



THE
NAVIGATOR
COMPANY

Q1 2022

**Results
Presentation**

May 24th 2022



THE
NAVIGATOR
C O M P A N Y

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Q1 2022 RESULTS PRESENTATION



01

**Main
Highlights**

02

Market &
Group
Performance

03

Outlook

Q1 2022 | RECORD QUARTELY RESULTS

- Tight market dynamics mainly due to:
 - Negative supply side shocks withdrawing more than 1 Mt of short fiber pulp from the market in Q1;
 - Paper capacity reduction in Europe and the USA and limited supply in Middle East and African markets;
 - Continued costs hikes on raw materials, energy and logistics;
 - Supply chain disruptions increased by uncertainty due to the pandemic evolution in China and the impact of war in Ukraine;
- Record quarterly result with EBITDA of € 122 million, supported by:
 - The significant pulp price increase, that passed through across all businesses - paper, tissue and packaging;
 - Continued focus on improving efficiency, cost control and innovation;
- FCF generation of € 77 million;
- Net Debt/EBITDA ratio improved to 1.28x.



3M 2022 FINANCIAL HIGHLIGHTS

Focus on operational efficiency and implementation of price increases across all businesses offset costs.

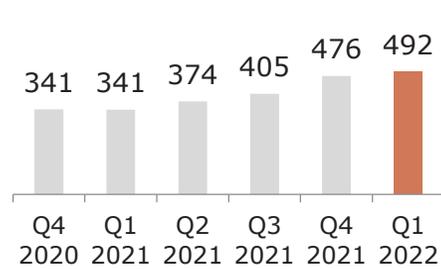
EBITDA increased by 72% to € 122 million (€ 71 million in Q1 2021).

In millions €	Q1 2022	Q1 2021	Change YoY	Q4 2021	Change QoQ
Turnover	492	341	+44%	476	+3%
EBITDA	122	71	+72%	109	+12%
EBITDA /Sales	25%	21%	+4 pp	23%	+2 pp
CAPEX	15	20	-5	28	-13
Free Cash Flow	77	56	+21	52	+25
Net Debt	518	624	-106	595	-77
Remunerated Net Debt/EBITDA	1.28	2.33	-1.05	1.68	-0.40

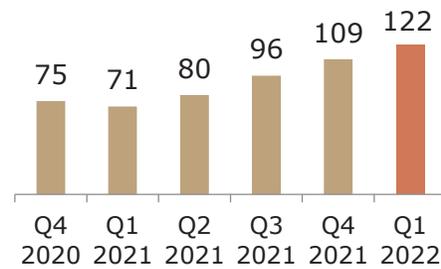
MAIN QUARTER HIGHLIGHTS

Turnover, EBITDA and operating cash flow registered a positive performance.
Pulp and paper sales volume reduction due to the need to replenish stocks and to logistics challenges.

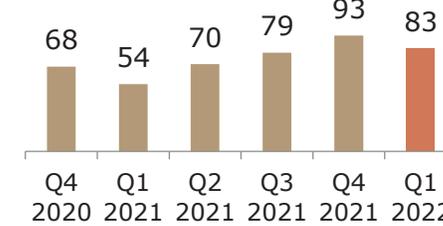
Turnover (M €)



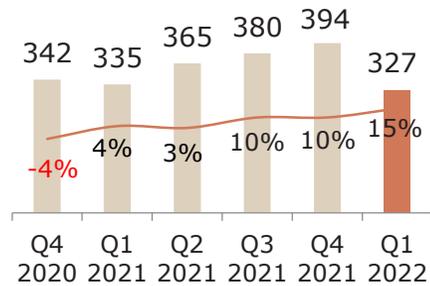
EBITDA (M €)



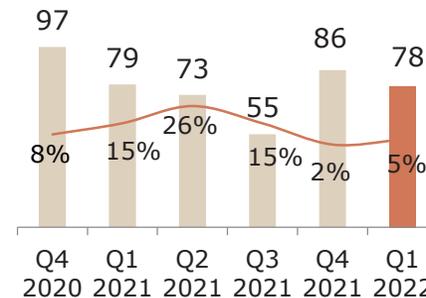
Operational Cash Flow (M €)



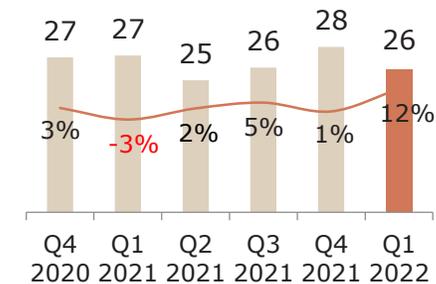
Paper sales (k tons)



