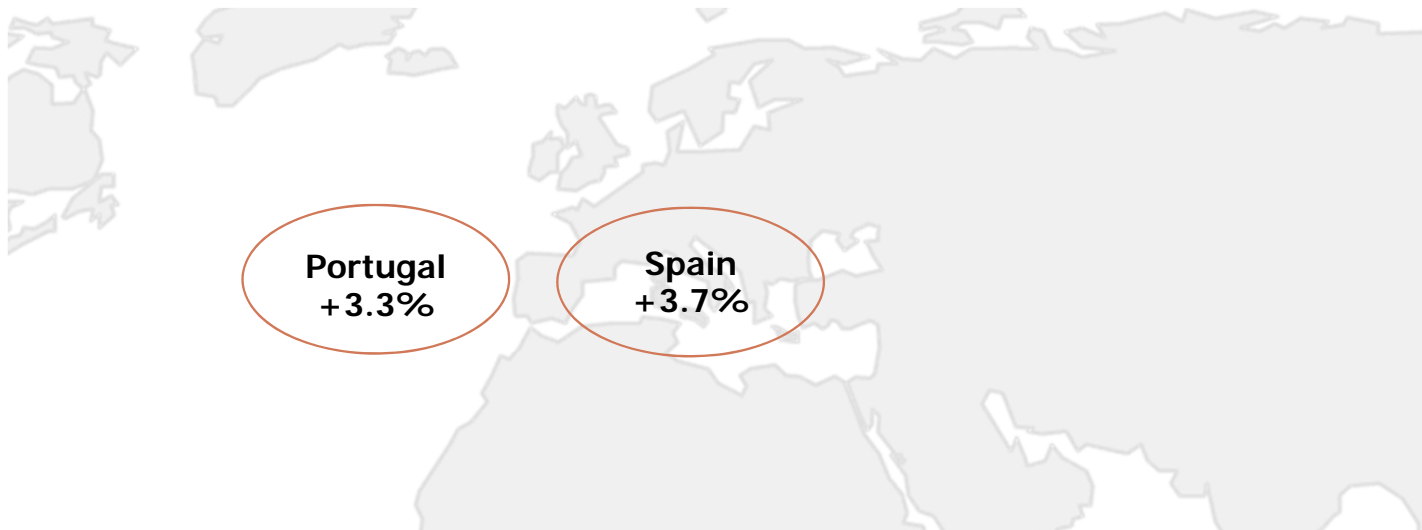
PAPER PERFORMANCE

- UWF sales volume decreased 5% 9M 2019 vs 9m 2018, and 1% from Q2 to Q3.
- Several events impacted UWF production (slower ramp-up of heavyweights production and strikes at PM4 in Setúbal) but production was also managed by Navigator to match current market situation. Maintenance stoppage at F.foz occurred in September 2019 impacting Q3 (impacting Q4 in 2018)
- Average price for 9M 2019 was 2.7% above 9M 2018 and average Q3 vs Q2 price adjusted downwards mainly due to product mix
- Navigator paper sales turnover down 2.3% 9M 2019 vs 9M 2018 to € 905 million and 5.6% to 294 million in Q3 vs Q2 2019 .

