Universidade do Minho
Escola de Economia, Gestão e Ciência Política

Vasco Vieira Mendes Soares

Equity Research Report
The Navigator Company, S.A.

abril de 2026

Equity Research Report
The Navigator Company, S.A.

Vasco Vieira Mendes Soares

UMinho | 2026

Universidade do Minho
Escola de Economia, Gestão e Ciência Política

Vasco Vieira Mendes Soares

Equity Research Report
The Navigator Company, S.A.

Projeto de Mestrado
Mestrado em Finanças

Trabalho efetuado sob a orientação do
Professor Doutor Nelson Areal

abril de 2026

DIREITOS DE AUTOR E CONDIÇÕES DE UTILIZAÇÃO DO TRABALHO POR TERCEIROS

Este é um trabalho académico que pode ser utilizado por terceiros desde que respeitadas as regras e boas práticas internacionalmente aceites, no que concerne aos direitos de autor e direitos conexos.
Assim, o presente trabalho pode ser utilizado nos termos previstos na licença abaixo indicada.
Caso o utilizador necessite de permissão para poder fazer um uso do trabalho em condições não previstas no licenciamento indicado, deverá contactar o autor, através do RepositóriUM da Universidade do Minho.

Licença concedida aos utilizadores deste trabalho



Atribuição-NãoComercial-SemDerivações

CC BY-NC-ND

https://creativecommons.org/licenses/by-nc-nd/4.0/

STATEMENT OF INTEGRITY

I hereby declare having conducted this academic work with integrity. I confirm that I have not used plagiarism or any form of undue use of information or falsification of results along the process leading to its elaboration. I further declare that I have fully acknowledged the Code of Ethical Conduct of the University of Minho.

DECLARATION ON THE USE OF ARTIFICIAL INTELLIGENCE (AI) TOOLS

I hereby declare having acted this academic work with integrity and confirm that I have not resorted to any form of undue use of AI tools, nor to the falsification or omission of information, sources, data, results or processes in any of the stages leading to its elaboration.

I further declare that any use of AI tools was done in a transparent and responsible manner, being duly noted in the work, and that I critically verified the accuracy of the content produced with their support, assuming full responsibility for what I submit.

I further declare that I have fully acknowledged the Code of Ethical Conduct of the University of Minho, as well as the applicable standards of academic integrity and data protection.

DISCLAIMER

This Equity Research Report was prepared for academic purposes only by Vasco Vieira Mendes Soares, a student of the Master in Finance at the University of Minho. The report was supervised by a faculty member acting merely as an academic mentor. Neither the author of this report nor the supervisor are certified investment advisors. This report should be read as a pure academic exercise of a master student. The information used to produce this report is generically available to the public from different sources and believed to be reliable by the student. The student is the sole responsible for the information used in this report, as well as the estimates and forecasts, application of valuation methods, and views expressed. The UMinho and its faculty members have no unique nor formal position on those matters and do not take responsibility for any consequences of the use of this report.

RESUMO

O presente documento constitui um Equity Research Report sobre a The Navigator Company S.A. (XLIS: NVG). O relatório apresenta uma análise aprofundada da saúde financeira da empresa, das suas perspetivas de crescimento e da sua posição competitiva no mercado. A Navigator desenvolve a sua atividade em cinco principais segmentos: a produção de papel UWF, a produção de celulose, o fabrico de papel tissue (como papel higiénico e guardanapos), soluções de embalagens sustentáveis (packaging) e ainda no setor da energia.

Este relatório emite uma recomendação de COMPRA, com um preço-alvo de €3,55 face ao preço de mercado de €3,24 registado a 6 de fevereiro de 2026, refletindo um potencial de valorização de 9,57%. A metodologia de avaliação principal utilizada é o modelo de Fluxos de Caixa Descontados (DCF), complementado por análises de sensibilidade e de cenários, e reforçado pelo modelo de desconto dos dividendos (DDM). Adicionalmente, o relatório inclui uma Avaliação Relativa e uma simulação de Monte Carlo, com o objetivo de reforçar a robustez da tese de investimento e comparar os resultados obtidos através de diferentes métodos.

Palavras-chave: Equity Research, Indústria de Papel e Celulose, Avaliação de Empresas, Setor Florestal, Exportações, Sustentabilidade

ABSTRACT

The present document constitutes an Equity Research Report on The Navigator Company S.A. (XLIS: NVG). The report provides an in-depth analysis of the company's financial health, growth prospects and competitive positioning in the market. Navigator operates across five main business segments: uncoated woodfree (UWF) paper production, pulp production, tissue paper manufacturing (such as toilet paper and napkins), sustainable packaging solutions and the energy sector.

This report issues a BUY recommendation, with a target price of €3.55, compared to the market price of €3.24 recorded on February 6, 2026, implying an upside potential of 9.57%. The primary valuation methodology applied is the Discounted Cash Flow (DCF) model, complemented by sensitivity and scenario analyses, and supported by the Dividend Discount Model (DDM). Additionally, the report includes a Relative Valuation and a Monte Carlo simulation, aiming to strengthen the robustness of the investment thesis and to compare results across different valuation approaches.

Keywords: Equity Research, Paper and Pulp Industry, Company Valuation, Forestry Sector, Exports, Sustainability

TABLE OF CONTENTS

INVESTMENT SUMMARY 1

Chapter 1: An Inflection Point in Market Positioning 1

Chapter 2: Turning Vision into Capacity 1

Chapter 3: Risks Along the Growth Path 2

BUSINESS DESCRIPTION 2

Key Operating Segments 3

Forestry Management & Research 4

Selective M&A Strategy Supporting Expansion 4

INDUSTRY OVERVIEW 5

Portuguese Economic Outlook 5

Recent Transformation and Digitalization 5

Future Outlook and Growth Segments 6

Supply Drivers 6

Demand Drivers 7

Competitive Positioning 7

Porter 5 Forces 8

ENVIRONMENTAL, SOCIAL & GOVERNANCE 8

Environmental (E) 9

Social (S) 9

Governance (G) 10

FINANCIAL ANALYSIS 11

Liquidity Structure and Short-Term Financial Flexibility 12

Capital Structure Discipline During Investment Cycles 12

Capital Intensity and Investment Discipline 13

Investment Driven Profitability Trends 13

DuPont Analysis 14
VALUATION 14
Strategic Roadmap to Diversification 14
Beta and WACC 15
Discounted Cash Flow Valuation 15
Relative Valuation 16
Dividend Discount Model Valuation 17
Sensitivity Analysis 17
Scenario Analysis with ESG as Value Driver 18
Montecarlo Simulation 18
INVESTMENT RISKS 19
Market Risks 19
Financial Risk 19
Governance Risk 20
Operational Risk 20
REFERENCES 21
APPENDIXES 23

LIST OF ABBREVIATIONS

BEKP - Bleached Softwood Kraft Pulp
CAGR - Compound Annual Growth Rate
CAP - Capitalization
CAPEX - Capital Expenditures
CAPM - Capital Asset Pricing Model
CDP - Carbon Disclosure Project
CEPI - Confederation of European Paper Industries
DCF - Discounted Cash Flow
DDM - Dividend Discount Model
D/V - Debt to Value
EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciations and Amortizations
ERP - Equity Risk Premium
ESG - Environmental Social Governance
EV - Enterprise Value
E/V - Equity to Value
FCFF - Free Cash Flow to the Firm
FSC - Forest Stewardship Council
GARP - Growth At Reasonable Price
GDP - Gross Domestic Product
IDP - Individual Development Plan
KPMG - Klynveld Peat Marwick Goerdeler
M&A - Mergers & Acquisitions
MW - Megawatt
NOPAT - Net Operating Profit After Tax
NTM - Next Twelve Months
NVG - The Navigator Company
P/E - Price-to-Earnings
PEFC - Programme for the Endorsement of Forest Certification
PPE - Property, Plant and Equipment
PRWU - Programme for Reducing Water Use
R&D - Research & Development
ROA - Return on Assets
ROE - Return on Equity
S.A. - Sociedade Anónima
SGPS - Sociedade Gestora de Participações Sociais
SWOT - Strengths, Weaknesses, Opportunities and Threats
UK - United Kingdom
UPM - United Paper Mills
UWF - Uncoated Woodfree
WACC - Weighted Average Cost of Capital
XLIS - Lisbon Stock Exchange

LIST OF FIGURES

Figure 1: Navigator Stock Performance....1
Figure 2: Capex Evolution in Historical Years....2
Figure 3: Navigator Risk Assessment....2
Figure 4: Navigator Industrial Footprint in Portugal....2
Figure 5: Geographic Revenue Breakdown 2024....3
Figure 6: Revenue Mix by Business Segment....3
Figure 7: Company History and Key Milestones....3
Figure 8: Navigator´s Production Cycle....4
Figure 9: Navigator´s Land Distribution in Mozambique....4
Figure 10: Recent Acquisitions....4
Figure 11: Portuguese GDP Evolution....5
Figure 12: Paper and Pulp Consumption (2018-2024)....5
Figure 13: Number of Mills 2018-2024....5
Figure 14: European Paper Demand by Segment....6
Figure 15: Wood Consumption....6
Figure 16: Recycling Rate in Europe....7
Figure 17: Market Cap Peers 2024....7
Figure 18: Sales Peers 2024....7
Figure 19: Dividend Yield Peers 2024....8
Figure 20: Porter 5 Forces....8
Figure 21: ESG Score Peers....8
Figure 22: Ratings and Awards Received by Navigator....9
Figure 23: UN SDGs Met by Navigator....9
Figure 24 “Missão Zero” Pillars....9
Figure 25: Shareholder Structure 2024....10
Figure 26: Geographic Distribution of Institutional Investors....10
Figure 27: Shareholder Distribution by Investment Style....11
Figure 28: Liquidity Ratios....12
Figure 29: Solvency Ratios....12
Figure 30: Interest Coverage Ratio....13

Figure 31: PPE to Sales 13
Figure 32: Profitability Ratios 13
Figure 33: DuPont Burdens: Interest vs Tax 14
Figure 34: Financial Leverage 14
Figure 35: Navigator´s Investment Roadmap 14
Figure 36: Historical and Forecasted Revenue (2020-2031E) 16
Figure 37: Capex Evolution in Forecasted Period 16
Figure 38: Dividends Historical and Forecast (2020-2031E) 17
Figure 39: Monte Carlo Analysis 19
Figure 40: Risk Matrix 19
Figure 41: Days Receivables Distribution 20
Figure 42: Risk Management Process Phases 20

LIST OF TABLES

Table 1: Summary 1
Table 2: Evolution of Segment Revenue Share 1
Table 3: Industry Growth Ranges by Segment (CAGR) 2026-2030 6
Table 4: Work Diversification 10
Table 5: Key Financials and Ratios 11
Table 6: Beta Calculation 15
Table 7: Cost of Equity Calculation 15
Table 8: Cost of Debt Calculation 15
Table 9: WACC Calculation 15
Table 10: Terminal Value Calculation 16
Table 11: Sensitivity Analysis 17
Table 12: DCF Growth Rate by Scenario 18
Table 13: DDM Growth Rate by Scenario 18
Table 14: Scenario Analysis 18

The Navigator Company S.A.

Euronext Lisbon Exchange

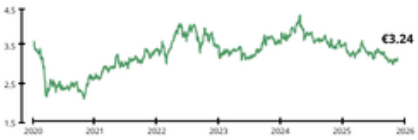
Recommendation: BUY (9.57% Upside)

Table 1: Summary

RECOMMENDATION	BUY
Date	06/02/2026
Current Price	€3.24
Target Price	€3.55
Target Date	31/12/2026
Upside	9.57%
52-Week Range	€2.88 – €3.66
Industry	Paper and Pulp
Ticker	XLIS: NVG
Stock Exchange	Euronext Lisbon

Source: LSEG Workspace

Figure 1: Navigator Stock Performance



Source: LSEG Workspace

Table 2: Evolution of Segment Revenue Share

	2020	2024
Tissue	10%	22%
Packaging	1%	4%

Source: LSEG Workspace

INVESTMENT SUMMARY

It is initiated coverage on The Navigator Company S.A. with a BUY recommendation based on a price target of €3.55 for February 2026. This implies an 9.57% upside from the last close price of €3.24 on February 6th, 2025 (Table 1). This target price is based on DCF valuation, with DDM and relative valuation serving as supplementary checks. The DDM is lower because of minimal dividends, the relative valuation is in line with peers but may be distorted by market anomalies, and the DCF best captures the company's fundamentals and long-term worth, by representing intrinsic cash-flow value and growth potential.

Navigator is a high-quality, vertically integrated forest-based producer shifting toward tissue and sustainable packaging, enhancing cash-flow durability versus the legacy of the printing & writing paper market.

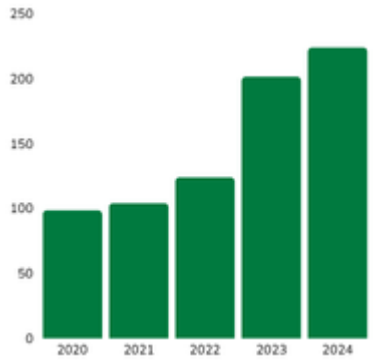
Chapter 1: An Inflection Point in Market Positioning

Navigator's market narrative has been historically shaped by its exposure to printing & writing paper, which, combined with price cycles, energy volatility and macroeconomic swings, has led to fluctuating performance track record (Figure 1). Yet, the company has remained true to its core, undergoing a strategic shift over the past five years accelerated by COVID-19, that repositions it toward higher-growth and more resilient segments. The company's transformation centers on tissue and fiber-based packaging, which have become structurally more durable demand drivers than traditional writing paper. Tissue benefits from everyday household and business use, while packaging capitalizes on the rise of e-commerce and the trend toward fiber-based alternatives to plastic. By broadening its portfolio, Navigator reduces reliance on any single market price and positions itself for sustainable long-term growth (Table 2).