Pulp sales (k tons)



Tissue sales (k tons)

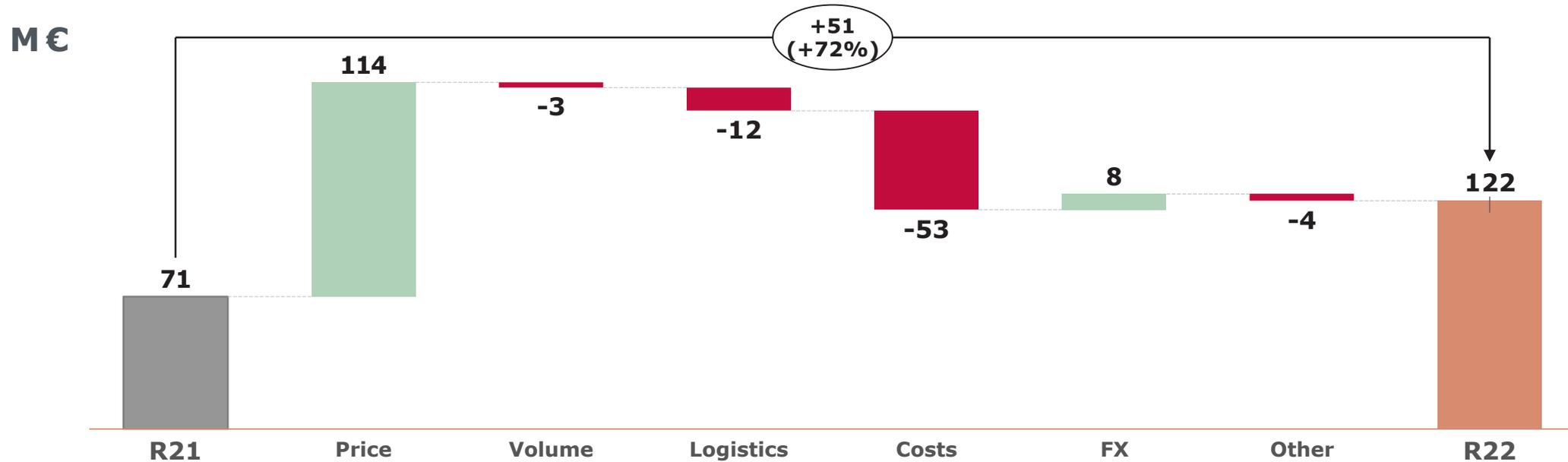


— Average Price Evolution (Quarter) *

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

EBITDA YoY Analysis

EBITDA improvement sustained by favorable S/D conditions that allowed successful price increases across all businesses outweighing rising costs in raw materials, energy and logistics.



A Upward trend on prices across the segments (Pulp +54%; UWF +43%, Tissue +22% Packaging +30%) mainly as a result of supply constraints

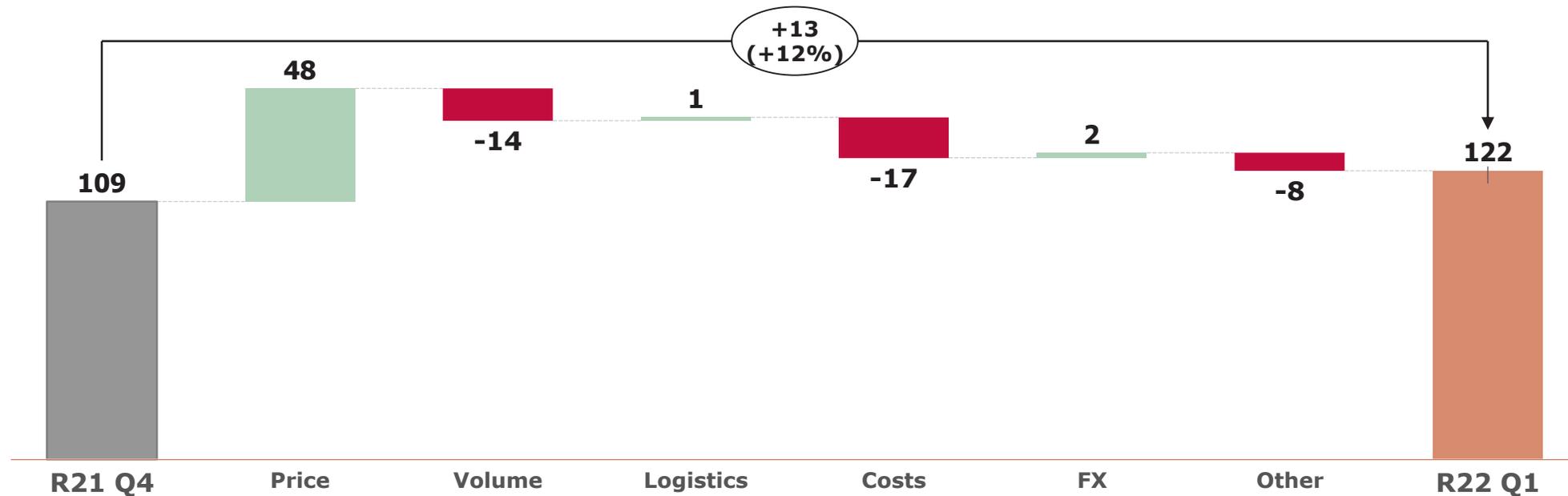
B UWF volumes limited by the need of stock replenishment and logistic restrictions. Lower sales of Tissue reels balanced by higher sales of Finished Product.