PULP PERFORMANCE

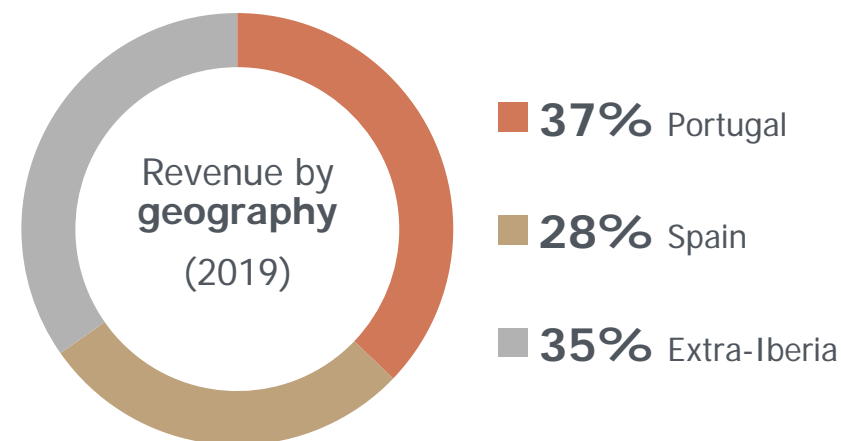
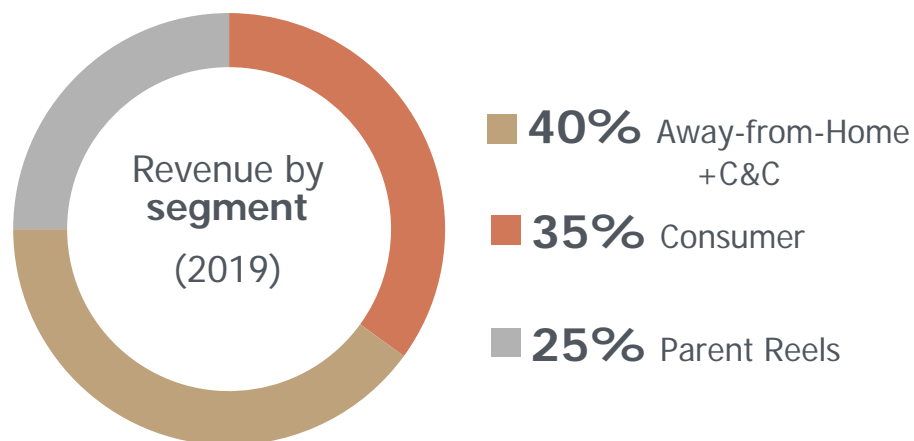
- Pulp production impacted by maintenance stoppages in Cacia, Setúbal and Figueira da Foz, partially offset by lower paper integration.
- Pulp sales in volume increased 21% 9M2019 vs 9M 2018 and 48% in Q3 vs Q2 2019; pulp turnover increased 5% YoY and 16% in Q3 from Q2 2019 with higher sales volume offsetting price decrease

