



THE  
**NAVIGATOR**  
COMPANY

**Q2 / H1 2022**

**Results  
Presentation**

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July 26<sup>th</sup> 2022



THE  
NAVIGATOR  
C O M P A N Y

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# PARTICIPATION

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## Investor Relations

Ana Canha

# Q2 / H1 2022 RESULTS PRESENTATION



**01**

**Main  
Highlights**

02

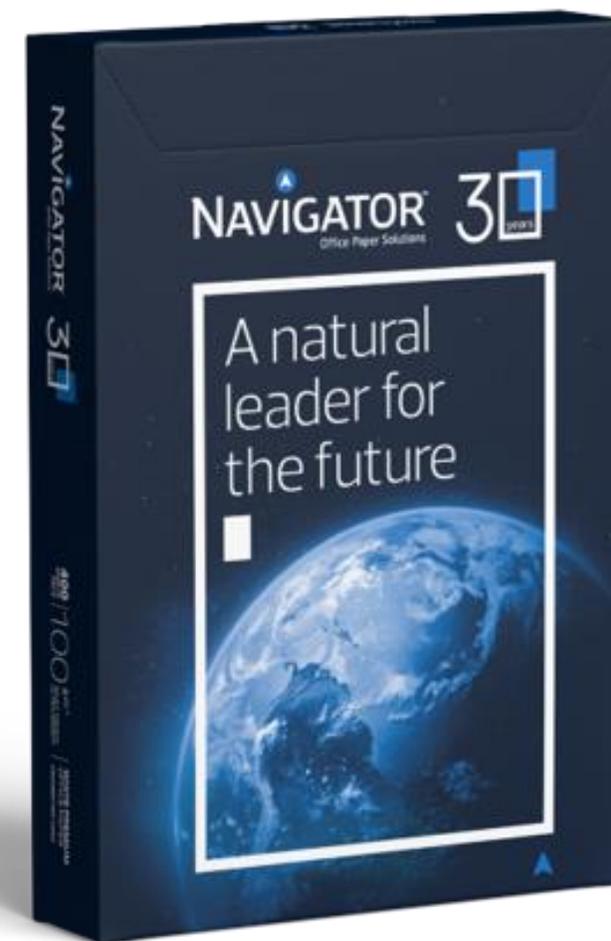
Market &  
Group  
Performance

03

Outlook

# Q2 2022 | RECORD RESULTS

- Exceptional market conditions with:
  - Unprecedented high prices driven by global unbalance between demand and supply in pulp market;
  - UWF lower availability driven by significant capacity exits across Europe together with the strike in Northern Europe and lower imported volumes due to logistic constraints;
  - Very high order books and operating rates both in Europe and USA throughout the 1st half.
- Record Q2 EBITDA of € 223 million - Focus on operational efficiency and higher prices offset steep increase in costs;
- Strong financial position - Net Debt/EBITDA ratio at 0.95x;
- New € 150 million Sustainability-Linked bond, maturing in 2028;
- Delivering innovation through packaging - *From Fossil To Forest* Agenda;
- Navigator and P2X Europe signed a MoU to develop a world-class production facility for industrial-scale production of non-fossil jet fuels or e-SAFs (e-Sustainable Aviation Fuels).



# H1 2022 FINANCIAL HIGHLIGHTS

**Continuous focus on operational efficiency and effective management of variable and fixed costs.  
EBITDA up by 130% to € 345 million (€ 150 million in H1 2021).**

In millions €	H1 2022	H1 2021	Change HoH	Q2 2022	Q1 2022	Change QoQ
Turnover	1,142	715	+60%	650	492	+32%
EBITDA	345	150	+130%	223	122	+83%
EBITDA /Sales	30%	21%	+9 pp	34%	25%	+9 pp
CAPEX	34	33	+1	19	15	+4
Free Cash Flow	174	122	+52	97	77	+20
Net Debt	521	658	-137	521	518	+3
Remunerated Net Debt/EBITDA	0.95	2.22	-1.31	0.95	1.28	-0.37

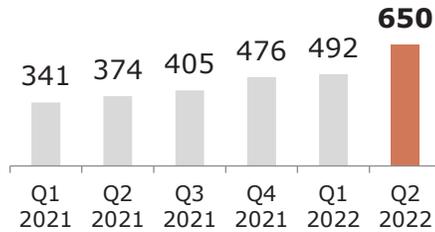


# MAIN QUARTER HIGHLIGHTS

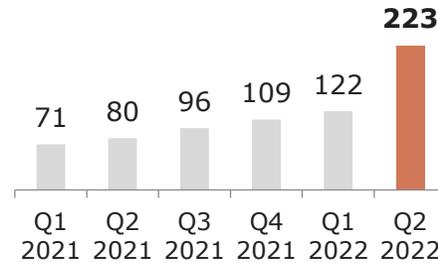
Turnover, EBITDA and operating cash flow registered a record performance.

Paper sales volume of 407 k tons (+25% QoQ).