C Aggravation of commodities and freight costs, mitigated by efficiency improvements. Fixed costs above YoY (+22%) on higher Personnel and Functioning costs

EBITDA QoQ Analysis

M€

Successful price increases implemented in the quarter offset persistent rise in costs



A Price improvements in Q1 implemented offset broad pressure on cost items (Pulp +5%; UWF +15%, Tissue +12% Packaging +16%)

B Lower Pulp and UWF availability comparing with Q4 (-9% and -17%, respectively) due to inventory restitution and logistic constraints

C Persistent rise in costs of raw materials, energy and logistics, reflect the adverse geopolitical setting, and also the logistics challenges caused by China's strict zero Covid strategy

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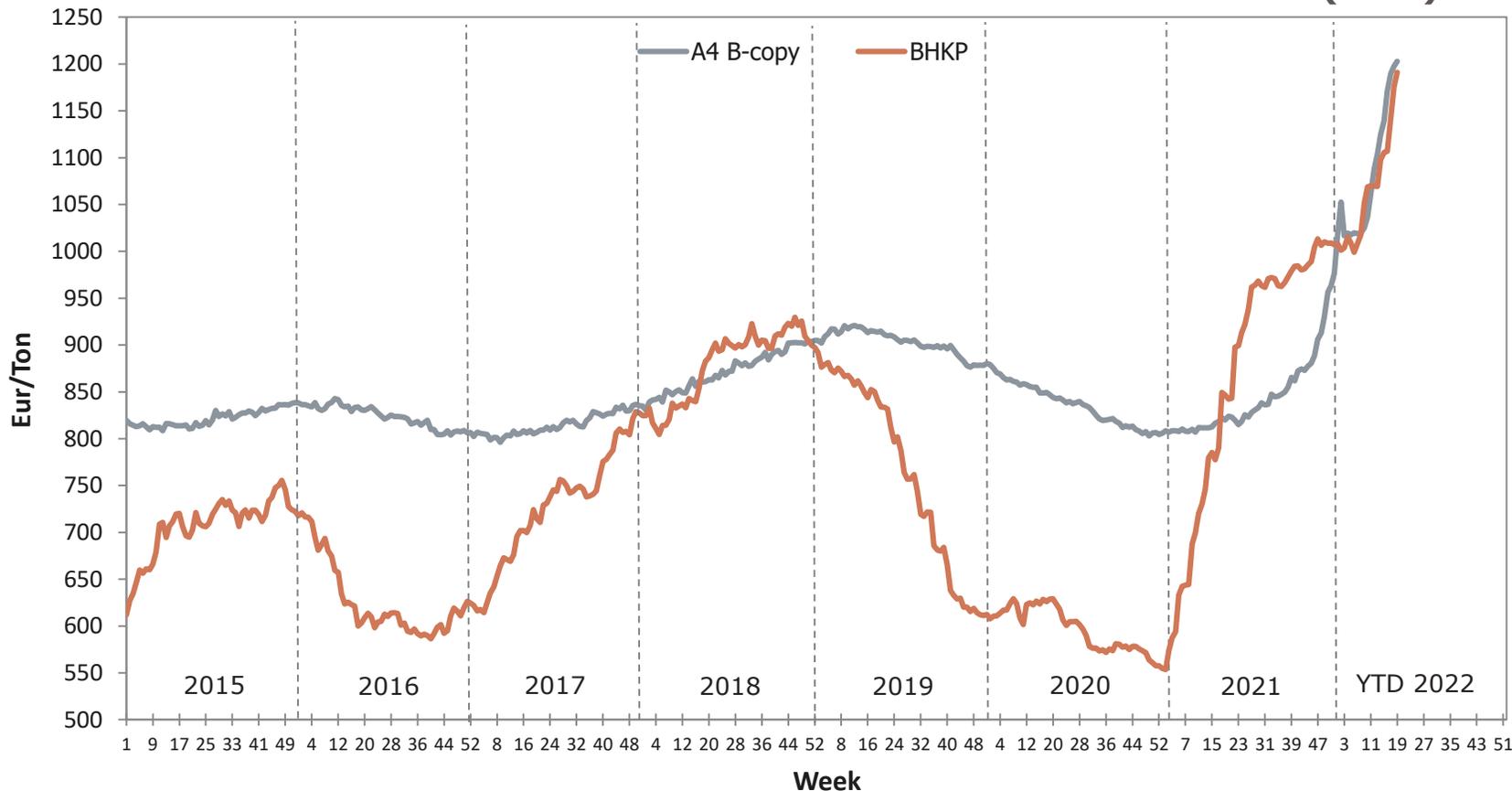