Chapter 2: Turning Vision into Capacity

The strategic diversification of Navigator has already begun. The company has been reinvesting in portfolio segments with strong long-term growth potential. It is also increasing capacity and capabilities within the chosen growth sectors in order to improve its competitive position in these categories (Figure 2). Importantly, investment is not the

Figure 2: Capex Evolution in Historical Years



Source: LSEG Workspace

Figure 3: Navigator Risk Assessment



Source: Individual Analysis

Figure 4: Navigator Industrial Footprint in Portugal



Source: Company Data

only goal for Navigator. As the platform expands, management is working to increase efficiency by tightening execution and upgrading equipment/procedures. Instead of just expanding the asset base, this strategy helps guarantee that growth eventually is shown in other areas such as increased efficiency and sharper returns.

Chapter 3: Risks Along the Growth Path

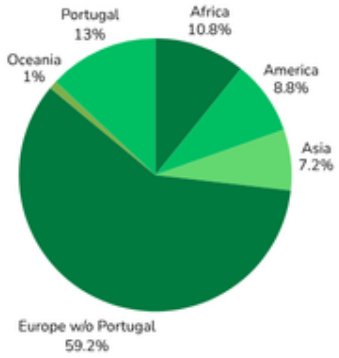
Navigator's performance and strategic goals may be impacted by significant risks. Exchange rate variations may have an influence on Navigator's costs, revenues and profit margins from its overseas activities. The company's investment/project in Mozambique is exposed to political, regulatory and operational challenges that could increase costs or delay project returns. Furthermore, Semapa's majority ownership may have an impact on long-term wealth development and limit the influence of minority shareholders in strategic decisions. As a result, it has a medium overall risk profile, with execution risk from its continuous strategic shift somewhat mitigated by low business risk from its integrated approach and significant end markets (Figure 3).

BUSINESS DESCRIPTION

The Navigator Company S.A., originally founded as "Companhia Portuguesa de Celulose" in 1953, traces its roots back to Cacia, Aveiro. The company was initially established with the goal of producing raw pulp, in a project led by the grandfather of Pedro Queiroz Pereira, who later served as Chairman of the Board. In 1975 several Portuguese pulp, paper, and packaging mills were merged into one group called Portucel (short for "Portugal + Celulose"). This consolidation as well as some major acquisitions of Papéis Inapa and Soporcel built the foundation of the Portucel Soporcel Group, that would later be rebranded as The Navigator Company (Figure 7).

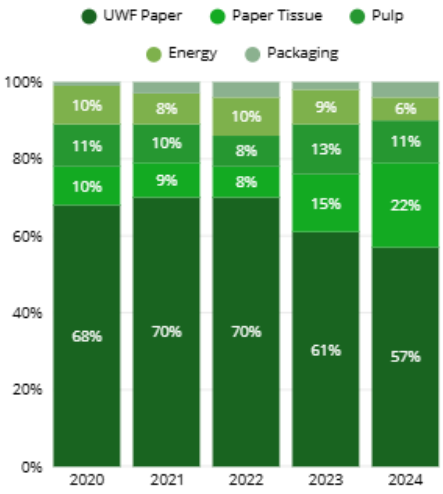
With its headquarters located in Setúbal, Navigator is the world's largest manufacturer of uncoated woodfree (UWF) paper and a top producer of bleached eucalyptus kraft pulp (BEKP). Its business segments are related to pulp, paper, tissue, and energy as it operates in the paper and pulp industry. It ensures safe, sustainable access to eucalyptus fiber by managing about 110 thousand hectares of certified forest in Portugal and Spain and operating in six significant industrial complexes in Portugal, Spain, and the UK. Internally, Navigator operates in four large industrial complexes in Portugal, being Cacia (Aveiro), Setúbal, Figueira da Foz and Velha do Rodão (Figure 4). Navigator also exports 91% of its production to more than 130 countries, with strong commercial presence across Europe, Africa, the Americas and Asia (Figure 5).

Figure 5: Geographic Revenue Breakdown 2024



Source: Company Data

Figure 6: Revenue Mix by Business Segment



Source: Company Data

Key Operating Segments

Navigator has a diversified business structure, organized in five main business segments: UWF paper, pulp, tissue, packaging and energy (Figure 6):

PAPER: As of 2024, Navigator's UWF operations still make more than half of the business, making them the foundation of the organization. The use of Eucalyptus globulus fiber, which is perfect for making high-quality paper, contributes to the paper's quality. Navigator's paper is a world leader thanks to this high-quality fiber and other raw resources. Nevertheless, digitalization has affected its revenue stream share.

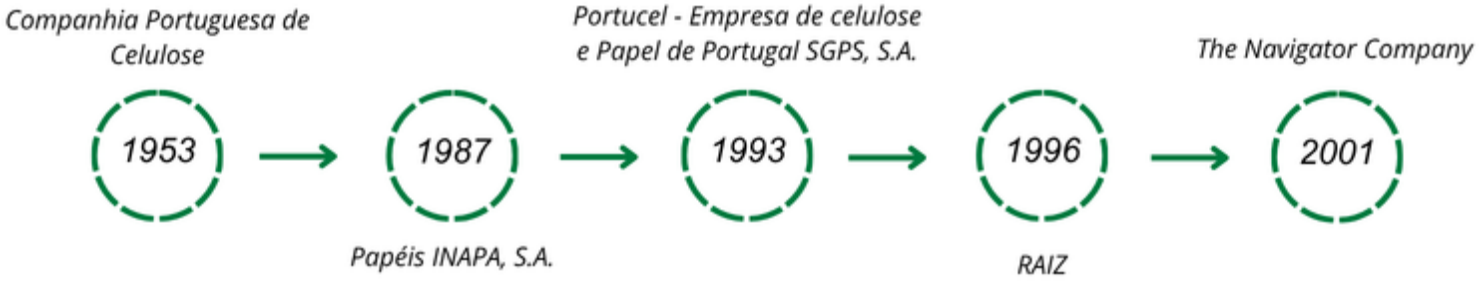
TISSUE: As a result of the company's move toward areas with structurally steady demand and less vulnerability to digital substitution, the tissue segment has emerged as a key component of Navigator's diversification strategy. The tissue industry now ranks as the second-largest income producer, surpassing pulp over the past two years because of acquisitions in this sector, and it has been steadily improving over the past few years thanks to items like toilet rolls, kitchen rolls, cleansing wipes, and facial tissues.

PULP: Navigator is the world seventh-largest producer of BEKP pulp derived from eucalyptus in the world. Although some of the manufacturing is sold outside, most of it is used internally to make UWF paper, tissue and packaging which results in a decrease in its revenue mix share.

ENERGY: As the nation's first producer of green energy from biomass, Navigator holds a significant position in the renewable energy industry. It generates 34% of the nation's biomass-based power and 3% of all electricity generated worldwide. But as with pulp, the company uses it internally, explaining its decrease in the share of revenue stream.

PACKAGING: One of Navigator's newest business sectors, packaging focuses on fiber-based, sustainable substitutes for materials sourced from fossil fuels. The company manufactures eucalyptus-based packaging materials for use in bags, flexible packaging, and food service items under the gKRAFT product brand. Due of its rapid expansion thanks to e-commerce, this segment is moving in the opposite direction from pulp.

Figure 7: Company History and Key Milestones



Source: Company Data

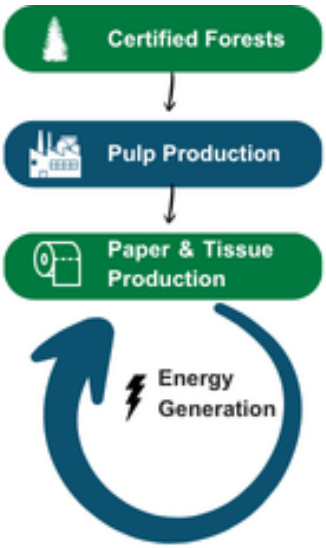
Forestry Management & Research

Navigator´s paper is based on renewable natural resources, contributing for the protection of forests. Furthermore, it is biodegradable, has high recycling rates and uses renewable energy within its production.

The quality of Navigator´s paper comes from the usage of Eucalyptus globulus fiber, which is ideal to produce high-quality paper. This quality fiber combined with other raw materials make Navigator´s paper a world leader. The main raw material for paper and pulp production is wood.

Additionally, it is Portugal's top private sector forestry operator, assisting in the preservation of forests and preventing fires. Three million euros have been invested in prevention, training, research, and development in this area in recent years. Navigator is also dedicated to forestry research and development. Thus, it has its own paper and forestry institute, RAIZ, which participates in initiatives that serve to improve the quality of the fiber produced, manage woodlands, and boost yields in eucalyptus plantings. From the first seedling to the finished product and the energy that drives the mills, this approach guarantees that everything functions within a prudent ecosystem (Figure 8).

Figure 8: Navigator´s Production Cycle



Source: Company Data

Navigator manages woodland not only in Portugal but also in Mozambique through its project, where it has rights over a large concession area. Navigator has been working since 2009 to create a subsidiary there called Portucel Mozambique. The corporation created a lot of plans and procedures to guarantee that the project is inclusive and considerate of the residents, and the investment was approximately $2.3 billion. Only two thirds of the area for which the corporation was granted a license, that is, 173,000 hectares in Zambezia province and 183 thousand hectares in Manica province (Figure 9). This project, which can produce 1.5 million tons of pulp annually, is currently in its initial stage, which involves planting eucalyptus to establish a forest basis covering around 40,000 hectares.

Figure 9: Navigator´s Land Distribution in Mozambique



Source: Company Data

Selective M&A Strategy Supporting Expansion

Navigator follows a targeted M&A strategy focused on segments with attractive long-term fundamentals. Historic consolidation built its leadership in UWF and pulp, while recent acquisitions such as AMS-BR Star Paper (2015), Navigator Tissue Ejea (2023), and Navigator Tissue UK (2024), accelerated scale expansion and diversification into higher-growth tissue markets. Navigator continues to evaluate selective opportunities aligned with its transition toward a broader forest-based bioeconomy (Figure 10).

Figure 10: Recent Acquisitions

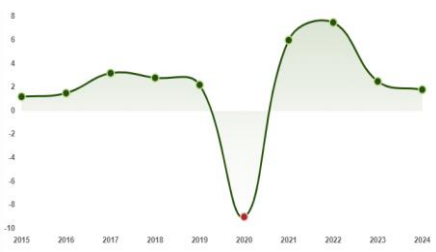


Source: Company Data

INDUSTRY OVERVIEW

Portuguese Economic Outlook

Figure 11: Portuguese GDP Evolution

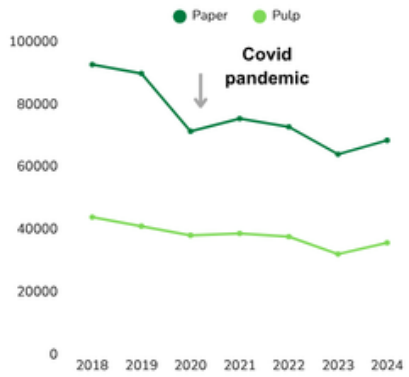


Source: PORDATA

Since 2015, Portugal's GDP has been rising, indicating a post-crisis recovery. The COVID-19 pandemic in 2020 produced a severe economic collapse, breaking this upward trend. This depression, however, was brief since the economy recovered quickly in the years that followed thanks to robust policy assistance and the gradual reopening of the economy. Following this period of recovery, economic growth slowed, indicating a return to more typical growth circumstances in the face of a tighter monetary policy and inflationary pressures. In 2025, GDP growth is anticipated to be 1.9% according to the European Commission, pointing to a macroeconomic climate that is resilient and steady. As a result, it creates a stable macroeconomic climate that encourages domestic demand, industrial investment, and industries such as the paper and pulp to prosper (Figure 11).

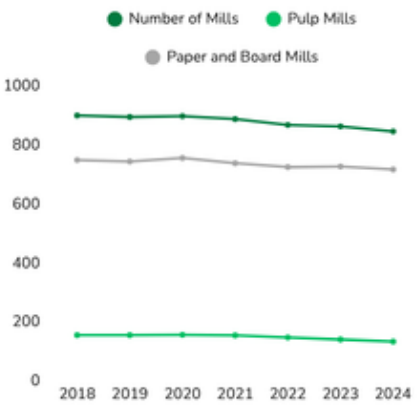
Recent Transformation and Digitalization

Figure 12: Paper and Pulp Consumption (2018-2024)



Source: CEPI Statistics

Figure 13: Number of Mills 2018-2024



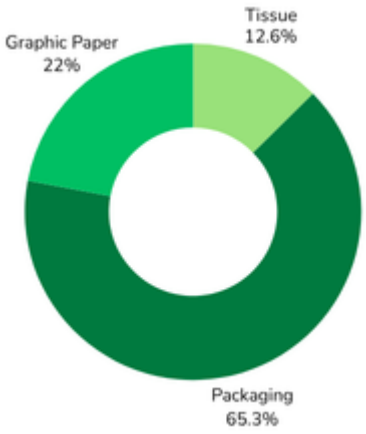
Source: CEPI Statistics

The COVID-19 pandemic has had a significant impact on the paper and pulp industry in recent decades due to a shift in consumer behavior. Lockdowns have disrupted the global distribution of newspapers and magazines, and many people have shifted to digital platforms. The demand for paper started to decline as more individuals started working remotely because of this pandemic.

Additionally, the sector's long-term demand profile has changed due to the structural rise of digitization. Traditional printing and writing sheets are no longer as necessary due to the broad use of digital communication tools, online media, and digital billing. The substitution impact intensified as firms, consumers and educational institutions moved more and more of their daily operations online, hastening the drop in graphic print consumption in developed economies (Figure 12). The number of paper machines utilized in the industry may also be indicative of this. In the CEPI countries, the number of paper machines has been decreasing. This pattern is demonstrated even further by the fall in the number of pulp mills as well as paper and board mills (Figure 13).

Driven by price increases and demand normalization, 2022 was a record-breaking year in terms of demand. After that, together with increasing energy prices and competition for raw materials' supply in the global market, 2023 showed a correction and a rebound in 2024. Furthermore, the sector is still quite vulnerable to energy and logistical expenses, which continue to have a significant impact on capacity utilization and short-term profitability (Appendix 1).