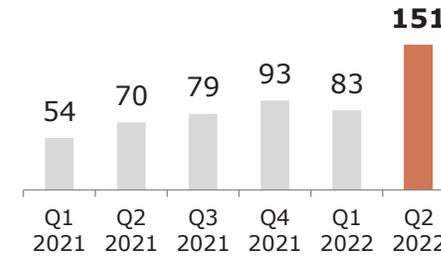
### Turnover (M €)



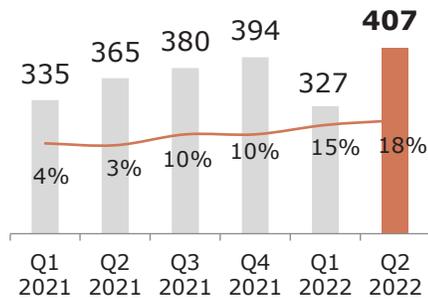
### EBITDA (M €)



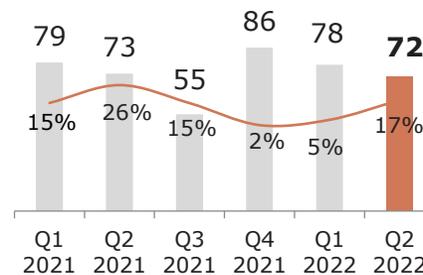
### Operational Cash Flow (M €)



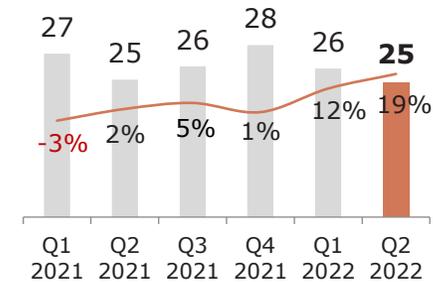
### Paper sales (k tons)



### Pulp sales (k tons)



### Tissue sales (k tons)

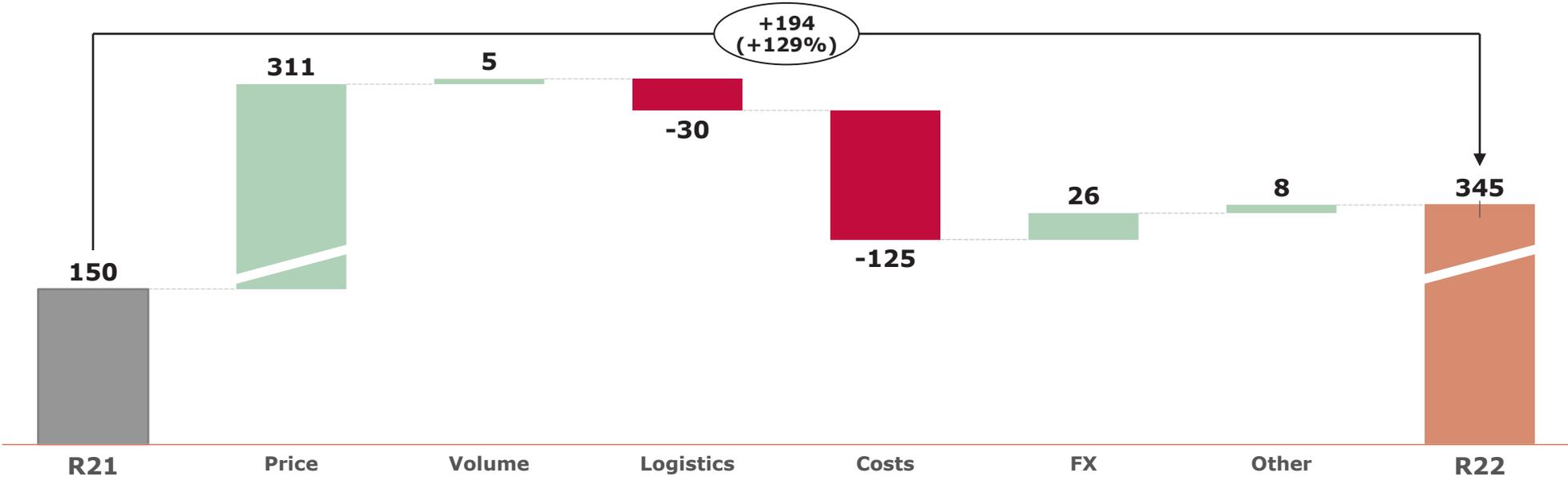


— Average Price Evolution (Quarter) (influenced by pure price, exchange rates and mixes)

# EBITDA YoY Analysis

M €

Favorable price evolution across all businesses sustained by unique S/D conditions and efficiency performance outweighed rising costs in raw materials, energy and logistics



**A** Upward trend on prices across segments (Pulp +48%; UWF +54%, Tissue +31% Packaging +35%) mainly as a result of supply constraints

**B** Despite logistic restrictions, UWF volumes grew 5% YoY, with higher weight of premium products 67% (+19 p.p.) and mill brands 75% (+9 p.p.).

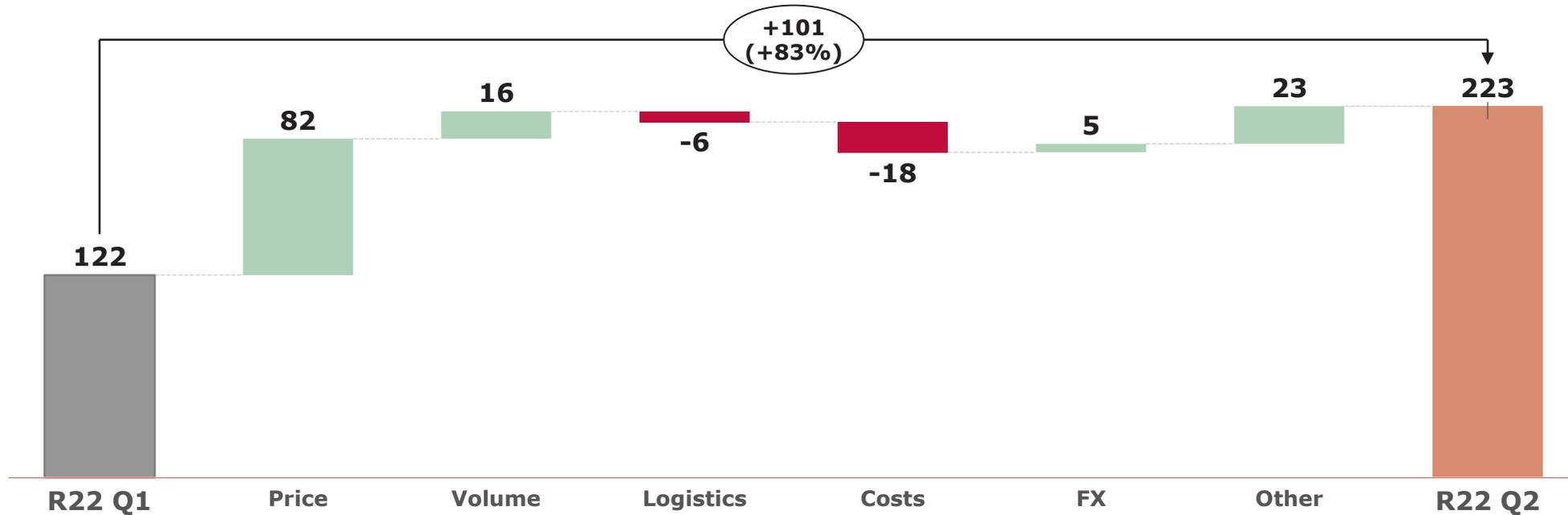
**C** Worsening evolution of commodities and freight costs, mitigated by efficiency improvements. Fixed costs above YoY (+20%) on higher Personnel and Functioning costs aligned with the business growth.