PULP & PAPER PRICES IN 2022

Pulp prices breaking historical highs during the quarter, with BHKP benchmark index in EUR up 58% vs average prices in Q1 2021 and +3% QoQ

Average **paper prices** also increased (+28%YoY; +15 QoQ)

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



Average BHKP prices

	2015-20	2021	Q1 2022
Europe USD	812	1023	1155
Europe EUR	716	867	1030
China USD	597	654	650

Average A4 B-Copy price

	2015-20	2021	2022
EUR	845	844	1038

Source: FOEX

UPDATE ON THE PULP MARKET

PRICE

- Pulp price 2022:
 - BHKP in Europe (April 5, 22): **1.069 EUR/ton** (+6% vs start of the year)
 - BHKP in China (April 5, 22): **737 USD/ton** (+28% vs start of the year)
- Average prices of BHKP in Europe with a significant growth of 58% vs average prices in Q1 2021

SUPPLY

- Persisting logistic constraints limiting possibility to geographically re-shuffle market pulp volumes (e.g. from China to Europe) and increase lead times:
 - Logistic restrictions not only in sea transport but also road logistics affected – truck strike in Spain affecting Iberian short fiber production in March;
 - Aggravation of logistics due to China’s strict zero Covid strategy.
- Negative supply side shocks withdrawing close to 1 Mt short fiber pulp from the market in Q1 (and close to 1Mt of long fiber). The Northern Europe strike, the maintenance schedules skewed to Q1 and Canada railroad logistic bottlenecks were the main setbacks;
- Russia operational hurdles following embargoes on chemical supplies and logistical services; imported birch wood from Russia to Northern Europe also halted, with a potential impact of 1 Mt of short fiber annual production.

DEMAND

- Global hardwood demand -1.3% (YTD Mar), with China dropping 8.6% (YTD Mar)
- In Europe, the economic recovery, together with lack of imported paper & board, some relevant integrated paper capacity stoppages (closures/strikes) and medium to low pulp stocks in the chain, have led pulp demand to grow healthily (namely to serve the specialties, printing and writing, packaging and, to a lesser extent, tissue production).

UWF MARKET CONDITIONS

PRICE

- Benchmark index for A4 paper in Europe up 28% YoY supported by higher pulp prices, increased energy costs, raw materials and logistics, and unparalleled supply/demand unbalance
- 13% increase in the quarter to € 1.104/ ton (vs € 976 / ton in the beginning of the year);

DEMAND

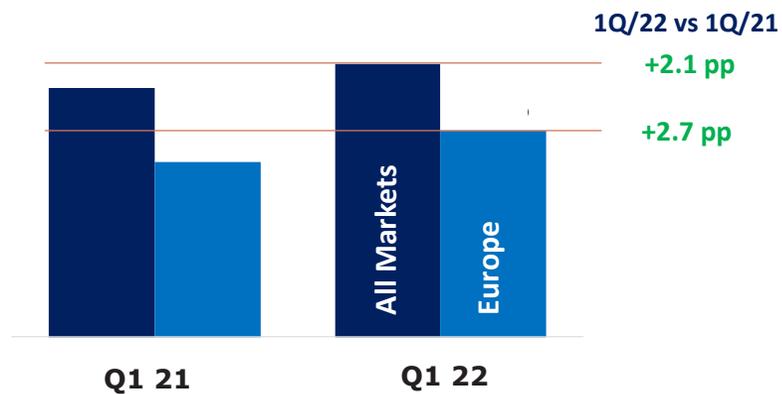
- Global Printing and Writing demand grew 0.6% (YTD February), with UWF improving 0.7% and coated paper 4.5%; conversely, mechanical papers dropped 4.1%;
- In Europe, UWF apparent demand, measured as mill's deliveries together with imports from outside EU-28 countries, negatively evolved (-6.8%), due to significant supply constraints (less 9% capacity YoY due to closures together with a low level of imports and the strike in Northern Europe which idled another c. 6% of capacity throughout the whole quarter);
- In the USA, UWF demand was stable during the first quarter (-0.1 YoY) and in other global regions demand grew around 2.0% (YTD February).