Figure 14: European Paper Demand by Segment



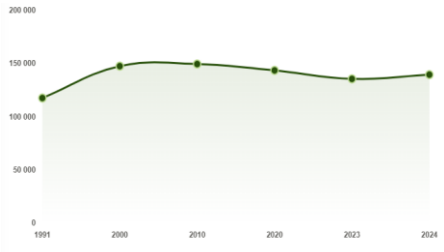
Source: CEPI Statistics

Table 3: Industry Growth Ranges by Segment (CAGR) 2026-2030

	CAGR Range 2026-2030
Tissue	5%-7%
Packaging	3%-6%

Source: Statista, GrandViewResearch, ZipDo

Figure 15: Wood Consumption



Source: CEPI Statistics

Future Outlook and Growth Segments

At a global level, it is expected that paper consumption stabilizes after the volatility observed during the past few years. In Europe the recovery is expected to be slower, as the increase in recycled paper is a major factor in limiting the pace of demand growth for traditional paper grades. In Portugal, these dynamics are equally evident, with domestic producers increasingly focusing on higher-value segments and export-oriented growth, mirroring the global shift toward more resilient categories (Figure 14).

However, while traditional graphic paper is in decline, packaging and tissue have emerged as the industry's most resilient and fastest-growing segments. Packaging continues to benefit from the expansion of e-commerce, shifting consumer preferences toward sustainable materials and regulatory pressure to replace plastics across supply chains.

Tissue, in turn, is supported by demographic growth, rising hygiene standards and steadily increasing consumption in emerging markets. Consequently, certain mills are being transformed into tissue or packaging production. As a result, these segments are expected to play a central role in the industry's future growth profile, providing a more stable and diversified demand base (Table 3).

Supply Drivers

Market instability in the pulp & paper industry has been driven by pandemic-related shifts, which left many mills depleted or with excess inventory as reflected by the decline in wood consumption since the outbreak (Figure 15). Rising logistics, transportation costs and delayed international shipments have created the necessity for firms to rely more on the spot market to secure timely, available products. According to CEPI these supply challenges alone have increased costs by an estimated 5% affecting margins for less-efficient producers.

In addition, the industry remains exposed to fluctuations in commodity prices, including those of raw materials like pulp, chemicals, and energy. These can impact production costs and, consequently, the pricing of paper products. Although energy prices remain elevated, the European industry has demonstrated significant improvements in energy efficiency. Despite increased levels of paper output, fuel usage fell in the CEPI countries in 2024, while electricity consumption also sharply dropped.

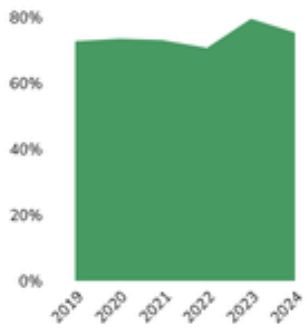
As a result of efficiency improvements and cleaner energy inputs, rising biomass use also signals a greater reliance on renewable energy sources, which helps to offset rising energy prices (Appendix 1).

Demand Drivers

Globally, pulp-based packaging demand has grown primarily due to the expansion of e-commerce and stronger sustainability standards. As consumers and businesses shift away from single-use plastics, paperboard and containerboard alternatives such as kraft liner and other packaging grades continue to be the preferred choice for their recyclability and lower environmental impact. This shift reflects rising environmental awareness and reinforces the long-term structural demand for fiber-based packaging. Europe's consistently high recycling rate above 75% in CEPI countries despite a slight decline in 2024 compared to the previous year, demonstrates a mature circular economy system that supports continued adoption of recyclable packaging solutions (Figure 16). At the same time, direct CO_2 emissions in the sector have declined, further strengthening the sustainability profile of pulp-based products and positively influencing demand.

In the United States, according to the Environmental Integrity Project (2025) approximately 80% of paper mills use recycled fibers to produce packaging materials, paper towels, and newspapers, highlighting the industry's commitment to circular production practices. Overall, environmental performance and responsible resource management have become key demand drivers, as both corporate buyers and individual consumers increasingly prioritize sustainable solutions.

Figure 16: Recycling Rate in Europe



Source: CEPI Statistics

Competitive Positioning

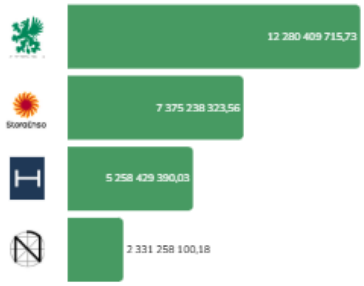
The paper and pulp industry is a highly competitive sector, The American company International Paper is the market leader in terms of market capitalization, with a $25.80 billion market valuation. Thirteen other groups have a higher industry market value than Navigator, which is rated number fourteen on this list. Its peers are the companies that share the most characteristics. Therefore, the three main peers are Holmen AB, UPM-Kymmene Oyj, and Stora Enso.

in terms of Market Cap, Navigator comes in last among the four, with UPM having the largest market cap. With Stora Enso's market capitalization ahead by only a few million euros, Holmen and Stora are fighting for second position (Figure 17).

In 2024, UPM recorded the highest quantity of sales. The results of Stora Enso, which came in second, were slightly worse than those of UPM. Holmen and Navigator stand apart from the other two thanks to sales that were far lower than those of the other businesses in the company (Figure 18).

Interestingly, Navigator has the best dividend yield of the four and among the highest in the business when compared to its competitors. The dividend yield of UPM-Kymmene Oyj is very remarkable. Holmen and Stora Enso Oyj, on the other hand, offer moderate

Figure 17: Market Cap Peers 2024



Source: Companies Market Cap

Figure 18: Sales Peers 2024

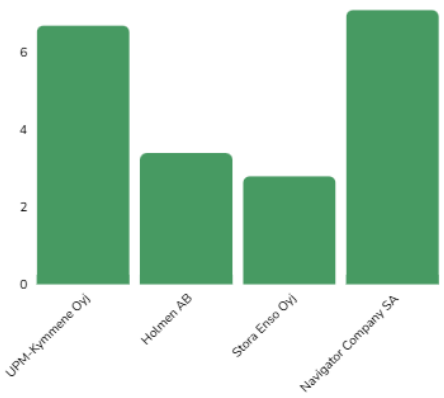


Source: Peers Data

returns. Navigator's strong shareholder return is also supported by its high dividend yield, which distinguishes it from its competitors (Figure 19).

Porter 5 Forces

Figure 19: Dividend Yield Peers 2024



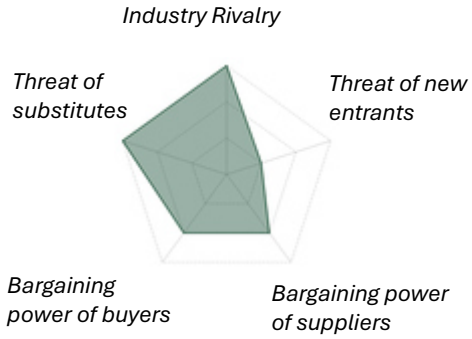
Source: Peers Data

Industry Rivalry: The pulp and paper industry is dominated by a few large firms. While products are somewhat differentiated by type and quality, most are commoditized, so brand differences are minimal. High costs for raw materials, machinery and energy create significant entry and exit barriers. Despite low profits, existing firms stay in the market due to these high costs, making industry rivalry **High**.

Threat of new entrants: High capital costs for machinery, strict environmental regulations and risks from raw material supply make it difficult for new firms to enter the pulp and paper industry. The sector faces water usage laws, emission controls, and deforestation prevention mandates. While some brand loyalty exists, buyers are price sensitive. Combined with environmental challenges and operational complexity, these factors strongly deter new competitors, so the threat of new entrants is **Low.**

Bargaining power of suppliers: Commoditized wood is the primary product of suppliers, but costs and leverage are raised by supply shortages and unstable economic conditions. With moderate switching costs, it is challenging to adapt to these swings. Thus, the bargaining power of suppliers is **Medium**.

Figure 20: Porter 5 Forces



Source: Individual Analysis

Bargaining power of buyers: There are various buyers in the sector, ranging in brand loyalty from small businesses to individuals. Due to the abundance and ease of choice of options, switching costs are minimal. Customers have a **Medium** amount of bargaining power.

Threat of substitutes: The market for traditional paper is declining, particularly among younger consumers, because of the emergence of digital alternatives and environmentally friendly options like recycled paper. The demand for kraft paper is rising because of non-plastic trends, making tissue and packaging items more difficult to replace. In general, substitutes provide a **High** threat.

Overall, strong entry barriers and moderate buyer and supplier power create a difficult competitive environment, whereas intense competition and pressure to substitute negatively impact industry profitability overall (Figure 20).

Figure 21: ESG Score Peers



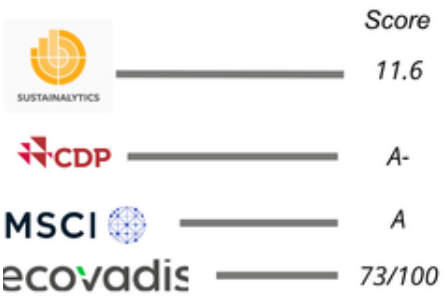
Source: LSEG Workspace

ENVIRONMENTAL, SOCIAL & GOVERNANCE

Over the past few years, Navigator's ESG score has remained stable. Particularly considering the somewhat lower levels of the industry median, it demonstrates good ESG standards. The environmental and social pillar scores are undoubtedly the main factors contributing to its high ESG score when compared to its competitors. On the other hand,

the overall score has been deviating from the two superior peers due to a steady decline in the governance pillar score (Figure 21). Navigator has a high ESG reputation Forestry companies, having the lowest risk for investors, according to Sustainalytics, and it is placed in the top 5% globally from EcoVadis, based on the score given to the firm (Figure 22).

Figure 22: Ratings and Awards Received by Navigator



Source: Company Data

Figure 23: UN SDGs Met by Navigator



Source: Company Data

Figure 24 "Missão Zero" Pillars



Source: Company Data

Environmental (E)

In the pursuit of a more sustainable manufacturing process, the paper and pulp industry is working to address several problems, including waste generation, water and energy consumption, the management of timber resources, and the environmental effects of raw material transportation.

Sustainability is a fundamental component of Navigator's business model and a major component of its long-term wealth creation plan. The company's A-scores in CDP Climate Change and CDP Forest, together with its designation as a 2025 ESG Industry Top-Rated Company by Sustainalytics, reflect its strong commitment to climate mitigation and responsible forest management (Figure 22). Navigator maintains one of the most cutting-edge biodiversity initiatives and oversees around 137,000 hectares of forest, or 1.2% of Portugal's total land area, all of which are certified under FSC® and PEFCTM. The company's leadership in sustainable forestry is further cemented by its nurseries, which produce more than twelve million plants from 130 species each year. Navigator was one of the first companies in the world to fully commit to decarbonizing its industrial complexes, and its €340 million decarbonization strategy is already paying off. In 2024, Navigator became the largest industrial self-consumer of renewable energy in Portugal and greatly improved its environmental image by installing 38 MW of new industrial solar capacity. Furthermore, renewable energy sources (mostly biomass) currently account for 80% of its electricity generation. The company also aims to reduce its use of fossil fuels and water, boost the use of renewable energy as well as reduce its CO2 emissions.

Most of the company's objectives are to increase its positive contribution among the environment (Figure 23). For that reason, some of its SDGs are related to climate such as climate action or clean energy. This way Navigator continues its blueprint of environmental success which is one of the biggest reasons it maintains a good ESG score.

Social (S)

Well-Being: One of Navigator's pillars is the encouragement of an occupational safety and health culture. According to the company's operations, ongoing investments are made to promote employee safety by reducing risks. In order to make the workplace safer, Navigator has spent 27 million euros in recent years to upgrade procedures and fortify

infrastructures. As a result, 2024 saw the fewest accidents ever reported, a 40% decrease overall since 2020. This is a component of the company's "Missão Zero" Zero Mission Strategy, which is built on five pillars and aims to have zero work-related injuries among all personnel (Figure 24). Navigator places a high priority on several initiatives that have a good effect on workers, such as offering competitive pay and benefits, ongoing training, and work-life balance. Additionally, there is the rejuvenation program, which provides older workers with financial benefits. The corporation is conscious of the gender imbalance in the workforce, which is primarily male and is impacted by the physical demands of industrial and forestry jobs (Table 4). Despite this, the business consistently demonstrates accountability by fostering an environment of equality, pledging to support gender equity and inclusion, and guaranteeing equal chances at work.

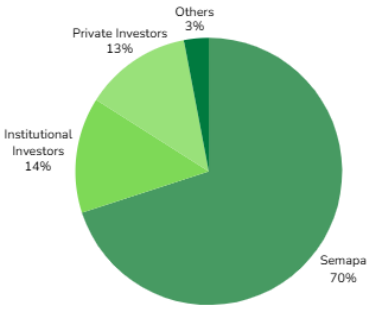
Table 4: Work Diversification

Board	64.3%	35.7%
Operational	86%	14%

Source: Company Data

Own Workforce: Navigator places a high value on human capital, employing 3965 people permanently worldwide. Employee development is prioritized inside the ongoing skill development, and advancements to safer workplaces. According to the company, a happy team increases output, retains skilled workers, and makes it easier to draw in fresh talent. Navigator's gender diversity initiatives indicate a commitment to inclusive leadership and equitable workforce practices, reinforcing its credibility as a socially responsible ESG-oriented company.