# EBITDA QoQ Analysis (1/2)

Q2 2022 vs Q1 2022

M€

Led by limited supply, rising Pulp & Paper market prices, as well as higher UWF sales volumes in the quarter offset persistent cost increases



**A** Price increases in Q2 implemented offset broad pressure on cost items (Pulp +17%; UWF +18%, Tissue +19% Packaging +10%)

**B** Higher UWF volumes compared with Q1 impacted by stock replenishment and logistic restrictions. Market Pulp limited by stock availability and integration in UWF production

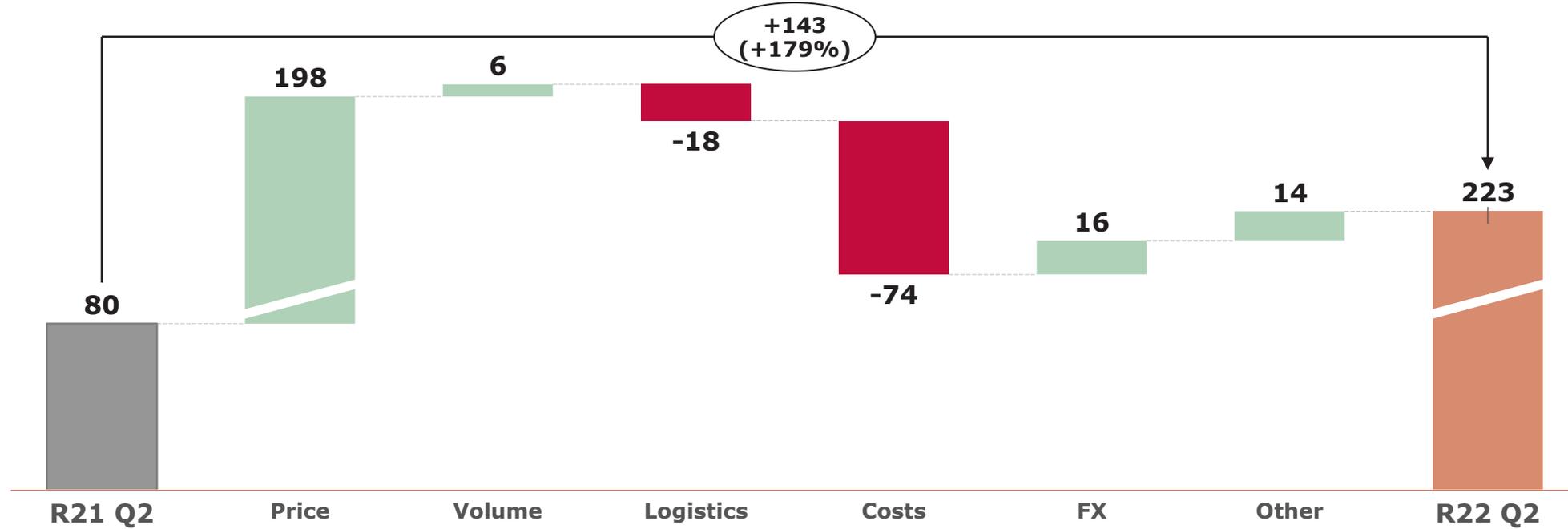
**C** Cost increase in raw materials, namely Chemicals, persist, reflecting the economic environment and supply chain disruption fears

# EBITDA QoQ Analysis (2/2)

M€

Q2 2022 vs Q2 2021

Price increases implemented during the last 12 months offset persistent rise in costs



**A**

Superior prices across all segments backed by Pulp market dynamics and price improvement measures

**B**

UWF sales volumes growth (+12%) compared with last year second quarter. Pulp (-2%) and Tissue (-1%) sales in line

**C**

Generalized aggravation of energy, logistics and raw materials' prices during the 2<sup>nd</sup> half of 2021, intensified this year