BALANCE S/D

- Lack of supply in all graphic papers due to capacity conversions and closures, namely in Scandinavia, production constraints with the prolonged strike in the North of Europe and low level of imports driven from current logistics challenges;
- Record high order books in Europe together with exceptionally low levels of stocks across the supply chain.

NAVIGATOR PAPER PERFORMANCE

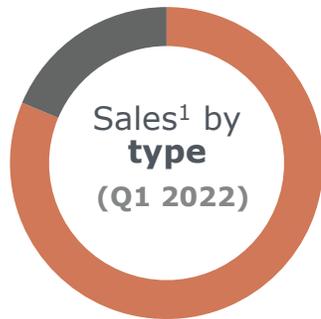
- Navigator kept a strong order book above 80 days;
- Record high performance of products mix vs Q1 2021, with:
 - the share of Premium Paper increasing 16 p.p., and
 - the Mill Brand share increasing 9 p.p.
- The market-share among its European competitors also increased in the quarter vs Q1 2021.





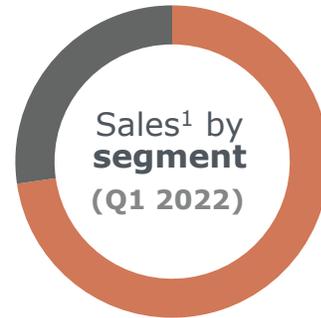
TISSUE BUSINESS

Tissue business continues to perform with a significant increase of Finished Products sales.



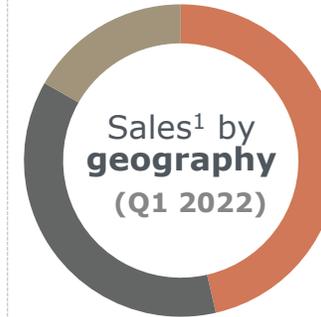
81% Finished Products
(74% 3M 2021)

19% Reels
(26% 3M 2021)



73% Consumer & Cash & Carry
(73% 3M 2021)

27% Away-from-Home
(27% 3M 2021)



46% Portugal
(48% 3M 2021)

37% Spain
(35% 3M 2021)

17% Extra-Iberia
(17% 3M 2021)

¹ ktons

- Tissue total revenue increased approximately 17% YoY and 5% QoQ;
- Focus on innovation, efficiency and creation of new sustainable and environmentally responsible products.



FROM FOSSIL TO FOREST



Production and sales dynamics according to plan

First quarter sales of € 21 million

Delivering Innovation | 2 patents submitted in 2022

FLEXIBLE PACKAGING
(packs, pouches, wrappers, etc.)



BAGS
(retail, take-away, filling industries, etc.)