Figure 25: Shareholder Structure 2024



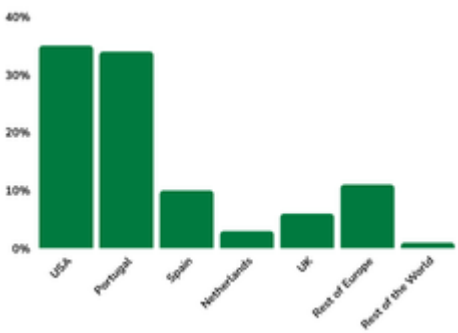
Source: Company Data

Affected Communities: Through ongoing communication channels and local monitoring committees, Navigator hopes to continue interacting with the communities. To generate shared wealth, it makes infrastructural investments and hires local people. Reducing adverse effects and enhancing their social license to operate are the goals of these activities (Appendix 2). As an illustration, Navigator´s subsidiary project in Mozambique, Portucel Moçambique, improved the welfare, income and food security of the local populations in Manica and Zambezia.

Governance (G)

Board of Directors: The Board of Directors is the body responsible for the overall strategic direction and supervision of the company. It currently has 14 members. Ricardo Miguel dos Santos Pacheco Pires, a former member of the same board, is currently the board of directors' president. Additionally serving on the board of directors is the chairman of the executive committee, António José Pereira Redondo (Appendix 3).

Figure 26: Geographic Distribution of Institutional Investors

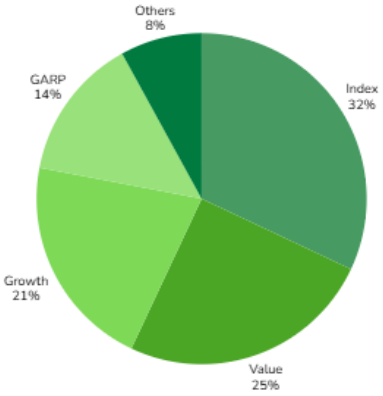


Source: Company Data

The audit board is responsible for the supervision of the company, analyzing and validating proposals submitted by the external auditor. It has 3 members, being José Manuel Oliveira Vitorino its chairman.

The impartial organization designated to examine a company's financial records is the Statutory Auditor, KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A.

Figure 27: Shareholder Distribution by Investment Style



Source: Company Data

Shareholder structure: Navigator, which trades on Euronext Lisbon, has 500,000,000 euros in share capital and 711.18 million outstanding shares. Shares are distributed to the Semapa Group, institutional investors, private investors, and others. The Semapa Group owns roughly 70% of the business, with 14% coming from institutional investors and 13% from private investors. The remaining belongs to others (Figure 25).

When it comes to the company´s institutional investors, except for SEMAPA, most of Navigator's institutional investors are from the US and Europe. Moreover, a sizable percentage of them have their headquarters in Portugal. Other nations with investors include the Netherlands, Spain, and the United Kingdom (Figure 26).

In terms of investment style, The Index Funds represents the largest share of institutional ownership, followed by Value and Growth strategies. GARP investors account for a smaller portion, with the remaining shares being held by investors following other styles (Figure 27).

FINANCIAL ANALYSIS

Table 5: Key Financials and Ratios

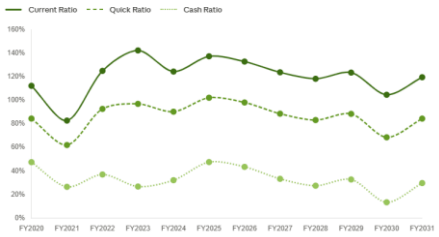
Key Financials (€k or %)	FY 2022	FY 2023	FY 2024	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Revenues	2465	1953	2088	1983	2006	2052	2095	2135	2175	2209
EBITDA Margin	31,45%	26,44%	26,36%	24,22%	23,30%	23,70%	24,55%	24,80%	22,30%	25,00%
EBIT Margin	24,76%	19,27%	18,47%	15,97%	15,00%	15,30%	16,10%	16,20%	13,40%	15,50%
PROFITABILITY RATIOS										
Profit margin	15,93%	14,08%	13,74%	10,71%	9,82%	10,11%	10,82%	10,94%	8,61%	10,31%
ROA	13,48%	9,79%	8,56%	6,48%	5,80%	6,18%	6,75%	6,83%	5,28%	6,19%
ROE	31,16%	20,90%	21,16%	14,95%	13,32%	14,34%	15,73%	15,89%	12,27%	14,28%
SOLVENCY RATIOS										
D/E	62.47%	55,44%	74,90%	77,00%	77,00%	77,00%	77,00%	77,00%	77,00%	77,00%
Long term debt to Total Debt	88,71%	85,41%	81,21%	80,52%	80,52%	80,52%	80,52%	80,52%	80,52%	80,52%
Net Debt/EBITDA	57,27%	108,42%	132,47%	152,74%	172,54%	176,08%	173,90%	164,23%	219,40%	176,88%
Interest Coverage Ratio	50,03	14,47	12,11	8,12	7,24	7,58	8,30	8,53	6,69	7,89
LIQUIDITY RATIOS										
Current Ratio	124,86%	142,20%	124,29%	137,22%	132,76%	123,66%	118,16%	123,41%	104,60%	119,47%
Quick Ratio	92,62%	96,89%	90,25%	102,08%	98,07%	88,57%	83,16%	88,42%	68,54%	84,40%
Cash Ratio	37,02%	26,80%	32,18%	47,55%	43,48%	33,34%	27,51%	32,80%	13,46%	29,75%
OTHER RATIOS										
PPE to Sales	0,52	0,72	0,78	0,85	0,91	0,91	0,90	0,88	0,92	0,89
Capex to Sales	5,03%	10,32%	10,73%	11,23%	15,43%	9,66%	9,62%	7,95%	14,85%	7,95%

Source: LSEG Workspace & Individual Analysis

This financial analysis examines Navigator's projected performance in light of its strategic shift and planned investments over the forecasted period. By evaluating the company's financial statements, key ratios, and trends, the analysis provides insights into how the planned investments are expected to impact profitability, liquidity, and overall financial stability. The focus is on understanding how the strategic initiatives will drive growth, optimize resource allocation, and create value for stakeholders, while also identifying potential financial risks and opportunities associated with this transformative phase. Through this forward-looking evaluation, the analysis offers a comprehensive perspective on Navigator's capacity to achieve its strategic objectives and sustain long-term competitiveness.

Liquidity Structure and Short-Term Financial Flexibility

Figure 28: Liquidity Ratios



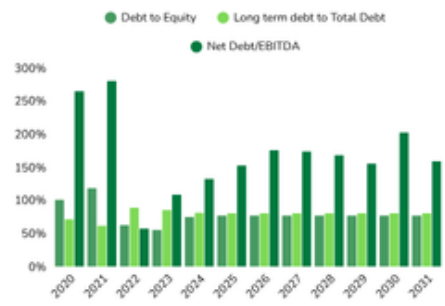
Source: Individual Analysis

Navigator's liquidity situation has stabilized over time, suggesting more short-term financial adaptability. Liquidity considerably improved till 2025, however due to fluctuations and a declining Cash Ratio, future years may see less short-term flexibility. Some consistency is shown by the current and quick ratios, which lessen the more serious issues brought on by the declining cash ratio. It appears that some liquidity is being used to finance projects, as indicated by the declines in all ratios. Navigator's immediate cash availability is lower, but it still has enough short-term assets to pay liabilities. This is in line with possibly short-term borrowing and strategic cash use.

Overall, the company maintains a good level of liquidity, even though it is not always robust due to important commercial activities (Figure 28).

Capital Structure Discipline During Investment Cycles

Figure 29: Solvency Ratios



Source: Individual Analysis

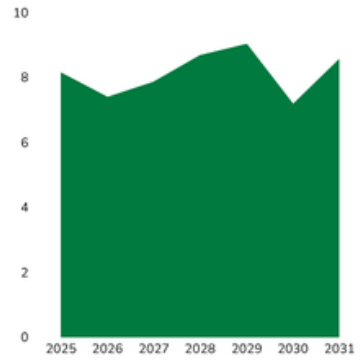
Navigator's solvency profile shows a transition from elevated leverage in the early historical years to a more balanced and stable capital structure throughout the forecast period. The debt-to-equity ratio stabilizes at moderate levels, while approximately 80% of total debt consists of long-term liabilities, reducing refinancing risk and aligning funding maturities with the long-lived nature of the company's assets (Figure 29).

From FY2025 onward, Net Debt/EBITDA is volatile. This upward movement is mirrored by a moderation in Interest Coverage, reflecting that leverage rises without a proportional increase in operating profit. Importantly, however, coverage remains consistently above 6x, indicating that debt servicing capacity remains strong despite moderately higher financial risk (Figure 30).

The evolution of these metrics suggests that the increase in leverage is investment-driven rather than distress-driven. Elevated capital expenditures during the forecast period might

be financed through controlled borrowing, while solvency indicators remain within prudent thresholds. Overall, the stability of the capital structure, strong interest protection, and moderate leverage levels indicate that Navigator preserves financial flexibility and maintains borrowing capacity without compromising long-term solvency.

Figure 30: Interest Coverage Ratio

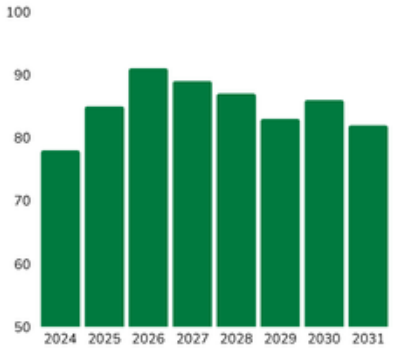


Source: Individual Analysis

Capital Intensity and Investment Discipline

During the forecast period, the company seems to adopt a more capital-intensive operating profile. Elevated Capex-to-Sales ratios, particularly in forecasted years, signal a strategic investment phase aimed at strengthening its position in higher-growth segments (Table 5). This investment cycle is reflected in the gradual increase in some years in PPE-to-Sales, indicating that a larger asset base is required to sustain revenue generation (Figure 31).

Figure 31: PPE to Sales



Source: Individual Analysis

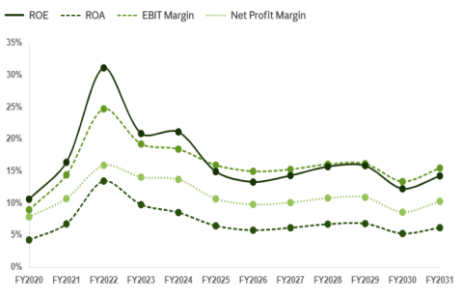
Consistent with this shift, asset turnover declines from its historical peak and stabilizes at lower levels, confirming the structural rise in capital intensity. However, despite the growing asset base, profitability metrics remain resilient. ROA and operating margins stabilize at healthy levels, suggesting that incremental investments generate returns broadly in line with the existing asset structure.

The combination of higher capital intensity and stable profitability indicates disciplined capital allocation rather than operational deterioration. Instead of eroding returns, the investment program appears to support margin stability and long-term competitiveness, reinforcing the company's capacity to create sustainable value.

Investment Driven Profitability Trends

With ROE increasing from its 2022 top, Navigator's profitability demonstrates a robust early growth phase that reflects efficient resource management and excellent operational effectiveness. ROA exhibits a similar pattern, suggesting that the business is making more money off of its assets at this time. The use of financial leverage to increase shareholder returns is confirmed by the continually higher ROE relative to ROA. In the anticipated years, ROE and ROA stabilize and profitability reaches sustainable levels. Despite variations in overall returns, the company's operational efficiency is demonstrated by operating margins, as indicated by the EBITDA and EBIT margins, which stay stable above 13% (Figure 32). In a similar vein, net profit margin trends show the company's potential to continuously turn a profit by maintaining double-digit profitability in most predicted years. The forecasted period's moderation in profitability ratios is consistent with Navigator's intended strategic initiatives. These investments are anticipated to improve long-term growth, even though they may momentarily consume capital and marginally lower short-term returns. As a result, practically every profitability ratio rose in the most

Figure 32: Profitability Ratios

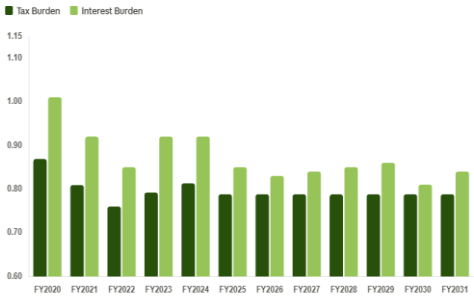


Source: Individual Analysis

recent year that was forecasted. The company is therefore in a good position to fund these expenditures without endangering its operational effectiveness or shareholder value, as evidenced by the financial stability and steady margins (Table 5).

DuPont Analysis

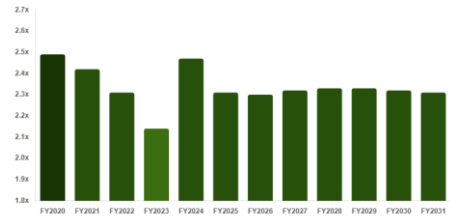
Figure 33: DuPont Burdens: Interest vs Tax



Source: Individual Analysis

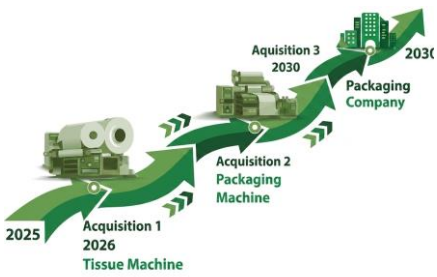
Improved tax efficiency and a lower effective tax rate over this time are indicated by the tax burden's starting drop in 2022. It stabilizes after 2022, indicating that the business has reached a normalized tax environment. This component has not changed significantly during the subsequent years, including the projected periods. This suggests that long-term changes in ROE are not much influenced by taxes. Over time, the interest burden progressively decreases, reflecting rising interest costs relative to pre-tax income, likely as a result of increasing debt levels (Figure 33). The impact is more apparent during the forecasted period. The primary factor influencing success throughout the course of the time is EBIT margin. It decreases after peaking in 2022. The margin shows a little improvement during the projected period, indicating successful integration and potential synergies from the investment decisions taken. EBIT margin is therefore the primary component that explains variations in ROE. In the past, asset turnover has shown volatility. There is a slight improvement throughout the projected term, suggesting that the purchased assets are being used rather effectively. However, asset turnover somewhat decreases in 2030, indicating that the recently purchased assets are not yet fully generating revenue (Appendix 4). Lastly, the financial leverage ratio, or equity multiplier follows a declining trend from 2020 through 2023, reflecting some reduction in debt reliance. However, a notable uptick in 2024 temporarily reverses this trend, suggesting a short-term increase in debt financing. On the forecasted period the ratio stabilizes, pointing to a consistent and cautious capital structure in the forecast period, thus a steady contribution to ROE (Figure 34).