# Q2 / H1 2022 RESULTS PRESENTATION



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Outlook



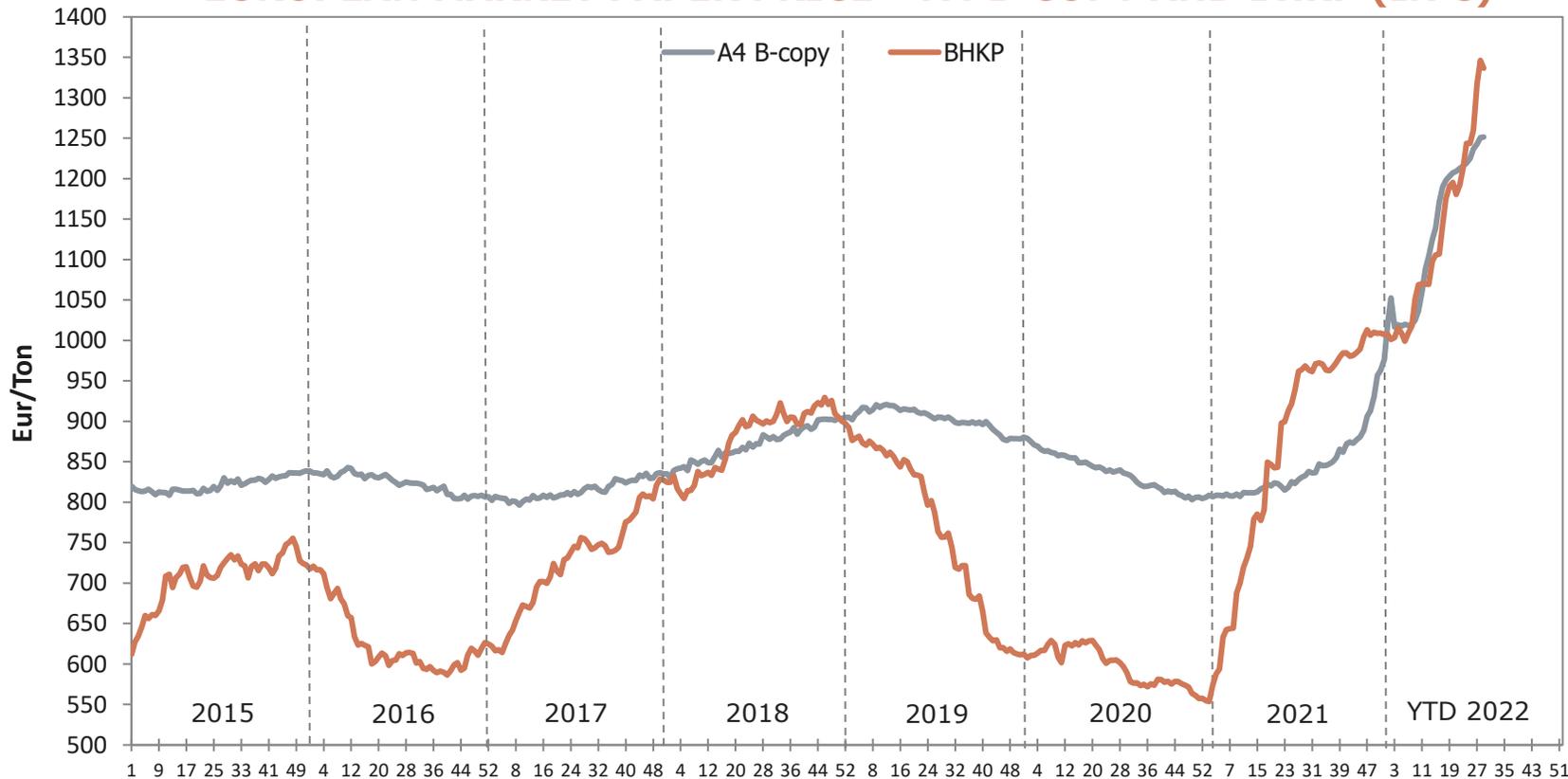
# PULP & PAPER PRICES IN 2022

## PRICES AT HISTORICAL LEVELS

**BHKP** pulp price index in Europe currently at **€ 1,336/ ton** and **\$ 1,362/ ton**.

**A4 B-copy** prices growing 28% since the beginning of the year to **€ 1,251 / ton**.

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



Average BHKP prices			
	2015-2020	2021	Q2 2022
Europe USD	812	1,023	<b>1,256</b>
Europe EUR	716	867	<b>1,181</b>
China USD	596	654	<b>811</b>

Average A4 B-Copy price			
	2015-2020	2021	Q2 2022
(in €)	845	844	<b>1,196</b>

Source: FOEX

# UPDATE ON THE PULP MARKET

## PRICE

- The quarter was marked by a sound price growth:
  - BHKP in Europe | **1,336 EUR/ton<sup>1</sup>** (+33% vs start of the year)
  - BHKP in China | **864 USD/ton<sup>1</sup>** (+50% vs start of the year)
- H1 European BHKP average prices (EUR/ton) 47% higher YoY.

## SUPPLY

- Global unbalance between supply and demand, due to:
  - Strike in Northern European mills (more than 0.5 Mt of market pulp withdrawn);
  - Higher than usual annual maintenance and unplanned shutdowns during H1;
  - War impacts:
    - 1) Embargo of wood imports from Russia drastically dropped imported birch wood to Northern Europe (around 1 Mt of short fiber annual production affected);
    - 2) Russian pulp production affected by chemical supply shortages;
    - 3) Pulp availability limitations and longer lead times due to logistical constraints (port congestions and unreliable freight schedules).
- By the end of June, pulp stock levels were medium to low across supply chain.

## DEMAND

- Global hardwood demand -0.3% (YTD May), with negative impact from China (dropping 6.6%) but positive from Europe (increasing 2.4%).
- Generally, there was insufficient supply to meet demand in Europe throughout H1.

<sup>1</sup> FOEX – prices on July 26<sup>th</sup>, 2022

# UWF MARKET CONDITIONS

## PRICE

- Index price for A4 paper at **1,251 EUR/ton<sup>1</sup>** (+28% vs start of the year).
- Average prices along H1 2022 up to **1,117 EUR/ton** compared with h1 2021 (814 EUR/ton).
- Across the board price increases for Paper&Board throughout H1 in Europe, Americas, Africa and the Middle East, drawn by increasing costs and low paper availability to meet demand.