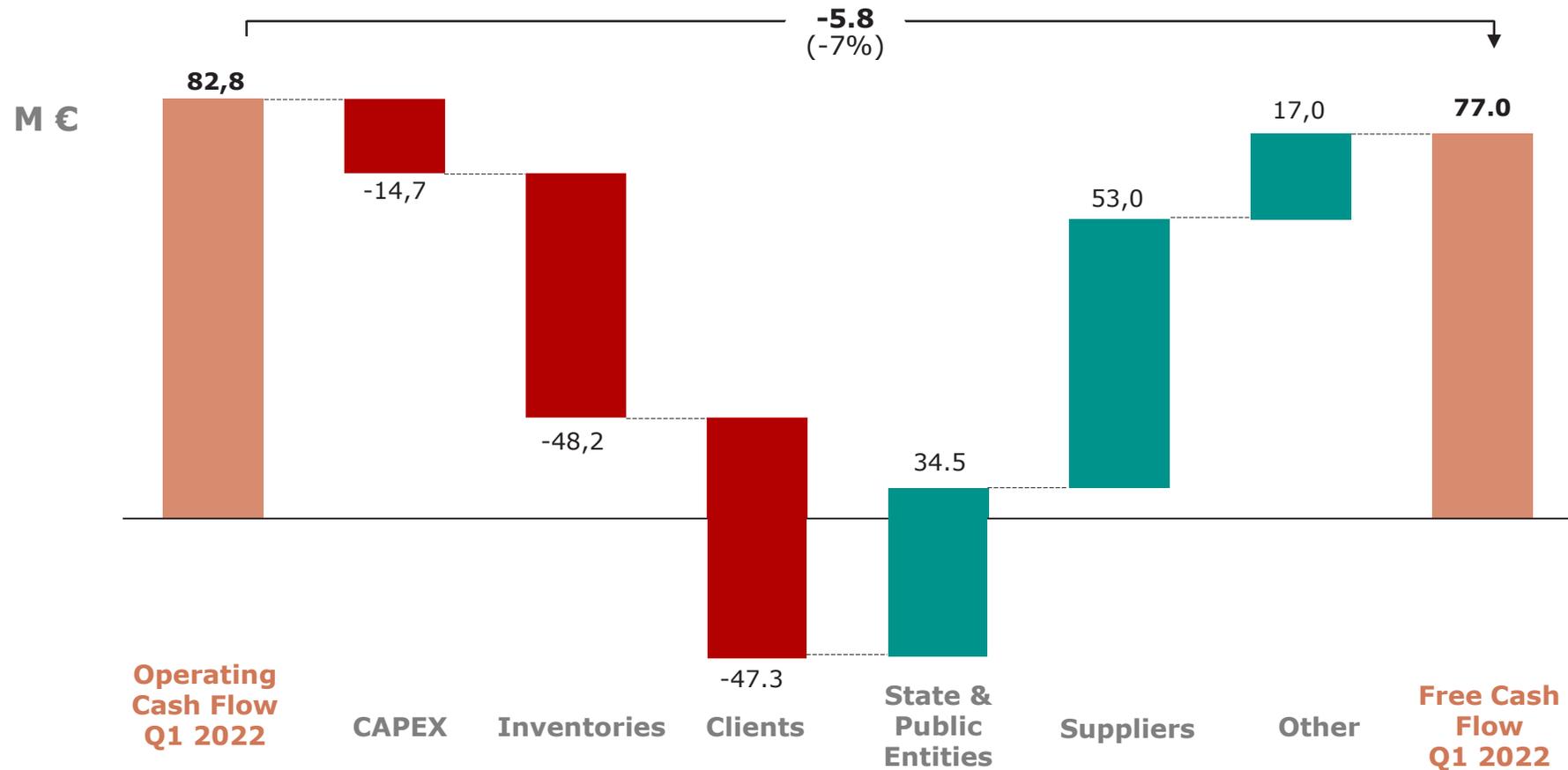
CORRUGATED BOARD
(agriculture, industry, retail, e-commerce, etc.)



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

STRONG FREE CASH FLOW GENERATION

Strong cash flow generation of € 77 million. Low level of working capital and a responsible supplier management policy favored the generation of liquidity.