GROWTH IN THE TISSUE BUSINESS



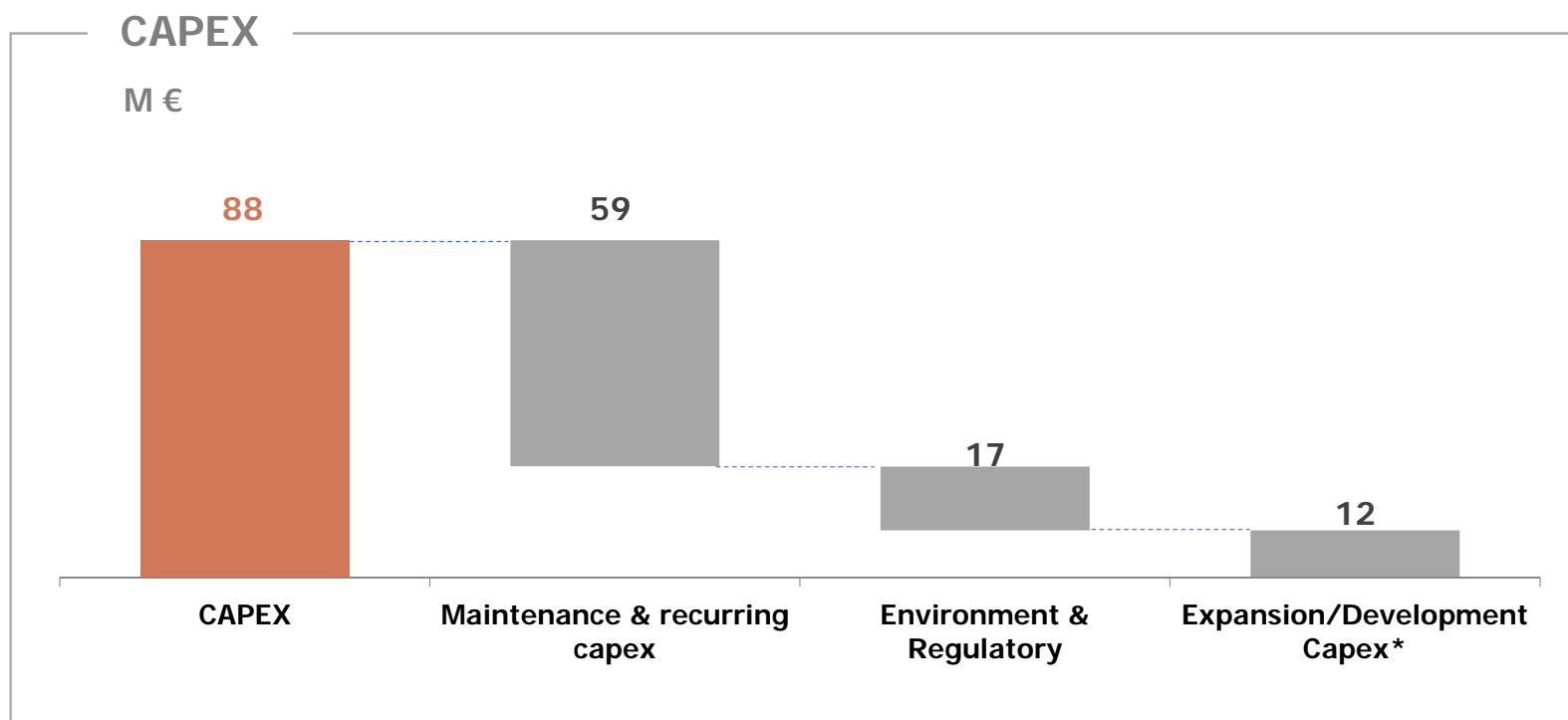
- In tissue business, Demand continues to present interesting growth rates: 3.3% in Portugal and 3.7% in Spain (between 2017 – 2019e), even in a context of new production starting in the Iberian Peninsula to come to the markets:
 - Spain: SOFIDEL; ICT; LUCART; G-C
 - Portugal: NAVIGATOR
- UK largest net importer in Europe, softness is a key parameter in PA.

GROWTH IN THE TISSUE BUSINESS



- Global volume of tissue sold increased to 74 kton (64% YoY), sustained by new capacity in Aveiro; sales volume was 14% higher in Q3 vs Q2 2019;
- Sales turnover increased to € 102 million, with significant growth in converted products and also in parent reels
- Even though price improved YoY for both converted and reels, the higher percentage of reels in global sales due to ramp-up impacted negatively average price for the period

CAPEX OF € 88 MILLION (VS 148 € MILLION)



* Includes Po3 + Tissue Cacia + Heavy Weights



ROADMAP TO A CARBON NEUTRAL COMPANY 2035



1st Company in Portugal committed to achieve Carbon Neutrality 15 years ahead of schedule

158 M € in planned investment towards offsetting carbon emissions

Forests managed by Navigator represent a carbon stock equivalent to 1.5 M cars driving the Earth's circumference