## DEMAND

- Global P&W demand down by 1.4% (YTD May), UWF fell 0.5%; coated paper grew 1.6%, while mechanical papers decreased by 7.4%.
- UWF paper demand in USA increased 3% in the first 5 months of 2022 - compares with a period still significantly marked by the negative effects of the pandemic on demand (early 2021).
- In Europe, apparent consumption of UWF decreased -5.8% in H1, due to lack of supply to meet demand.

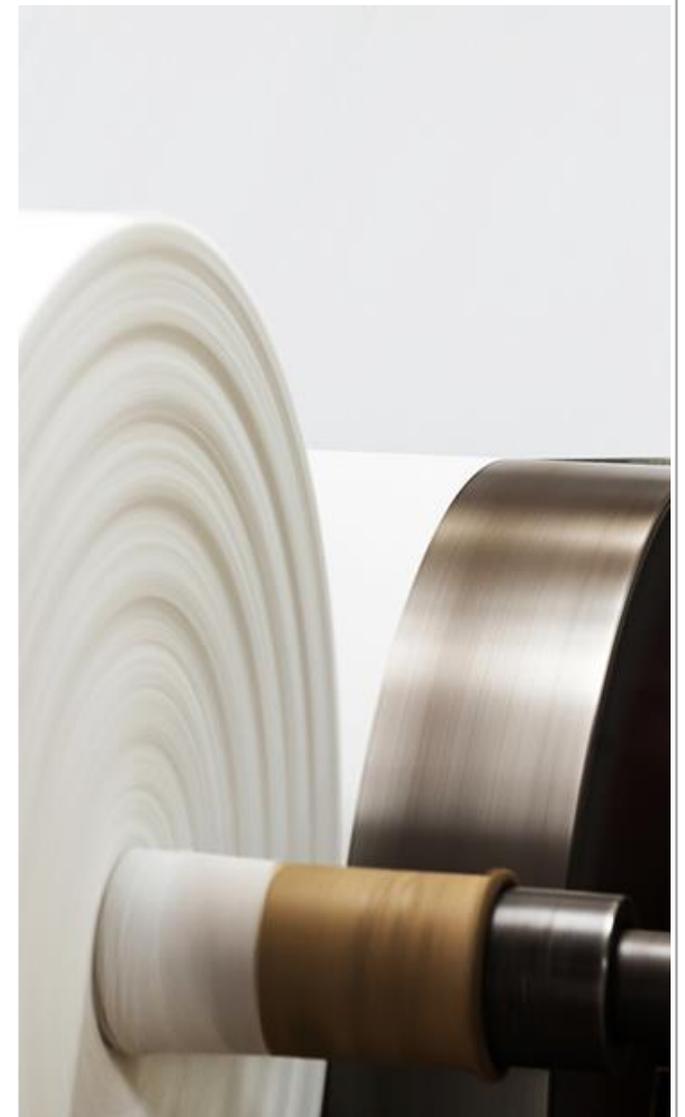
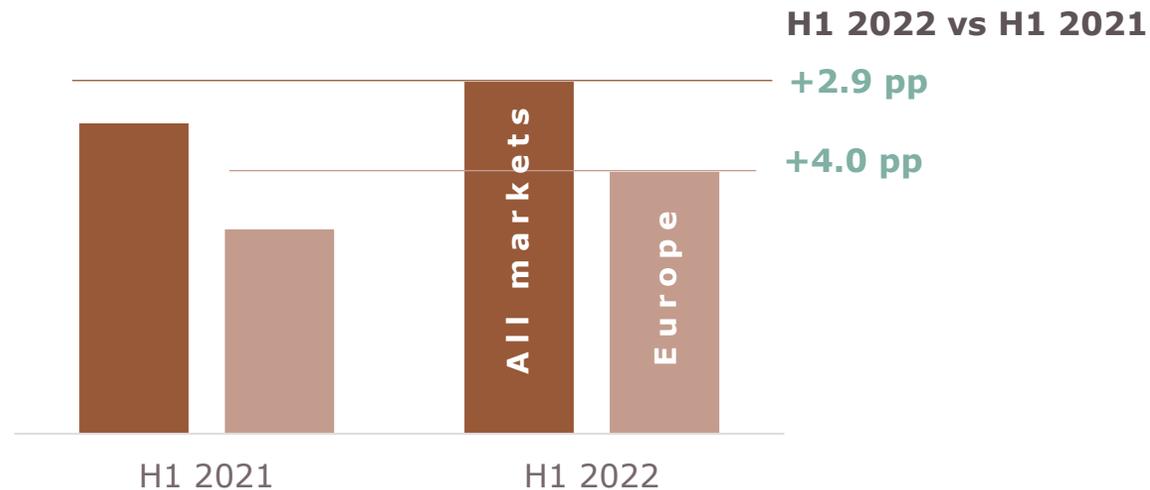
## BALANCE S/D

- Lower UWF availability driven by significant capacity exits across Europe (-12% YoY), strike in Northern European mills and lower imported volumes (due to logistic rates and constraints).
- Very high order books and operating rates both in Europe and USA throughout H1 (a good illustration of insufficient supply to meet demand).

<sup>1</sup> FOEX – prices on July 26<sup>th</sup>, 2022

# NAVIGATOR PAPER PERFORMANCE

- Navigator achieved the strongest order book ever of around 90 days (+82% higher than competitors in June).
- Focus on increasing productivity output (+9% YoY) to better serve an under-supplied market.
- The Company managed to enrich its premium and mill brand shares (+19 pp and 9 pp, respectively).
- Navigator's market-share in Europe also increased in H1 2022 vs H1 2021.