Figure 34: Financial Leverage



Source: Individual Analysis

Figure 35: Navigator´s Investment Roadmap



Source: This image was created by AI, with a prompt created by the Author

VALUATION

A **BUY** recommendation for The Navigator Company is issued based primarily on a Discounted Cash Flow (DCF) valuation, which best reflects its long-term intrinsic value. To support its robustness, it is also applied the Dividend Discount Model (DDM), Relative Valuation, and perform sensitivity, scenario, and Monte Carlo analyses.

Strategic Roadmap to Diversification

The Navigator industry picture is about to evolve into something more significant. Numerous business options are suggested by its expansion in the tissue and packaging

industries. In the future, Navigator intends to make significant investments in these markets in the future (Figure 35). In 2026, it plans to buy a new tissue machine and to and convert a paper machine into a packaging machine. These devices are significant and will boost income because these expenditures are regarded as significant in this industry. Furthermore, it is expected that Navigator reorganizes itself to purchase a packaging-related company to reinforce its growth position in the segment. It will take some time to restructure and regain purchasing power, and the major acquisition is expected in 2030. These projects are essential to the valuation since they are anticipated to significantly alter Navigator during the forecasted period (Appendix 5).

Table 6: Beta Calculation

Beta	
Average Unlevered Beta	0.54
Navigator D/E	0.44
Tax Rate	31.5%
Relevered Beta	**0.70**

Source: LSEG Workspace

Table 7: Cost of Equity Calculation

Cost of Equity	
Risk-Free Rate	2.87%
Beta	0.70
ERP	8.62%
Cost of Equity	**8.92%**

Source: LSEG Workspace

Table 8: Cost of Debt Calculation

Cost of Debt	
Interest Coverage Ratio	12.11
Bond Rating	AAA
Default Spread	0.40%
Relevered Beta	**3.27%**

Source: LSEG Workspace

Table 9: WACC Calculation

WACC	
E/V	69.65%
D/V	30.35%
Cost of Equity	8.92%
Cost of Debt	3.27%
Tax Rate	31.50%
WACC	**6.89%**

Source: LSEG Workspace

Beta and WACC

Beta: The beta was used as the choice between two approaches: the bottom-up approach and the Damodaran sector beta. However, because there were so few companies in the Damodaran sector beta that represented the industry, the beta was estimated using a bottom-up method, yielding a value of 0.70 (Table 6, Appendix 6).

Cost of Equity: For the cost of equity calculations, the inputs needed were the risk-free rate, beta and ERP. The risk-free rate was assumed to be the yield of a 10-year German bond. The beta was obtained through the bottom-up approach. Finally, the equity risk premium was determined using the average risk premium of each region where Navigator operates, weighted by the proportion of sales in each region, resulting in a cumulative equity risk premium of 8.62%. Then, through the traditional CAPM, the cost of equity was estimated at 8.92% (Table 7, Appendix 7).

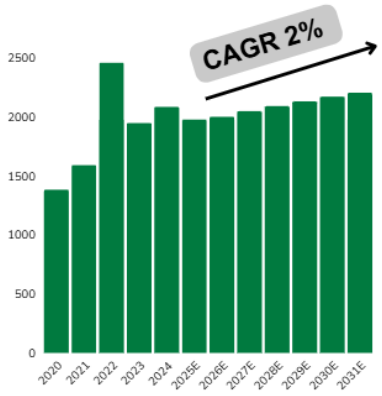
Cost of Debt: The cost of debt required different type of calculations. The interest coverage ratio for 2024 was calculated and its value reflected a certain bond rating according to Damodaran. The AAA rating indicates a default spread of 0.40%. Then, to estimate the cost of debt, the risk-free rate and the default spread were added, arriving at a cost of debt of 3.27% (Table 8).

WACC: After considering the Damodaran sector beta and the bottom-up technique, a beta of 0.70 was used. The CAPM yielded a cost of equity of 8.92%, assuming the risk-free rate of a ten-year German bond. The cost of debt was 3.27%, obtained through the interest coverage ratio, which indicated the company´s AAA bond rating according to Damodaran. The conventional formula was then used to estimate the WACC, which came out to be 6.89% (Table 9).

Discounted Cash Flow Valuation

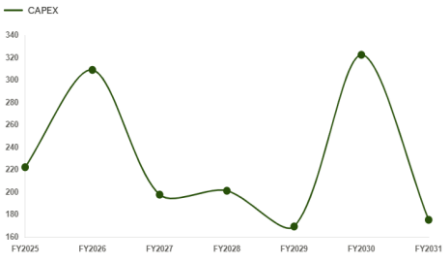
In order to estimate the company´s intrinsic value, a DCF approach was conducted through the Free Cash Flow to the Firm where the operating cash flows were projected.

Figure 36: Historical and Forecasted Revenue (2020-2031E)



Source: LSEG Workspace

Figure 37: Capex Evolution in Forecasted Period



Source: LSEG Workspace

Table 10: Terminal Value Calculation

Terminal Value	
Method	Gordon growth
Terminal Year	2031E
Growth Rate	1.2%
WACC	6.89%
Discounting Date	2026

Source: Individual Analysis

The timeline of the forecasted cash flows is 2025E until 2031E, a horizon that fully appreciates the company´s strategic shift and investment decisions for that period. After calculating the projected operating cash flows, they were then discounted back at an expected WACC of 6.89%.

Navigator's diversified revenue mix and strategy shift were considered while forecasting revenues. It was assumed that the paper and pulp industries were more developed, had little room for expansion, and were deteriorating as a result of digitalization and internal use. The rise of packaging and tissue, on the other hand, was predicted to be more driven and accelerated in the years when those investment decisions were taken. Despite a wide range of behavior, the sales' CAGR for the projected time was 2% (Figure 36).

Navigator's growth plan heavily relies on investment, which is reflected in the forecasts by an elevated but targeted CAPEX profile (Figure 37, Appendix 8). Capacity expansion, operational improvements, and the ongoing growth of Tissue and Packaging are all supported by Capex, the pragmatic bridge connecting strategy and cash generation. Although this reinvestment phase may have a negative impact on free cash flow in the near term, it improves the medium-term prognosis as newer assets enter regular operations and utilization increases. Since it is anticipated that the company will enter a stable long-run phase, the long-term growth rate for the terminal value was a more cautious permanent growth rate of 1.2% to reflect the company's mature stage and restricted long-term growth prospects. This is in line with a company that has modest growth when the portfolio shift is partially implemented. Next, using the ROIC × Reinvestment Rate framework, the reinvestment rate that sustains that growth rate was determined, being 15%. At the end of the explicit forecast period, the Terminal Value was estimated to capture Navigator's steady-state cash generation beyond 2031E (Table 10). The resulting Terminal Value and FCFF was then discounted back and expressed in present value terms at the start of 2026, implying an intrinsic value of €3.55 per share (Appendix 9), a bit more conservative compared to the analysts' consensus (Appendix 10).

Relative Valuation

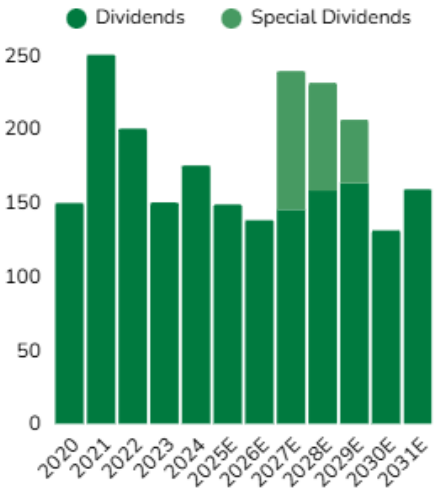
Navigator was also valued using comparable companies. The peers included in the valuation were the following: UPM-Kymmene, Stora Enso OYJ, Holmen AB, Altri SGPS and Klabin SA. The valuation multiples chosen were the EV/EBITDA, Price-to-earnings (P/E) and EV/SALES. These were the multiples selected to better assess Navigator´s operating performance.

Applying an average from the peer group to every multiple, the average multiples for the selected peer group were 8.3x EV/EBITDA, 14.83x P/E, and 1.81x EV/Sales. Then,

converging these multiples to Navigator´s forecasted financial results in 2026, the implied share prices for each multiple was €3.23 (EV/EBITDA), €4,11 (P/E), and € 2,87 (EV/SALES).

After that, it yielded an average target price of €3.40 per share (Appendix 11). This suggests a modest increase in comparison to the benchmark market price of 4.94%. The relative valuation supports a HOLD recommendation for Navigator's shares.

Figure 38: Dividends Historical and Forecast (2020-2031E)



Source: LSEG Workspace

Dividend Discount Model Valuation

Navigator exhibits a relatively high dividend yield compared to its peers and operates as a mature, cash-generative business with a well-established dividend policy. Given the stability and visibility of its distributions, the Dividend Discount Model provides an appropriate complementary valuation approach to further corroborate the results. Moreover, a special dividend payout policy is assumed in this model. In the years that no major investments are made/planned, a special dividend is assumed as % of excess cash generated that year (Figure 38) being 25% in the first two years and 15% in the last, given that the company is preparing for a major acquisition in the year after. The long-term growth rate was initially estimated using two approaches derived from the ROE × Retention Rate framework, which were not realistic. The long-term growth rate for the terminal value was a more cautious rate based on long-term GDP growth projections. (Appendix 12).

After discounting the dividends per share plus the terminal value, the DDM results in a target price of €3.18. Given that it indicates a small downside relative to the current market price, a HOLD recommendation is supported.

Sensitivity Analysis

Table 11: Sensitivity Analysis

	Terminal Growth Rate		
WACC	0.80%	1.20%	1.60%
5.89%	4.19	4.55	4.97
6.89%	3.32	3.55	3.82
7.89%	2.69	2.85	3.03

Source: Individual Analysis

To better assess the potential variability in outcomes, a sensitivity analysis was conducted by varying both the cost of capital and the terminal growth rate used in the perpetuity calculation. Specifically, the impact of these changes was analyzed in increments of 0,10% for the terminal growth rate and 0.25% for the WACC (Appendix 13).

Considering the base case terminal growth rate and an optimistic WACC of 5.89%, the company share price is projected to be €4.55. Conversely, in the worst-case scenario, where WACC rises to 7.89%, the share price would be €2.85. Similarly, changes in the terminal growth rate produce a comparable effect, yet with opposite effects. An increase of 0.4% in the terminal growth rate leads to €3.82, while a decrease in 0.4% results in a lower share price of €3.32.

While the most pessimistic input combinations indicate a downside in relation to the market price, the most optimistic set of variables gives an upside. A value per share of

€2.69 was obtained using the most pessimistic input combination while the most promising combination yielded a value per share of €4.97 (Table 11).

Table 12: DCF Growth Rate by Scenario

Terminal Growth Rate (DCF)	
Bear Case	1%
Base Case	1.2%
Bull Case	1.4%

Source: Individual Analysis

Table 13: DDM Growth Rate by Scenario

Terminal Growth Rate (DDM)	
Bear Case	1.7%
Base Case	1.8%
Bull Case	1.9%

Source: Individual Analysis

Table 14: Scenario Analysis

Terminal Growth Rate	1%	1.2%	1.4%
Net Profit Margin (2031E)	10.31	10.07	10.46
DDM	2.77	3.18	3.52
DCF	2.96	3.55	4.06
Downside/Upside	-8.64%	9.57%	25.3%

Source: Individual Analysis

Scenario Analysis with ESG as Value Driver

A scenario analysis was also conducted to complement the analysis. Since Navigator is a company that highly depends on its ESG practices, each scenario is linked to the ESG. The bear scenario is driven not only by reputational damage stemming from a weak governance score. Poor governance can increase regulatory scrutiny and potential fines but mainly it can reduce investor confidence. This may lead to a limited access to sustainable financing and a higher cost of capital. Poor governance can increase regulatory scrutiny, litigation risk, and potential fines, while also reducing investor confidence. This may lead to a higher cost of capital, limited access to sustainable financing, and possible exclusion from ESG-focused investment portfolios. Operationally higher agency costs are associated with more pressuring margins. As a result, the deterioration in ESG perception negatively impacts revenue growth, increases risk premiums and ultimately lowers the target price.

The bull scenario is supported by strong environmental and social performance, positioning the company as a sustainability leader. Improved ESG scores can enhance brand reputation, strengthen relationships with stakeholders, and increase customer loyalty. Moreover, strong ESG performance can lower the company's cost of capital by attracting ESG-focused investors and improving access to green financing instruments. These factors drive higher revenues, stronger margins, and a higher target price.

This method involves a relatively softer change in the terminal growth rate for both the DCF and the DDM (Table 12, Table 13). Additionally, the revenues for each segment vary depending on the scenario (Appendix 14).

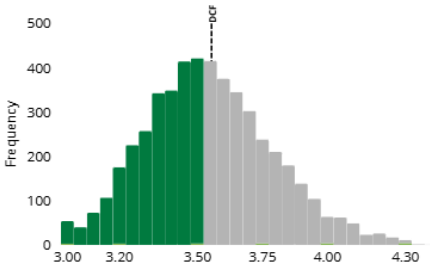
The bear scenario driven by reputational damage, due to a very weak governance score, impacts the revenue stream and the net profit margin as well as the target price. The DDM suffers a downside while for the DCF, the new target price of €2.96 represents a downside of 8.64%, becoming a SELL recommendation. On the other hand, a bull scenario driven by environmental and social excellence causes the margin and revenues to increase, consequently causing the DDM to have an upside and the DCF target price to rise to €4.06. The bull scenario causes an upside of 25.3%, confirming the BUY recommendation (Table 14).