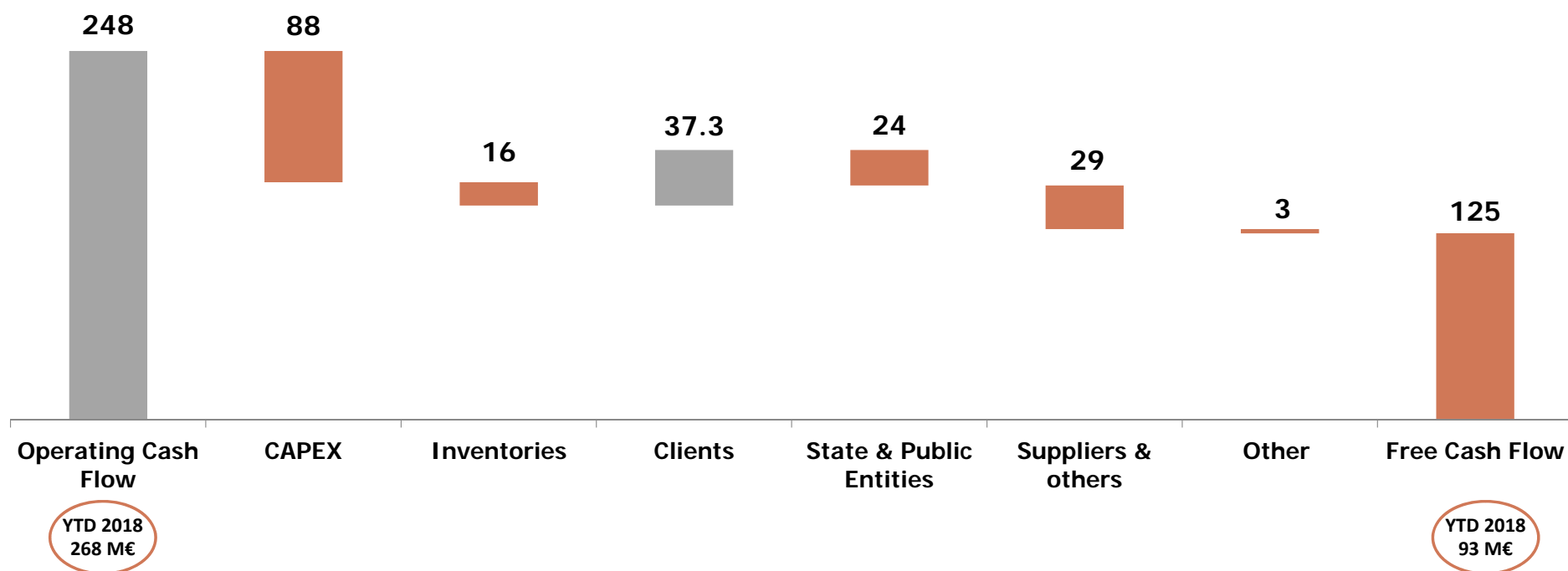
Main investments:

- New Biomass boiler at FF
- Biomass in Lime Kilns
- Combustion optimization

FREE CASH IMPROVEMENT

Free Cash Flow evolved positively to € 125 M and compares favorably with adjusted FCF of € 93 million in 2018