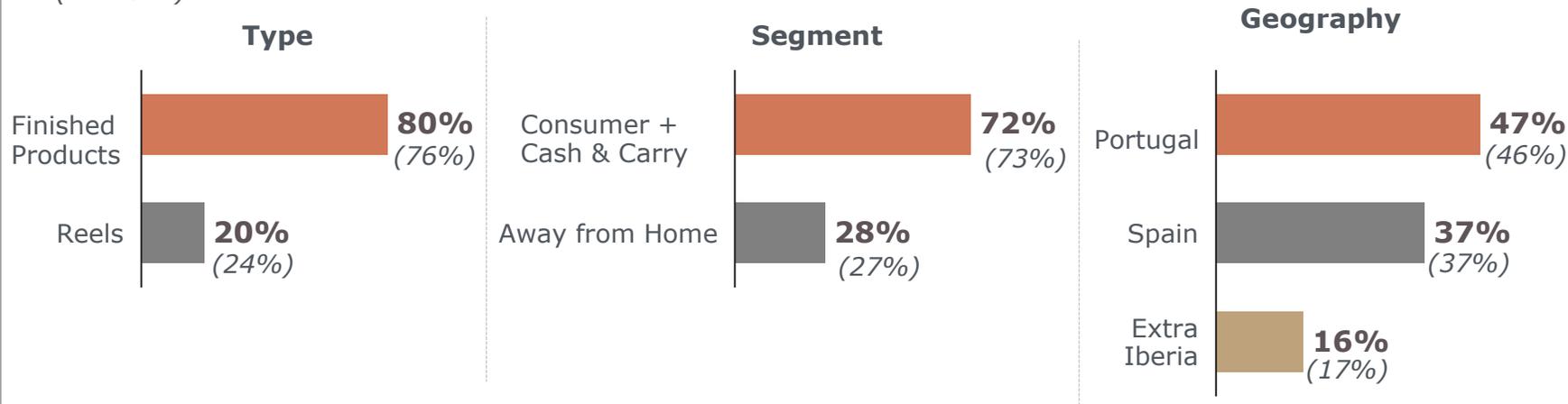


# TISSUE BUSINESS

Tissue business remains solid with sales from Finished Products growing 3% YoY.

## SALES<sup>1</sup> H1 2022

(H1 2021)



<sup>1</sup> ktons

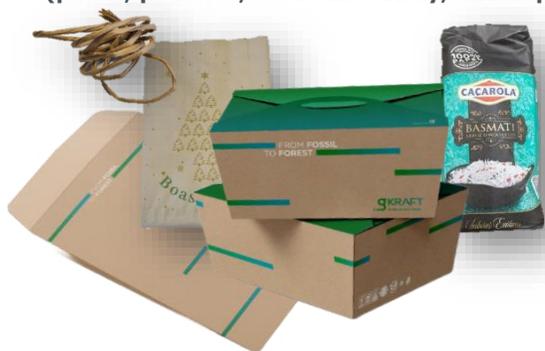
- Tissue total revenue increased approximately 29% YoY and 15% QoQ, on the back of price increases while mitigating cost inflation;
- Continuous efforts to develop sales of new product innovations such as Amoos Air Sense™ and Amoos Naturally Soft™.





## FLEX

**FLEXIBLE PACKAGING**  
(packs, pouches, food take-away, envelopes, etc.)



## BAG

**BAGS**  
(retail, food & filling industries, etc.)



## BOX

**CORRUGATED BOARD**  
(agriculture, industry, retail, e-commerce, etc.)



- Sales during the first half close to 2021 full year (€ 51 million)
- The number of customers more than doubled in H1 2022 YoY
  - Successful performance in different applications

**“THE COMPANY IS ACCELERATING THE CHANGE FROM FOSSIL TO FOREST. ALL GKRAFT PRODUCTS ARE MADE WITH PROPRIETARY TECHNOLOGY FROM VIRGIN EUCALYPTUS GLOBULUS FIBERS AND ADAPTED TO SPECIFIC NEEDS OF THE PACKAGING MARKETS”.**



# NAVIGATOR AND P2X EUROPE

Subject to the approval of the anti-trust authorities, this unique joint venture, P2X-Portugal, will produce e-SAFs (e-Sustainable Aviation Fuels) – carbon-neutral synthetic kerosene, based on green hydrogen and biogenic CO<sub>2</sub>

The project will contribute to the development of a **new strategic value chain in Portugal**, as well as to the achievement of the main EU initiatives in the climate area (Green Deal, EU Hydrogen Strategy, REPowerEU)



## ADVANTAGES OF CHOOSING PORTUGAL



- **Highly competitive renewable energy sources**
- **Access to an important source of biogenic CO<sub>2</sub>** generated by Navigator's biorefineries using sustainable forests



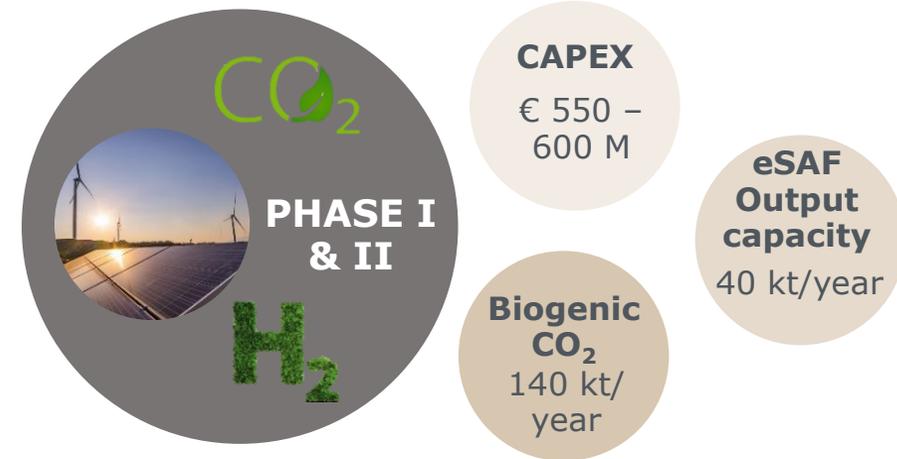
The Portuguese Government has granted the P2X Portugal PtL the status of **Project of National Interest (PIN)**



**FID\* | H2 2023**  
**Start-up | 2026**



**eSAF capacity (LT target)**  
80 kt/year



### CONDITIONS PRECEDENTS REQUIRED FOR A POSITIVE FID\* INCLUDE, INTER ALIA:

- Availability of competitive renewable energy as required by the project;
- Appropriate setting of the EU Delegated Act defining Green H<sub>2</sub> (currently being discussed in Brussels);
- Satisfactory long-term offtake commitments;
- Obtaining adequate EU and Portuguese government sponsored investment incentives.