Montecarlo Simulation

A Monte Carlo simulation of 5,000 iterations was performed, varying the terminal growth rate and WACC.

Figure 39 shows a share price distribution between €3 and €4.40, with a mean of €3.52. Values within the DCF target band (€3.24–€3.55) account for roughly 48% of outcomes, while 2.5% exceed the bull case (€4.06). The close alignment between the average simulated value and the DCF estimate indicates that the upside potential and valuation level implied by the Monte Carlo analysis are highly consistent with the DCF results, thereby supporting a BUY recommendation.

Figure 39: Monte Carlo Analysis



Source: Individual Analysis

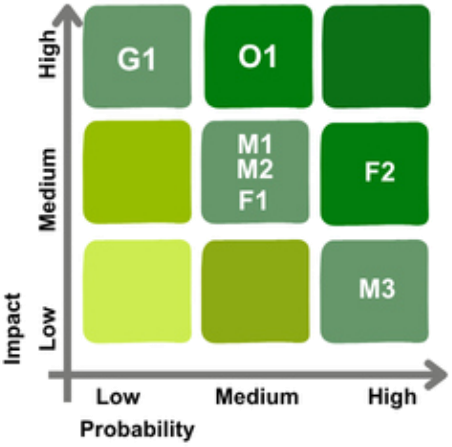
INVESTMENT RISKS

Market Risks

[M1] Price Volatility: Probability: Likely Impact: Moderate

Risk: Fluctuations in pulp and paper prices may pressure margins, particularly given structural weakness in the UWF segment. **Mitigation**: Navigator mitigates this aspect by diversifying beyond UWF in some segments, such as tissue, packaging and pulp, strengthening its product portfolio (Figure 40, Appendix 15).

Figure 40: Risk Matrix



Source: Individual Analysis

[M2] Competitive Environment: Probability: Likely Impact: Moderate

Risk: Navigator faces pressure from competitors, especially Latin American pulp and paper producers, who benefit from significantly lower production costs. **Mitigation:** The continuous bet by focusing on premium product differentiation, expansions to segments such as gKRAFT packaging and tissue, leveraging strong commercial relationships and reinforcing cost efficiency.

[M3] Consumption Changes/Structural Decline: Probability: Very Likely Impact: Low

Risk: Structural decline in printing and writing paper demand due to digitalization limits long-term growth in the UWF segment. **Mitigation:** Reallocate funds to growth areas like tissue and packaging, create cutting-edge fiber-based substitutes, increase exports, and lessen dependency on Europe's developed markets.

Financial Risk

[F1] Risk to finances: Probability: Likely Impact: Moderate

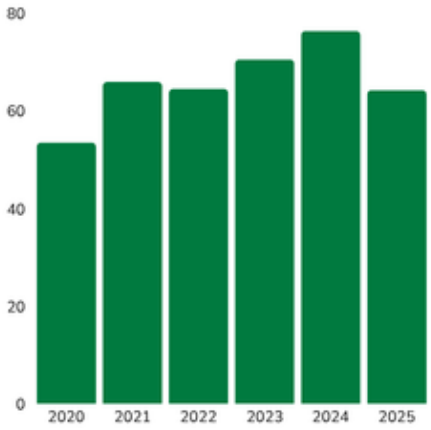
Risk: Navigator's business operations expose it to a variety of financial risks, including interest rate fluctuations, difficulties obtaining financing during periods of tighter credit conditions, asset valuation risks, where during market downturns changes in demand may lead to impairments of industrial or forestry assets, negatively affecting net income. Furthermore, the company faces credit risk particularly regarding customer receivables, where client liquidity issues could result in default risk and pressure on working capital during periods of economic stagnation (Figure 41). **Mitigation:** As the risk management

framework of the company emphasizes, a strong liquidity position and a variety of funding sources are the primary ways to reduce financial risk.

[F2] Exchange Rate risk: Probability: Very Likely Impact: Moderate

Risk: Navigator's international operations and transactions expose the company to currency fluctuations. Variations in exchange rates can affect the cost of imported raw materials, the competitiveness of exports, and ultimately profit margins. Significant volatility in foreign currencies could reduce net income or increase the cost of financing foreign projects. **Mitigation:** Navigator mitigates currency risk through geographic revenue diversification, providing natural protection against exchange rate volatility.

Figure 41: Days Receivables Distribution



Source: Individual Analysis

Governance Risk

[G1] Semapa Group (Majority Ownership) Risk: Probability: Not Likely Impact: High

Risk: Semapa's majority ownership in Navigator could influence strategic decisions, potentially limiting the influence of minority shareholders. This concentration of control may result in conflicts of interest or decisions that prioritize the parent company's objectives over the interests of all shareholders, affecting governance transparency and long-term value creation. **Mitigation:** Navigator's governance framework includes independent non-executive directors, related-party transaction oversight, and a Code of Ethics governing all shareholder relations. These mechanisms are reinforced by Euronext Lisbon listing obligations and institutional investor scrutiny.

Figure 42: Risk Management Process Phases



Source: Individual Analysis

Operational Risk

[O1] Mozambique Project Execution Risk: Probability: Likely Impact: High

Risk: Navigator's investment in Mozambique is exposed to political, operational and market risks. Also, regulatory changes, instability, logistical delays, or local demand fluctuations could increase costs or reduce returns. **Mitigation:** Enhancing project governance and monitoring while working closely with local partners Moreover investing in infrastructure and workforce capabilities. Regular risk assessments and compliance checks are carried out to address potential political, regulatory, or operational challenges and ensure timely project execution (Figure 42).

REFERENCES

CEPI. (2024). Press release: Europe's pulp and paper sector has shown resilience in 2024, but high energy prices and macro-economic uncertainties remain an issue. https://www.cepi.org/press-release-europes-pulp-and-paper-sector-has-shown-resilience-in-2024-but-high-energy-prices-and-macro-economic-uncertainties-remain-an-issue/

CEPI. (2025). Key Statistics 2024. https://www.cepi.org/cepi-key-statistics-2024/

CEPI. (2026, February 17). Press release: New 2025 pulp & paper manufacturing figures show moderate resilience in a context of rising costs, increased competition, and industrial downturn. https://www.cepi.org/press-release-new-2025-pulp-paper-manufacturing-figures-show-moderate-resilience-in-a-context-of-rising-costs-increased-competition-and-industrial-downturn/

CIP. (2025, January 17). Navigator considerada a empresa mais sustentável do setor Florestal a nível mundial. https://cip.org.pt/navigator-considerada-a-empresa-mais-sustentavel-do-setor-florestal-a-nivel-mundial/

Damodaran, A. (2026). Ratings, interest coverage ratios and default spreads. https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ratings.html

ECO. (2025, March 28). Navigator investiu 27 milhões em segurança no trabalho. https://eco.sapo.pt/2025/03/28/navigator-investiu-27-milhoes-para-tornar-local-de-trabalho-mais-seguro-acidentes-cairam-para-minimos/

EMGE. (2025, November 11). Paper and Pulp Industry Outlook: 2026. https://www.emge.com/paper-and-pulp-industry-outlook

Environmental Integrity Project. (2025). *Paper trail of pollution*. https://environmentalintegrity.org/reports/paper-trail-of-pollution/

European Commission. (2025, November 17). *Economic forecast for Portugal*. Economic forecast for Portugal

European Commission. (n.d.). Pulp and paper industry. https://single-market-economy.ec.europa.eu/sectors/raw-materials/related-industries/forest-based-industries/pulp-and-paper-industry_en

Fortune Business Insights. (n.d.). Pulp and Paper Market Size, Trends, Forecast Overview [2035]. https://www.fortunebusinessinsights.com/pulp-and-paper-market-103447

Grand View Research. (n.d.). Paper Packaging Market (2026 - 2033). https://www.grandviewresearch.com/industry-analysis/paper-packaging-market

Holmen AB. (2025, March 6). Annual report 2025. https://vp165.alertir.com/afw/files/press/holmen/202503067048-1.pdf

Investing.com. (2026). European government bonds. https://www.investing.com/rates-bonds/european-government-bonds

Kayla. (2023, September 13). Is the Pulp & Paper Industry Sustainable? https://umaineppf.org/2023/09/01/is-the-pulp-paper-industry-sustainable/

Largest pulp and paper companies by market cap. (n.d.). https://companiesmarketcap.com/pulp-and-paper/largest-companies-by-market-cap/

McKinsey & Company. (2017). Pulp, paper, and packaging in the next decade: Transformational change. https://www.mckinsey.com/industries/packaging-and-paper/our-insights/pulp-paper-and-packaging-in-the-next-decade-transformational-change

o9 Solutions. (2023, October 12). Paper & Packaging Industry Part 1: The Supply Chain Challenges. https://o9solutions.com/articles/the-supply-chain-challenges-in-the-paper-and-packaging-industry

Pordata. (n.d.). Taxa de Crescimento do PIB em Portugal. https://www.pordata.pt/portugal/taxa+de+crescimento+do+pib-2298

Pulp and Paper Technology. (2024, June 21). Digital Transformation in Paper Mills: Leveraging Industry 4.0 for Efficiency. https://www.pulpandpaper-technology.com/articles/digital-transformation-in-paper-mills-leveraging-industry-40-for-efficiency

Statista. (2024, November). Tissue & Hygiene Paper - Worldwide | Market Forecast. https://www.statista.com/outlook/cmo/tissue-hygiene-paper/worldwide

Stora Enso Oyj. (2025). Annual report 2024. https://www.storaenso.com/-/media/documents/download-center/documents/annual-reports/2024/storaenso_annual_report_2024.pdf

The Navigator Company. (2023). Relatório anual 2023. https://thenavigatorcompany.com/external/relatorio-anual-2023/docs/en/Navigator_Relatorio_Anual_2023_ENG_DIGITAL_FINAL.pdf

The Navigator Company. (2025). Annual report 2024. https://thenavigatorcompany.com/wp-content/uploads/2025/04/RA2024-NVG-en.pdf

The Navigator Company. (2025, September). Investor presentation. https://thenavigatorcompany.com/wp-content/uploads/2025/09/INVESTOR-PRESENTATION-I-092025_1.pdf

The Navigator Company. (2026). *Navigator approves €115 million investment in Aveiro to strengthen European tissue capacity*. https://thenavigatorcompany.com/wp-content/uploads/2026/03/Navigator-aprova-investimento-de-E-115-milhoes-em-Aveiro-para-reforcar-capacidade-europeia-de-Tissue.pdf

The Navigator Company. (n.d.). Financial information. https://thenavigatorcompany.com/en/investors/financial-information/

The Navigator Company. (n.d.). History. https://thenavigatorcompany.com/en/institutional/history/

The Navigator Company. (n.d.). *Navigator share*. https://thenavigatorcompany.com/en/investors/navigator-share/

The Navigator Company. (n.d.). Portucel Moçambique. https://thenavigatorcompany.com/institucional/portucel-mocambique/

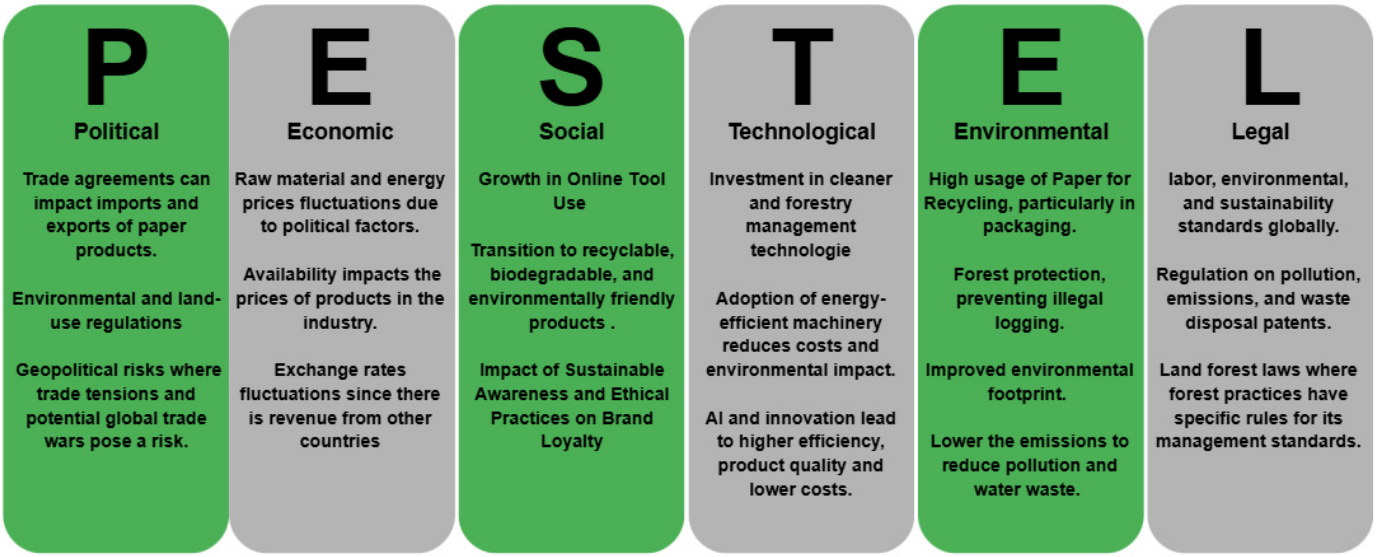
UPM-Kymmene Corporation. (2025). Annual report 2024. https://www.upm.com/siteassets/asset/investors/2024/upm-annual-report-2024.pdf

Yahoo Finance. (2026). *The Navigator Company, S.A. (NVG.LS)*. https://finance.yahoo.com/quote/NVG.LS/

ZipDo. (2025, May 30). Paper Consumption Statistics. https://zipdo.co/paper-consumption-statistics/

APPENDIXES

Appendix 1: PESTEL Analysis



Political: Trade agreements influence the cost and availability of raw materials such as pulp and paper by affecting tariffs and trade barriers. Environmental and land-use regulations require sustainable forestry, pollution control and emissions management, increasing compliance costs but strengthening sustainability performance. Additionally, geopolitical tensions, sanctions and trade disputes may increase costs, and create market uncertainty.