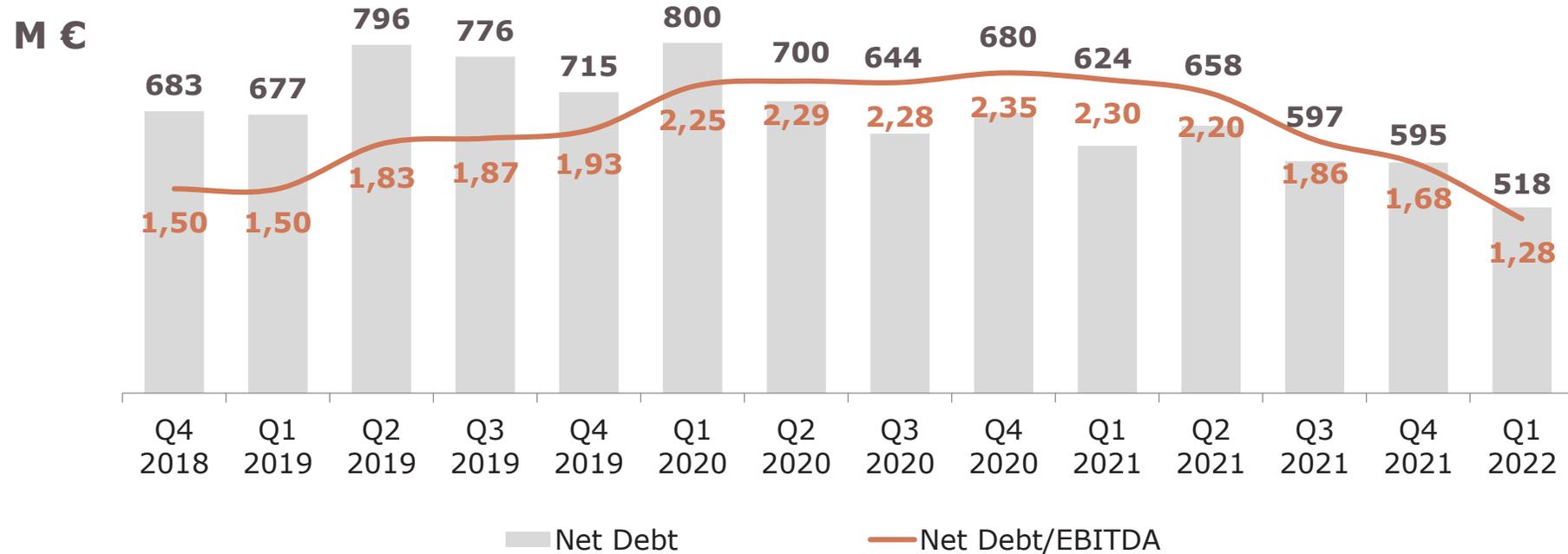




NET DEBT

Net Debt significant reduction of € 77 million vs year-end 2021.

Net Debt/EBITDA ratio of 1.28x reflects the Group's solid financial position.



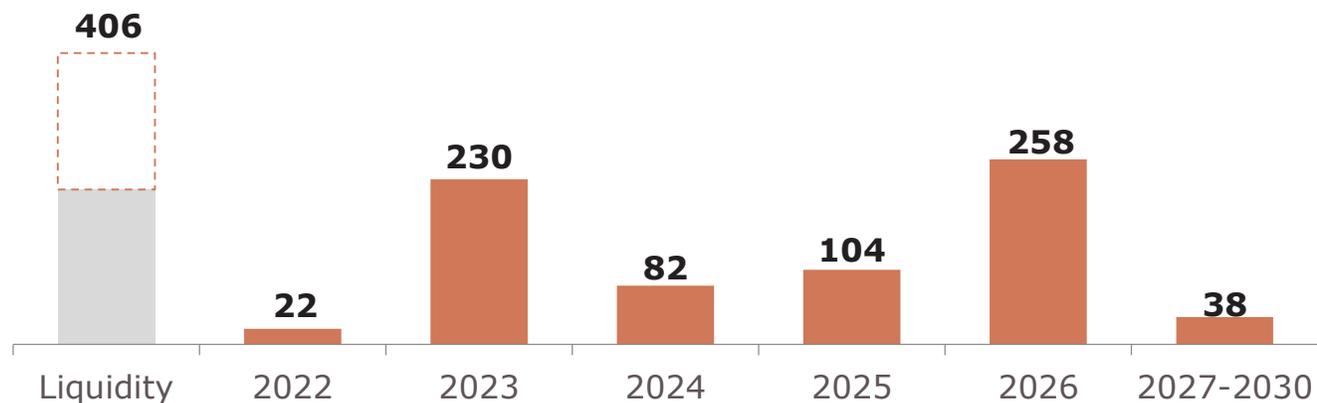
* Without IFRS 16

MATURITY AND LIQUIDITY

Navigator has reimbursed loans in the amount of € 100 million in first quarter.
 Already in May Navigator has extended the € 150 million 2023-Bond contracting a new ESG-Linked debt.
 With this operation more than 35% of total borrowing will be issued on a sustainable finance basis.

Debt maturity profile (March 22)

Total debt: € 734 million
 Average maturity: 3 years



Current Average Cost of Debt

(March 2022):

1.6%

Debt Rate Profile

(March 2022):