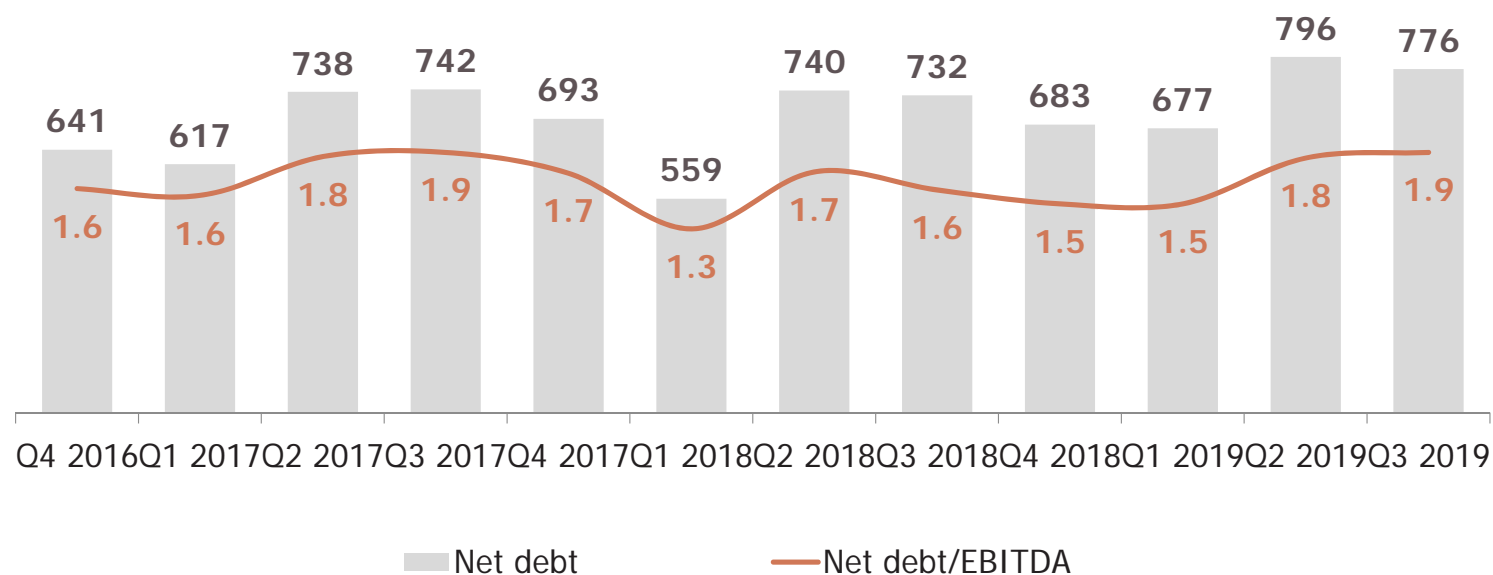
M €



NET DEBT INCREASED TO € 776 MILLION

Remunerated net debt increased € 93million vs year-end 2018, after paying € 200M in dividends and acquiring € 18 M in own shares.

M €

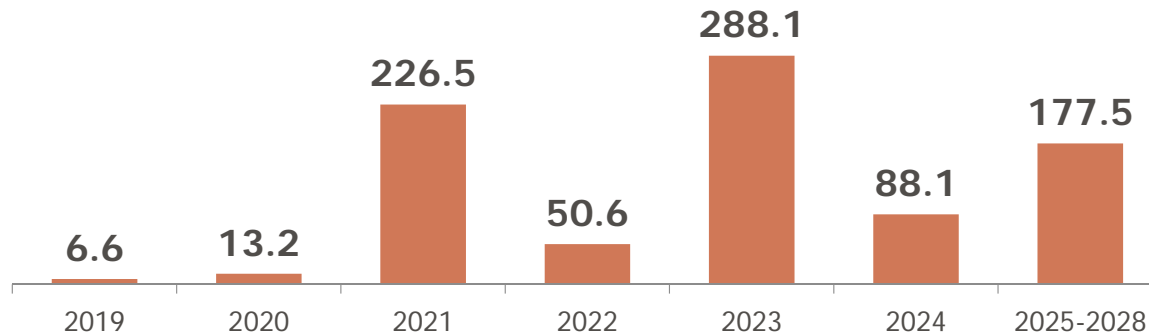


CONSERVATIVE DEBT PROFILE

Taking advantage of favorable market conditions, Navigator is renegotiating debt, seeking to diversify sources of funds and to extend average tenure.

Debt maturity profile

Total debt: € 850.6 million
Average maturity: 3.7 years



Current Average Cost of Debt

(September 2019):

1.70%

Debt Rate Profile

(September 2019):

Fixed	Variable
83%	17%

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Outlook & Challenges for Q4 2019

After a record 2018, 2019 has proven to be a challenging year

Adverse market conditions and inflation in some key production cost factors have pressured results

Focus on cost efficiency measures intensified, with new fixed cost measures for 2020

PULP

- Hardwood pulp prices continue to fall in Europe, but seem to have stabilized in China; in the case for softwood, there are signs that prices have started to recover in Q4 in China
- With demand picking up and without any new significant increase in capacity until H2 2021, prices should recover in 2020

PAPER

- Several production shutdowns and conversions announced for 2019 should improve global demand/supply balance;
- UWF prices under more pressure but remain resilient;
- Evolution of EUR/USD remains key

TISSUE

- Demand continues to present interesting growth rates, even in a context of new capacity additions
- Group will further consolidate its new operations and increase in global sales as the industrial operations matures.



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