Economic: Fluctuations in raw material and energy prices significantly affect production costs and profit margins. Government policies and supply restrictions can impact material availability and pricing. Exchange rate volatility also influences export competitiveness, import costs and overall financial performance in international markets.

Social: Digitalization has reduced demand for traditional paper products, requiring industry adaptation and diversification. At the same time, consumer preference for eco-friendly products is increasing. Ethical and sustainability practices enhance brand reputation and long-term customer loyalty.

Technological: Investment in cleaner production technologies and sustainable forestry systems support emission reduction and long-term resource management. Energy-efficient machinery lowers operational costs and environmental impact. Automation, AI, and data analytics improve efficiency, product quality and supply chain optimization.

Environmental: The growing demand for recyclable packaging encourages companies to reduce waste and improve environmental sustainability. Stricter environmental regulations support forest protection, biodiversity conservation and the prevention of illegal logging. Companies focus on reducing emissions, pollution and water waste to improve environmental performance as well as regulatory compliance.

Legal: To maintain ethical operations, the industry must adhere to international labor, environmental and sustainability norms. Continuous investment in technologies that comply with emissions, pollution and waste disposal regulations is

also necessary. Sustainable logging methods and the source of raw materials are governed by forest and land-use laws, which raise operational accountability and supervision.

Appendix 2: SWOT Analysis

Strengths: Navigator has a vas geographic distribution operating in more than 130 countries, reducing its dependence in single markets and expanding its consumer base. Its development institute, RAIZ, is likely to increase competitive advantage and innovate the company's operations. Because of its revenue diversification, its move to packaging and tissue is significant. The company's launch of the gKraft brand in packaging, which is highly sustainable, benefits the company in an industry where sustainable awareness is high.

Weaknesses: Navigator very low Governance score compared to the other pillars in ESG is concerning as it can reduce investor confidence in the company and access to sustainable financing. The operations require high fixed costs and high upfront investment in machines and technology, possibly limiting the company´s flexibility in economic downturns. Also, the revenues and profitability can fluctuate with the commodities' prices. The rising production costs due to possible increasing wood prices can affect margins which can also reflect a reduction of competitiveness if costs cannot be passed on to customers.

Opportunities: The strategic shift of the company towards tissue and packaging segment can represent more growth in the future and the backing of capital expenditures in those strategies such as the past acquisitions and launch of new lines of productions within those segments promising a real opportunity. The project in Mozambique may offer additional opportunities, depending on the country's economic growth as an emerging market. The company's strong environmental consciousness makes it eligible for government subsidies or green funding, which can support investments in clean technology and sustainable forestry and strengthen its governance pillar, further improving an already good ESG.

Threats: Stricter environmental laws may increase operational costs., leading to production restrictions or reputational damage (Appendix 1). The tendency of digitalization can continue to impact the demand for traditional paper, justifying the need to diversify even more. In terms of supply, fluctuations in pulp or wood prices impact profitability and disruptions in global supply can affect production and delivery timelines. Lastly, because Navigator operates in at least 130 nations, currency swings may have an impact on export earnings or import expenses.

Appendix 3: Board Members of Navigator

Ricardo Miguel dos Santos Pacheco Pires	**President**	Degrees from Universidade Católica Portuguesa, ISCTE, and Universidade Nova de Lisboa; with Semapa since 2008, now Executive Director and Chairman of the Executive Committee
António José Pereira Redondo	Member	Degree in Chemical Engineering (University of Coimbra), MBA in Marketing (UCP); CEO of The Navigator Company since 2020, former CCO, with industry leadership roles
José Fernando Morais Carreira de Araújo	Member	Law and Accounting degrees, MBA in Corporate Reporting, Chartered Accountant, executive director since 2007, with extensive experience in tax, accounting, and corporate governance
Nuno Miguel Moreira de Araújo Santos	Member	Degree in Civil Engineering (Instituto Superior Técnico) and MBA (INSEAD); former Senior Partner at McKinsey, executive director of The Navigator Company since 2015, and President of APIGCEE
João Paulo Cabete Gonçalves Lé	Member	Agronomy and Finance degrees; with Navigator ~30 years, CEO of Portucel Moçambique since 2016, executive director since 2020
Dorival Martins de Almeida	Member	Chemical Engineering and MBA; Industrial Director at Navigator since 2021, executive director since 2023, with extensive pulp and paper experience
António Quirino Vaz Duarte Soares	Member	Business Management and Economics degrees; with Navigator since 2001, Executive Committee member since 2023, overseeing Marketing, Sales, and Supply Chain
Ana Teresa Cunha de Pinho Tavares Lehmann	Member	Management and Economics degrees; non-executive board member of Navigator, former Secretary of State for Industry, professor and international advisor
Hugo Alexandre Lopes Pinto	Member	Civil Engineering and Finance degrees, MBA (INSEAD); with Semapa Group since 2013, non-executive director at Navigator since 2023, and board member of multiple companies
Maria Isabel da Silva Marques Abranches Viegas	Member	Psychology and HR degrees; Chief People Officer at Semapa since 2022, non-executive director at Navigator since 2023, with extensive HR leadership and advisory experience
Maria Teresa Aliu Presas	Member	Psychology degree; former senior executive at Tetra Pak and CEPI, consultant at Magellan, non-executive director of Navigator since 2019
Mariana Rita Antunes Marques dos Santos	Member	Business Management and MBA; entrepreneur and international business professional, non-executive director of Navigator since 2019
Sandra Maria Soares Santos	Member	Non-executive director of Navigator since April 2019; former CEO and CFO with extensive experience in industrial operations, finance, and international business
Vítor Paulo Paranhos Pereira	Member	Economics degree (Portuguese Catholic University), Non-executive director of Navigator; long-standing board and chairman roles in related Semapa companies

Appendix 4: DuPont Analysis

DuPont Factors	FY 2022	FY 2023	FY 2024	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Tax Burden	0,760	0,792	0,813	0,788	0,788	0,788	0,788	0,788	0,788	0,788
Interest Burden	0,85	0,92	0,92	0,85	0,83	0,84	0,85	0,86	0,81	0,84
EBIT Margin	24,76%	19,27%	18,47%	15,97%	15,00%	15,30%	16,10%	16,20%	13,40%	15,50%
Asset Turnover	84,64%	69,53%	62,28%	60,51%	59,08%	61,17%	62,36%	62,39%	61,32%	60,10%
Financial Leverage	2,31	2,14	2,47	2,31	2,30	2,32	2,33	2,33	2,32	2,31

Appendix 5: Key Assumptions

Revenues: Navigator's revenues are built bottom-up by segment and then aggregated to total sales over the explicit forecast period. The approach reflects the different structural drivers across Navigator's portfolio, with mature activities modeled conservatively and growth platforms given more runway in the near term before converging toward more normalized rates.

UWF paper is treated as a mature segment and is therefore modeled with a slight decline over time, consistent with ongoing substitution effects and limited end-market growth. In contrast, Tissue and Packaging are modeled as the main growth engines, supported by capacity ramp-up, product mix improvement, and expanding demand.

Pulp for market and Energy are modeled as balancing lines within the portfolio. Market pulp is assumed to be slightly down as internal integration increases, while Energy revenues normalize and then evolve in line with a modest inflation-linked trajectory.

Costs: It is believed that costs such as Cost of Goods Sold (COGS) and Selling, General and Administrative (SG&A), modeled as a percentage, are expected to decline over time, as fixed production and general running costs are spread over higher revenues. This is reinforced by a shift toward higher-margin segments (Tissue and Packaging), ongoing efficiency gains in energy and the increasing use of AI and digital tools in operations, including process optimization, and data-driven decision-making, supporting gradual and structural margin expansion over time.

Following the acquisition, these cost ratios are expected to temporarily increase due to the incorporation of a new business, before declining again as Navigator applies its well-established efficiency and operational improvement model.

CaPex and D&A: Discrete strategic projects and a recurring base component make up Capex. To maintain consistency with Navigator's historical reinvestment pattern and the capital intensity of an integrated pulp-and-paper platform, maintenance Capex is modeled as a percentage of revenues, reflecting maintenance needs and minor growth investments.

On top of this baseline, the major investment programs are shown in the company's industrial plan, including the PM3 rebuild, the tissue machine investment, and the decarbonization roadmap and a conservative acquisition-related Capex buffer is added in 2030 to account for integration and initial improvement investments.

Depreciation and amortization is modeled consistently with the expanding asset base. D&A is forecast as a percentage of revenues but is allowed to trend upward with a short time lag after peak Capex, reflecting the commissioning of new assets and the higher depreciable base.

Working Capital: Inventories, trade receivables, and trade payables are projected using stable turnover ratios, while other working-capital items (other current assets, accruals, and other current liabilities) are modeled as percentages of revenues based on historical averages, so they scale proportionally with sales and avoid artificial volatility in free cash flow.

Debt: Debt levels are modeled to keep Navigator's capital structure stable through the explicit forecast period. Short-term and long-term debt are projected as a percentage of equity, implying no major change in leverage policy and no reliance on exceptional financing actions.

Appendix 6: Beta Calculation

Company Name	Beta Levered	D/E	Tax rate	Unlevered beta	Peer Group Average Unlevered	Relevered
The Navigator Company S.A.		**0.33**	**31.50%**		**0.54**	**0.70**
UPM-Kymmene Oyj	0.96	0.31	20.00%		0.77	
Suzano SA	0.35	0.83	34.00%		0.22	
Stora Enso Oyj	1.02	0.77	20.00%		0.63	
Holmen AB	0.44	0.05	20.60%		0.43	
SEMAPA Sociedade de Investimento e Gestao SGPS SA	0.62	1.18	31.50%		0.34	
Altri SGPS SA	0.54	0.57	31.50%		0.39	
Ence Energia y Celulosa SA	1.26	0.86	25.00%		0.76	
Rottneros AB	1.08	0.48	20.60%		0.79	

Appendix 7: Cost of Equity Calculations

Region	Sales %	Equity Risk Premium
Africa	11%	13.70%
America	9%	11.45%
Asia	7%	9.95%
Europe except Portugal	58%	7.62%
Oceania	1%	6.43%
Portugal	14%	5.98%
TOTAL	**100%**	**8.62%**

CAPM	Sales %
Risk-free rate	2.87%
Beta	0.70
ERP	8.62%
Cost of Equity	**8.92%**

NOTE: Prior to this table, the Equity Risk Premium (ERP) by country was grouped into regions. The average ERP for each region was then calculated. These regional averages were weighted by Navigator's percentage of revenue in each region to derive the overall (cumulative) Equity Risk Premium.

Appendix 8: Capex Calculations

	2024	2025	2026	2027	2028	2029	2030	2031
Capex/Revenue	10.73%	7.95%	7.95%	7.95%	7.95%	7.95%	7.95%	7.95%
PM3 Rebuild	-	30	-	-		-	-	-
Tissue Machine	-	-	115	-	-	-	-	-
Descarbonization Roadmap	-	35	35	35	35	-	-	-
2030 Investment	-	-	-	-	-	-	150	-
Total/Revenue	-	3.28%	7.48%	1.71%	1.67%	-	6.9%	-
Total Capex	-	**11.23%**	**15.43%**	**9.66%**	**9.62%**	**7.95%**	**14.85%**	**7.95%**

NOTE: In the beginning the Capex is higher due to it being the peak of Investment Cycle, and then gradually declines toward a steady state. Once the major investment cycle is completed, the company's assets become newer and more efficient, reducing the level of recurring reinvestment required and allowing capex to normalize at a long-term maintenance level of around 8%. The converting of the paper machine into packaging one is paid in 2025 but only ready in 2026.

Appendix 9: DCF Calculations

	2026	2027	2028	2029	2030	2031
EBIT(1-t)	206,08	215,07	231,10	236,89	199,64	234,58
Depreciation and Amortization.	166,47	172,37	177,07	183,58	193,57	209,89
Capex	309,46	198,15	201,60	169,72	322,92	175,65
Changes in WC	2,41	4,18	4,18	3,54	2,53	3,64
FCFF	60,68	185,11	202,40	247,22	67,76	265,17
PV Terminal Value						2537.31
PV CFs		173,18	177,14	202,42	51,90	190,02
Total Value of Firm	**3331.96**					

Tax Rate	31.50%
Terminal Growth Rate	1.20%
WACC	6.89%
Nº Shares	711.18

NOPAT	234.6
Invested Capital	2950.7
ROIC	7.9%
Reinvestment Rate	15%

Cash	332,47
NCI	0,38
Market Value of Debt	1138,75
Value of Equity	2525,30
Price Per Share	**€3.55**

NOTE: Since the company is already mature and not expected to experience significant growth, the assumed growth rate is moderate. However, given its expansion into new sectors such as the packaging and tissue segments, a 1.2% growth rate strikes the right balance between the stability of past performance and the potential for future opportunities.

Appendix 10: Analyst Recommendations



Appendix 11: Relative Valuation

Ticker	UPM.HE	STE-A.ST	HOLM-B.ST	KLBN11	ALTR.LS
Name	UPM Kymmene Oyj	Stora Enso Oyj	Holmen AB	Klabin SA	ALTRI SGPS
Location	Finland	Finland	Sweden	Brazil	Portugal
Market Cap (€)	12280 M	7375 M	5258 M	3566 M	1025 M
EV/EBITDA	8.44x	8.63x	12.19x	6.04x	6.18x
PE Ratio	13.59x	17.84x	19.97x	12.82x	9.94x
EV/Sales	1.55x	1.19x	2.74x	2.23x	1.32x

	EV/EBITDA	PE Ratio	EV/Sales
Peers Average	8.30x	14.83x	1.81x
Navigator EBITDA	467 M	N.A.	N.A.
Navigator Revenues	N.A.	N.A.	2006 M.
Navigator Net Income	N.A.	197 M	N.A.
Implied Enterprise Value	3877 M	2922 M	3622 M
- Debt	1913 M	N.A.	1913 M
+ Cash	332 M	N.A.	332 M
Implied Equity Market Value	2297 M	2922 M	2042 M
Number of Shares Outstanding	711.18	711.18	711.18
Implied Share Price	€3.23	€4.11	€2.87
Average Implied Share Price	**€3.40**		

NOTE: The values were obtained from LSEG for 2025. Some companies used in the bottom-up approach were excluded from the relative valuation due to significant differences in business operations, location of operations, and market cap, making them not directly comparable to Navigator. Rottneros AB and Ence Energia were excluded due to a lack of data in the databases used, even though they were initially considered as peers for the relative valuation. Furthermore, this method was not utilized to establish the final target price, but rather as a cross-check to the DCF approach.