Fixed	Variable
92%	8%

Liquidity = Cash 216M€ + Long Term unused Credit Lines 190M€

A BIOINDUSTRY ON THE RIGHT SIDE OF THE FUTURE



RECOGNITIONS



A- LEADERSHIP | CLIMATE

3 / 81 PAPER & FORESTRY | RATING
NVG position in industry cluster



COMMITMENTS

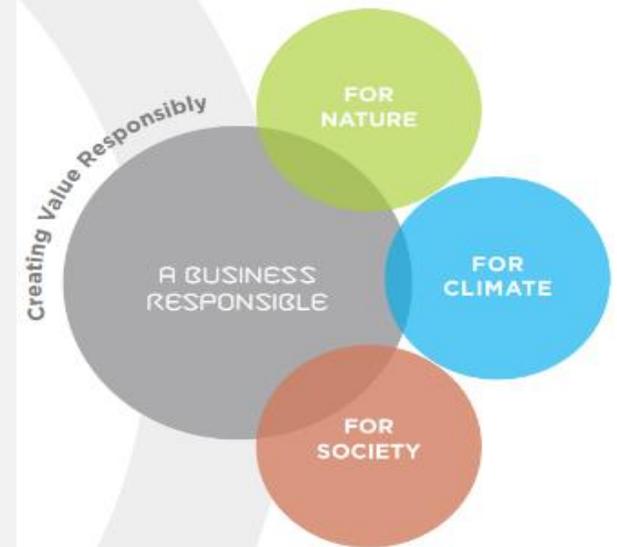


Global Climate Ambition

Scopes 1 and 2 **1.5° C**

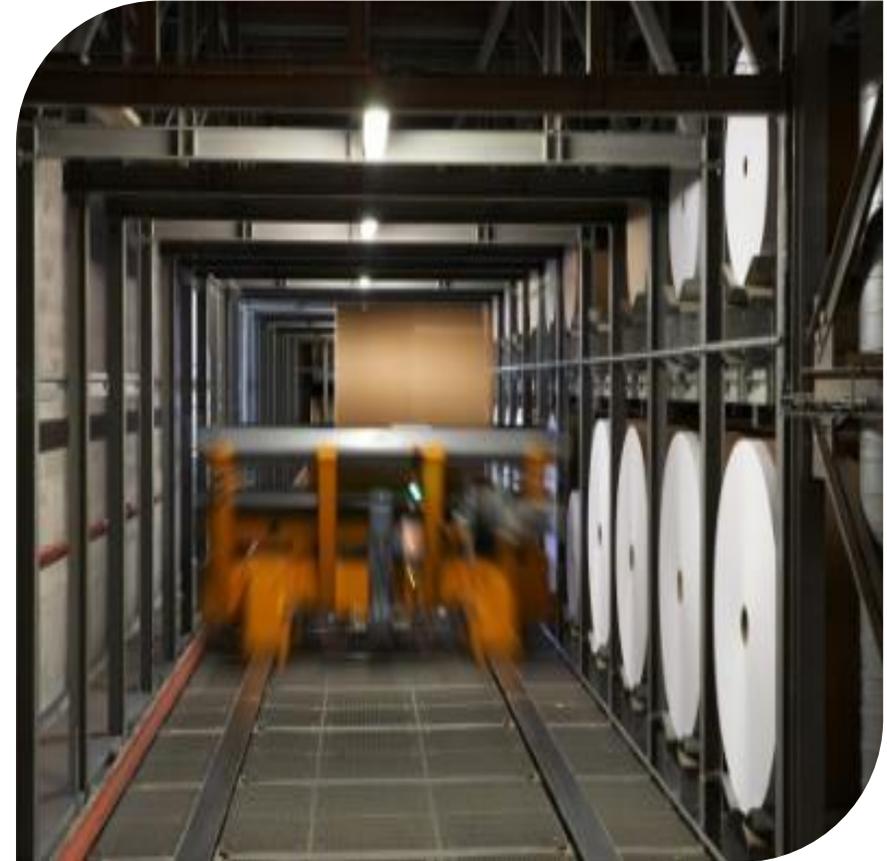
Scope 3 well below **2° C**

FROM FOSSIL TO FOREST



TAKEAWAYS

- Strong quarter driven by tight market dynamics and successful price increases;
- Driven by strong demand, and tight supply and the market preference for our products and brands, Navigator kept an order book above 80 days 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 72% to € 122 million (€ 71 million in Q1 2021);
- Continuous focus on efficiency, cost control and innovation;
- Strong FCF generation of € 77 million;
- Solid financial position Net Debt/EBITDA ratio improved to 1.28x.



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OUTLOOK

Q2 started with strong prices across all businesses. Good commercial momentum sustained by record high order books in Europe together with low levels of stocks across the supply chain.

Strong start but with significant uncertainties for 2022.

- Europe's macroeconomic and geopolitical environment has increased uncertainty and insecurity worldwide;
- Strong inflationary pressure, rising interest rates and the European energy markets situation, may result in an economic slowdown;
- Operational risks due to Russia embargo;
- Persistent logistic challenges together with China's zero Covid policy has put heavier pressure on costs and availability of logistical resources;
- Higher prices vs products affordability;
- China Harwood demand decline.

Navigator remains focused on operational efficiency, managing its fixed and variable costs across its businesses, along with increasing productivity and the sustainability of its operations.





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