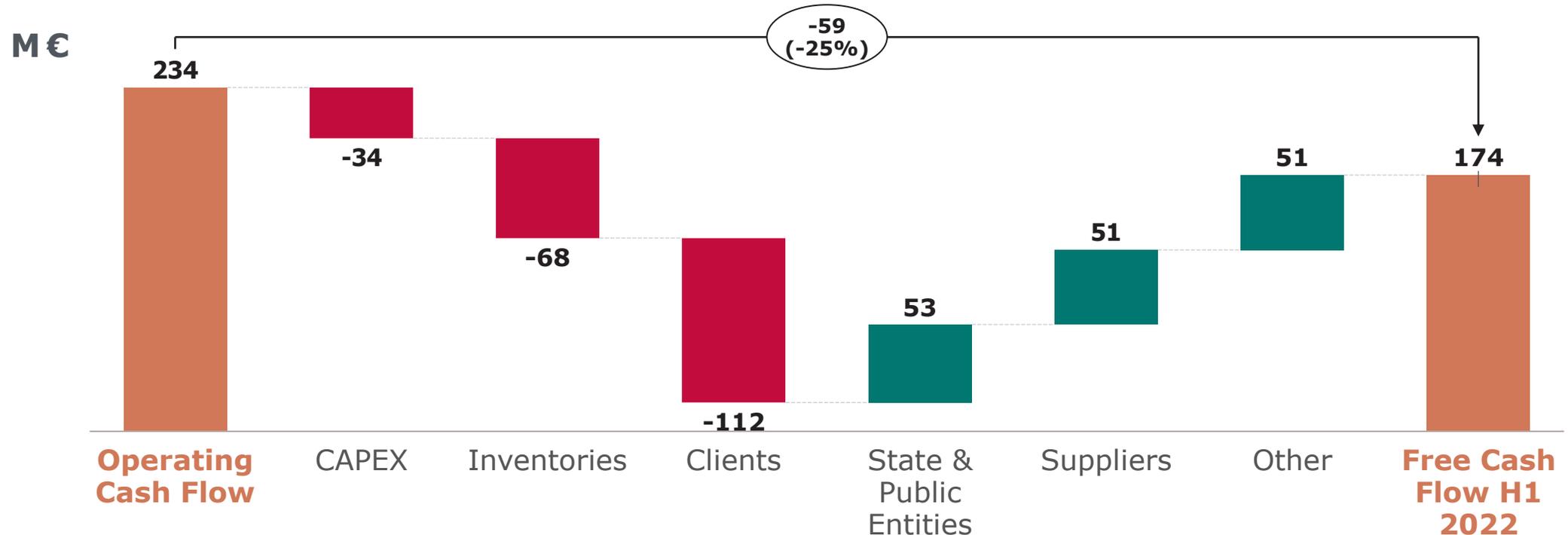
\*FID – Final Investment Decision



# FREE CASH FLOW

Strong cash flow generation of € 174 million, an increase of 43% YoY.

Working capital in line with trend of growing expansion in activity.