Appendix 12: Dividend Discount Model Calculations

	2026	2027	2028	2029	2030	2031
Dividens per Share	0,19	0.20	0.22	0.23	0.18	0.22
Net Income	197.0	207.4	226.8	233.6	187.3	227.7
Regular Dividends	137.9	145.2	158.7	163.5	131.1	159.4
Excess Cash	-	376.5	292.8	283.3	-	-
% of Excess Cash as Dividends	-	94.1	73.2	42.5	-	-
Total Dividends	137.9	239.4	231.94	206.0	131.1	159.4
Total Dividend Per Share	0.19	0.34	0.33	0.29	0.18	0.22
Terminal Value	-					3.20
PV all Dividends	-	0.31	0.27	0.22	0.13	2.24
Dividend Value	**€3.18**					

Payout Ratio	70%
Growth Rate	1.80%
N° Shares	711.18

NOTE: Due to volatility in the payout ratio in the historical years, the payout ratio in the forecasted period was assumed to be a little higher, 70% to reinforce the company commitment to shareholder returns. Based on the GDP growth projections and the careful precaution that it does not exceed them, the growth rate in perpetuity was projected to be 1.8%.

The same methodology used in the DCF is used for the DDM where the terminal value is calculated and the dividends per share and terminal value are discounted back to 2026. In the case of the special dividends, Extra cash available for special dividends is calculated as the sum of the beginning cash balance and cash flow from operations, minus regular dividends and capital expenditures. When extra cash is generated, it is assumed that 25% of its value is

transformed into dividends, as it shares profits with investors while keeping most cash available for strategic investments and maintaining financial flexibility.

Appendix 13: Sensitivity Analysis

Terminal Growth Rate	0.80%	0.90%	1%	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	WACC
	4,19	4,28	4,36	4,46	4,55	4,65	4,75	4,86	4,97	5.89%
	3,94	4,02	4,10	4,18	4,26	4,35	4,44	4,54	4,64	6.14%
	3,72	3,78	3,85	3,93	4,00	4,08	4,16	4,25	4,34	6.39%
	3,51	3,57	3,63	3,70	3,77	3,84	3,91	3,99	4,07	6.64%
	3,32	3,37	3,43	3,49	3,55	3,61	3,68	3,75	3,82	5.89%
	3,14	3,19	3,24	3,30	3,35	3,41	3,47	3,53	3,60	7.14%
	2,98	3,02	3,07	3,12	3,17	3,22	3,28	3,34	3,39	7.39%
	2,83	2,87	2,91	2,96	3,00	3,05	3,10	3,15	3,21	7.64%
	2,69	2,73	2,77	2,85	2,85	2,89	2,94	2,99	3,03	7.89%

Appendix 14: Scenario Analysis Revenue Assumptions

Revenue	2026	2027	2028	2029	2030	2031
BEAR CASE						
UWF Paper	-2%	-2%	-2%	-2%	-2%	-2%
Tissue	2%	4%	3%	3%	2.5%	2%
Pulp	-2%	-2%	-2%	-2%	-2%	-2%
Energy	-1%	-1%	-1%	-1%	-1%	-1%
Packaging	1.5%	3%	2%	1.5%	4%	2%
BASE CASE						
UWF Paper	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
Tissue	4.5%	8%	7%	6%	4.5%	4%
Pulp	-1%	-1%	-1%	-1%	-1%	-1%
Energy	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Packaging	4.5%	7%	6%	5%	12%	8%
BULL CASE						
UWF Paper	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Tissue	8%	11%	9%	8%	7%	6%
Pulp	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Energy	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Packaging	6%	10%	8%	6%	15%	9%

Appendix 15: Investment Risks by Segment

Tissue: Although tissue benefits from fundamental demand drivers and a defensive consumption profile, it is still subject to economic cycles, energy and logistical costs as well as pulp price volatility. While financial strength reduces solvency risk, higher capex requirements increase the company´s vulnerability to funding conditions. The segment is in a clear tendency of expansion, so operational execution is the main risk associated. Thus, ramp-ups and industrial integration can affect costs and output. In general, operational risk is likely to have a high impact, while market and financial risks are more prone to a moderate impact.

UWF Paper: Due to its exposure to reduction in demand caused by digitalization and shifts in consumer behavior, the UWF segment is categorized as having a very high market risk, with a "Very Likely" "High" impact. Furthermore, this trend is long-term and largely independent of management actions, making it almost certain.

Financial risk is assessed as "Likely" with "Moderate" impact, reflecting ongoing pressure on revenues and margins, although partially mitigated by its mature asset base, relatively low incremental capital requirements, and continued cash generation

Because UWF operations are developed and technologically robust, the Operational Risk is graded as "Unlikely with "Low impact".

Overall, while operationally stable, UWF remains the most exposed segment in strategic terms, due to its structurally weakening demand outlook.

Packaging: It benefits from ESG-driven substitution of plastics by fiber-based solutions but operates in a competitive and cyclical market. So, market risk is rated as "Likely" with "Moderate" impact. For Financial Risk it gets the same "grades" as the market risk, given the capital-intensive nature of recent planned investments, which increases exposure to financing conditions. Operational risk is also the same in terms of probability, but it has a high impact, reflected by the challenges associated with scaling production, optimizing capacity and integrating new assets. These factors can temporarily weigh on efficiency and profitability even though they do not compromise the segments long term growth potential, Overall packaging is a moderate-to-high profile.

NOTE: Exchange rate risk, the controlling position of Semapa and the Mozambique project constitute general risks that affect the company as a whole. These factors are not segment-specific and have a transversal impact across all business areas, influencing overall financial performance, capital allocation decisions and risk exposure.

Appendix 16: Balance Sheet

Balance Sheet (€M)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Cash and cash equivalents	302	239	343	169	287	360	332	258	216	262	111	250
Trade receivable	203	289	436	378	437	355	359	367	375	382	389	396
Invetories	177	187	299	286	303	266	265	271	274	279	296	295
Other current assets	32	30	79	65	80	58	58	60	61	62	63	64
Total current assets	**714**	**745**	**1 157**	**899**	**1 107**	**1 039**	**1 015**	**956**	**926**	**986**	**860**	**1 005**
Non-Current Tangible Assets	1 384	1 343	1 280	1 414	1 630	1 689	1 832	1 858	1 882	1 868	1 998	1 963
Non-Current Intagible Assets	389	403	423	428	542	472	473	476	478	480	632	634
L Goodwill	377	377	377	382	423	423	423	423	423	423	573	573
L Intangible Assets - excluding Goodwill	12	25	45	46	120	49	51	53	55	57	59	61
Other Non-Operating Investments	0	0	0	0	0	0	0	0	0	0	0	0
Other Non-Current Assets	65	37	52	68	74	77	74	65	74	87	57	73
Total non-current assets	**1 839**	**1 783**	**1 755**	**1 910**	**2 246**	**2 238**	**2 379**	**2 398**	**2 434**	**2 436**	**2 687**	**2 671**
Total assets	**2 553**	**2 527**	**2 912**	**2 809**	**3 353**	**3 277**	**3 395**	**3 355**	**3 360**	**3 422**	**3 547**	**3 676**
Trade Accounts Payable	168	257	368	297	297	291	290	297	300	306	324	323
Accrued Expenses	94	91	143	124	69	111	112	115	117	119	122	123
Derivative Liabilities	6	8	5	6	6	6	6	6	6	6	6	6
Income Taxes - Payable	36	40	125	23	41	37	34	36	40	41	33	40
Current Debt	297	467	89	106	191	213	222	217	216	220	229	239
Other Current Liabilities	35	37	197	76	285	99	100	102	104	106	108	110
Current liabilities	**637**	**900**	**927**	**632**	**891**	**757**	**765**	**773**	**784**	**799**	**822**	**842**
Non-Current Debt	738	762	698	623	825	880	917	897	894	911	946	988
Deferred Tax Liabilities	86	93	98	96	136	121	132	133	135	134	143	141
Other Non-Current Liabilities	66	69	66	143	146	98	100	102	104	106	108	110
Non-current liabilities	**891**	**332**	**863**	**861**	**1 106**	**1 100**	**1 148**	**1 132**	**1 133**	**1 151**	**1 197**	**1 239**
Non-Controlling Interest in Equity	0	0	0	0	0	0	0	0	0	0	0	0
Ordinary Shareholders' Equity	1 026	1 045	1 259	1 315	1 356	1 419	1 479	1 447	1 441	1 469	1 525	1 593
Total equity	**1 026**	**1 045**	**1 260**	**1 316**	**1 356**	**1 420**	**1 479**	**1 447**	**1 442**	**1 469**	**1 526**	**1 594**
Total liabilities and shareholders' equity	**2 553**	**2 527**	**2 912**	**2 809**	**3 353**	**3 277**	**3 392**	**3 353**	**3 359**	**3 420**	**3 545**	**3 674**

Appendix 17: Income Statement

Income Statement (€M)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	**1385**	**1596**	**2465**	**1953**	**2088**	**1983**	**2006**	**2052**	**2095**	**2135**	**2175**	**2209**
COGS	-745	-750	-1050	-1008	-1044	-995	-993	-1016	-1027	-1046	-1109	-1105
Gross Profit	**640**	**846**	**1415**	**945**	**1044**	**987**	**1013**	**1036**	**1069**	**1089**	**1066**	**1105**
SG&A	-162	-180	-216	-197	-232	-210	-211	-213	-218	-220	-231	-232
Other Operating Expense/(Income) - Net	-354	-435	-589	-372	-427	-461	-501	-509	-513	-523	-544	-530
Operating Profit (EBIT)	**125**	**230**	**610**	**376**	**386**	**317**	**301**	**314**	**337**	**346**	**291**	**342**
Financing Income/Expense - Net - Total	-14	-14	-55	-29	-37	-48	-51	-51	-50	-50	-54	-54
Sale of Tangible & Intangible Fixed Assets - Gain/(Loss)	0	2	0	1	0	0	0	0	0	0	0	0
Non-Recurring Income Expense	16	-7	-39	-1	4	0	0	0	0	0	0	0
Profit before tax (EBT)	**126**	**212**	**516**	**347**	**353**	**269**	**250**	**263**	**288**	**296**	**238**	**289**
Income Taxes	17	40	124	72	66	57	53	56	61	63	50	61
Profit after taxes (Net Income)	**109**	**171**	**393**	**275**	**287**	**212**	**197**	**207**	**227**	**234**	**187**	**228**
Minority Interest	0	0	0	0	0	0	0	0	0	0	0	0
Income Available to Common Shareholders	**109**	**171**	**393**	**275**	**287**	**212**	**197**	**207**	**227**	**234**	**187**	**228**
Depreciation and Amortization	152	126	165	140	165	164	166	172	177	184	194	210
EBITDA	277	357	775	516	550	480	467	486	514	529	485	552

Appendix 18: Cash Flow Statement

Cash Flow Statement (€M)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Cash Receipts/Payments - Net	338	374	691	532	473	476	481	492	503	512	522	530
Income Taxes - Paid/(Reimbursed) - Cash Flow - Direct	-19	21	65	163	61	61	56	54	57	61	58	54
Interest Paid - Cash - Direct	21	14	34	5	19	48	51	51	50	50	54	54
Interest & Dividends - Received - Total - Cash Flow - Direct	5	5	1	0	0	0	0	0	0	0	0	0
Net Cash Flow from Operating Activities	**341**	**345**	**593**	**364**	**393**	**367**	**374**	**387**	**395**	**401**	**409**	**422**
Capital Expenditures - Net - Cash Flow	98	101	123	201	224	223	309	198	202	170	323	176
Acquisition & Disposals of Business - Assets - Sold/(Acquired) - Net - Cash Flow	0	3	0	-55	-151	0	0	0	0	0	-150	0
Net Cash Flow from Investing Activities	**-98**	**-98**	**-123**	**-256**	**-375**	**-223**	**-309**	**-198**	**-202**	**-170**	**-473**	**-176**
Dividends Paid - Cash - Total - Cash Flow	198	150	132	200	150	149	138	145	159	163	131	159
Debt - Long-Term & Short-Term - Issuance/(Retirement) - Total - Cash Flow	98	-153	-112	-103	212	78	46	-25	-4	21	43	53
Other Financing Cash Flow - Increase/(Decrease)	-1	-4	-124	20	37	0	0	0	0	0	0	0
Net Cash Flow from Financing Activities	**-102**	**-307**	**-367**	**-283**	**99**	**-71**	**-92**	**-170**	**-163**	**-142**	**-88**	**-107**
Foreign Exchange Effects - Cash Flow	-1	0	2	1	0	0	0	0	0	0	0	0
Net Change in Cash without Speacil Dividends	141	-60	104	-174	117	73	-27	20	31	89	-151	140
Special Dividends						0	0	94	73	42	0	0
Net Change in Cash - Total	**141**	**-60**	**104**	**-174**	**117**	**73**	**-27**	**-75**	**-42**	**46**	**-151**	**140**
Net Cash - Beginning Balance	**162**	**302**	**239**	**343**	**169**	**287**	**360**	**332**	**258**	**216**	**262**	**111**
Net Cash - Ending Balance	**302**	**242**	**343**	**169**	**287**	**360**	**332**	**258**	**216**	**262**	**111**	**250**