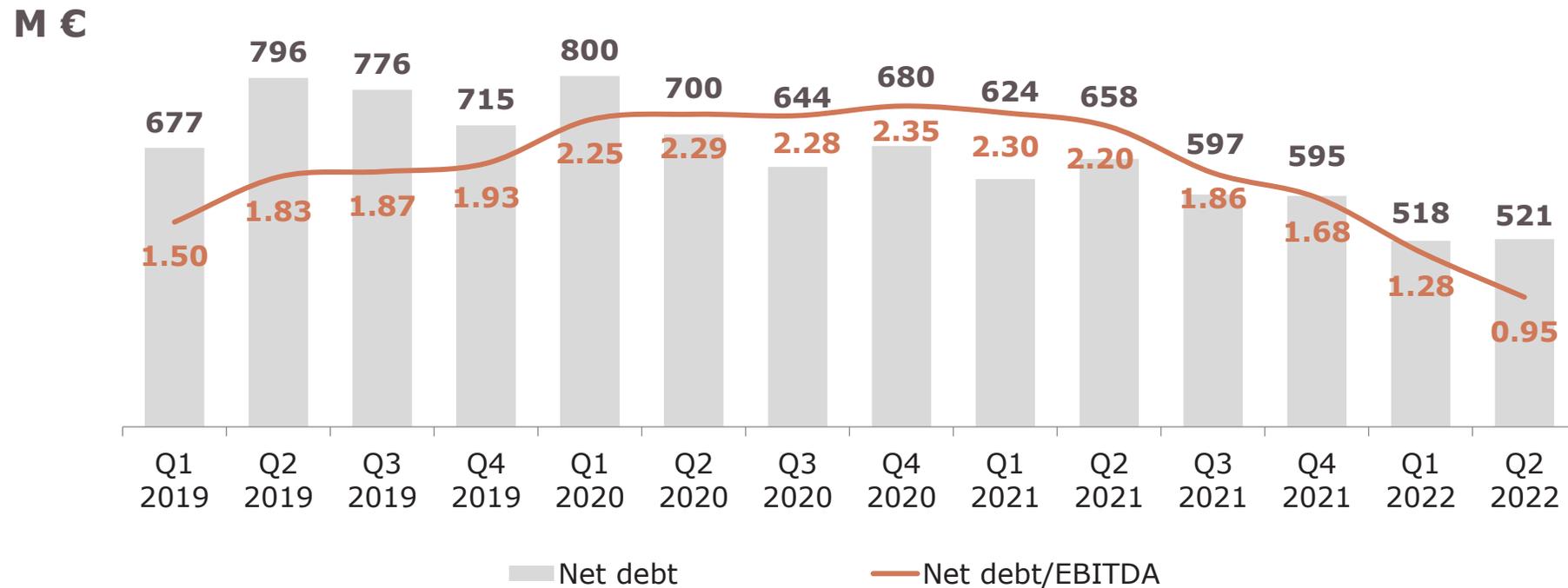




# NET DEBT

Net Debt amounted to € 521 million, a reduction of € 74 million vs year-end 2021.

Net Debt/EBITDA ratio at a low historical level of 0.95x reflects the Group's solid financial position.



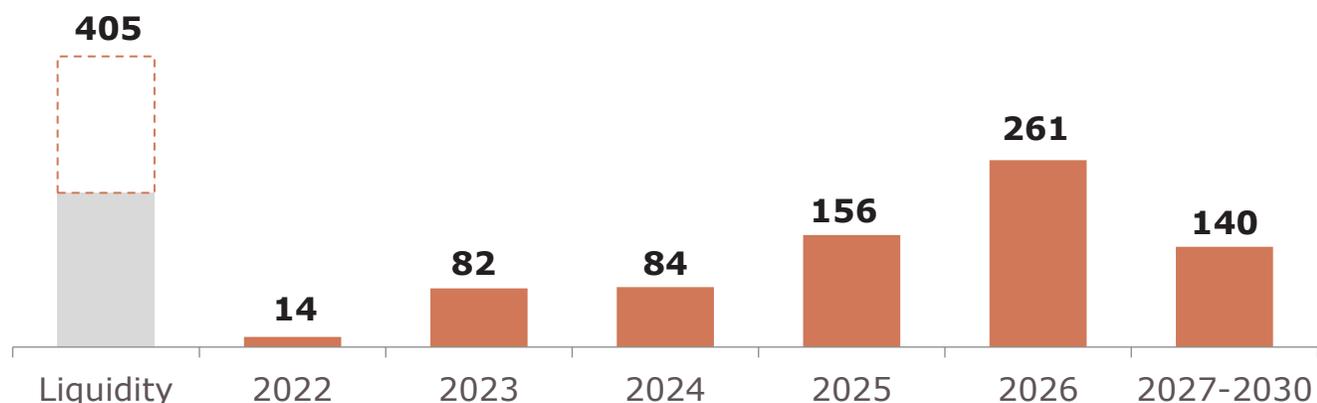
Without IFRS 16

# MATURITY AND LIQUIDITY

Navigator issued € 150 million Sustainability-Linked Bond, maturing in 2028. This new bond increased the debt average maturity and reduced the Company's financing costs. With this operation, approximately 40% of total borrowing is issued on a sustainable basis.

## Debt maturity profile (June 22)

Total debt: € 736 million  
Average maturity: 3.4 years



Liquidity = Cash 215M€ + Long Term unused Credit Lines 190M€

## € 150M Sustainability Linked Bond 2022 – 2028

### KPIs:

- CO<sub>2</sub> emissions reduction targets
- Targets to increase the percentage of certified wood from national market
- Use of renewable energy

## Current Average Cost of Debt

(June 2022):

**1.5%**

## Debt Rate Profile

(June 2022):

Fixed	Variable
<b>93%</b>	<b>7%</b>

# A BIOINDUSTRY ON THE RIGHT SIDE OF THE FUTURE



## Recognitions

3/81

PAPER & FORESTRY

| RATING\*



\*NVG position in industry cluster



## Achievements

### # From Fossil to Forest



### Global Climate Action

Scopes 1 & 2 **1.5°C**  
 Scope 3 well below 2°C



Creating Value Responsibly



### Sustainable Finance

~ 40% of total borrowing issued on a sustainable finance basis

- SUSTAINABILITY LINKED BONDS FRAMEWORK**
- **€ 100 million** 2021- 2026
- **€ 150 million** 2022-2028

### ESG Commercial Paper

- **€ 65 million** 2019- 2025



### Pension Fund

New investment policy towards responsible investment (AuM of **€ 200 million**)

## TAKEAWAYS

- Strong quarter driven by tight market dynamics and successful price increases in pulp, paper, tissue and packaging;
- Tight supply and market's preference for Navigator products and brands kept high order books in the paper business;
- Sales prices increase in all business areas more than offset the negative impact of higher variable costs;
- Record High Results - EBITDA increased by 130% to € 345 million (€ 150 million in H1 2021);
- Solid financial position - Net Debt/EBITDA ratio improved to 0.95x;
- Continuous focus on operational efficiency, innovation and the sustainability of operations.



# H1 / Q2 2022 RESULTS PRESENTATION



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**Outlook**

# OUTLOOK

**H2 starts with historically high prices and European industry's order books at high levels due to paper scarcity.**

**Strong start though significant uncertainties for H2 2022.**

- Uncertain macroeconomic and geopolitical environment;
- Strong inflationary pressure, rising interest rates and the European energy markets situation, may result in an economic downturn;
- European energy markets may accelerate the economic slowdown;
- Possible decreases on logistic costs and constraints that may lead to imports increase (putting pressure on paper prices in Europe).



**Once again, the Company expresses the firm conviction that it will continue to overcome current uncertainties.**



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