Universidade do Minho
Escola de Economia, Gestão e Ciência Política

Diogo André Tavares da Silva Marques Ventura

Equity Research Report
The Navigator Company, S.A.

abril de 2026

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UMinho | 2026

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Equity Research Report
The Navigator Company, S.A.

Projeto de Mestrado
Mestrado em Finanças

Trabalho efetuado sob a orientação da
Professora Doutora Florinda Silva

abril de 2026

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Resumo

Este trabalho académico apresenta um Equity Research Report acerca da The Navigator Company S.A. Foi desenvolvido no âmbito do mestrado em finanças da Universidade do Minho e de acordo com as diretrizes do Chartered Financial Analyst (CFA) Institute.

A Navigator Company é a maior produtora europeia de papel sem revestimento (Uncoated Woodfree) e um dos maiores produtores mundiais de pasta de eucalipto branqueada (Bleached Eucalyptus Kraft Pulp). No entanto, à medida que a digitalização acelera o declínio do papel gráfico, a Navigator encontra-se num ponto de transição, mudando-se para segmentos de maior crescimento, tais como o papel tissue e as embalagens sustentáveis.

Este relatório apresenta uma descrição detalhada da atividade, uma análise ESG, uma visão geral do setor com o posicionamento competitivo da Navigator, uma análise financeira e uma avaliação abrangente. O principal método de avaliação utilizado é o método dos Fluxos de Caixa Descontados, complementado por uma Análise de Sensibilidade, uma Análise de Cenários e uma Simulação de Monte Carlo. Além disso, de forma complementar, são também aplicados a Avaliação Relativa, bem como o Modelo de Desconto de Dividendos. Os valores da avaliação foram atualizados pela última vez a 5 de março de 2026.

Este relatório emite uma recomendação de COMPRA para a The Navigator Company com um preço-alvo de 3,81€ no final de 2026, o que implica uma valorização de 14,7% em relação ao seu preço de 3,32€ em 5 de março de 2026, apoiada pela transformação estratégica da empresa.

Palavras-chave: Equity Research, Avaliação, The Navigator Company, Celulose e Papel.

Abstract

This academic work presents an Equity Research Report of The Navigator Company S.A. It was done as part of the University of Minho master's in finance and according to the guidelines of the Chartered Financial Analyst (CFA) Institute.

The Navigator Company is Europe's leading manufacturer of Uncoated Woodfree paper and one of the world's leading manufacturers of Bleached Eucalyptus Kraft Pulp. However, as digitalization accelerates the decline in graphic paper, Navigator finds itself at a turning point, actively transitioning its revenue mix towards higher growth segments such as tissue and sustainable packaging.

The report presents a detailed business description, an ESG analysis, an industry overview with Navigator's competitive positioning, a financial analysis and a comprehensive valuation.

The primary valuation method is the Discounted Cash Flow, complemented by a Sensitivity Analysis, a Scenario Analysis and a Monte Carlo Simulation. Furthermore, the valuation was supported by a Relative Valuation as well as a Dividend Discount Model. Valuation figures were last updated on March 5th, 2026.

This report issues a BUY recommendation for The Navigator Company with a target price of 3.81€ at the end of 2026, implying an upside of 14.7% from its closing price of 3.32€ on March 5th, 2026, supported by the company's ongoing strategic transformation.

Keywords: Equity Research, Valuation, The Navigator Company, Pulp and Paper.

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List of Abbreviations

BEKP - Bleached Eucalyptus Kraft Pulp
BHKP - Bleached Hardwood Kraft Pulp
bn - Billions
CAGR - Compound Annual Growth Rate
CAPM - Capital Asset Pricing Model
CAPEX - Capital Expenditures
CDP - Carbon Disclosure Project
CEPI - Confederation of European Paper Industries
CMVM - Comissão do Mercado de Valores Mobiliários
COVID-19 - Coronavirus Disease 2019
DCF - Discounted Cash Flow
DDM - Dividend Discount Model
EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization
ECB - European Central Bank
ERP - Equity Risk Premium
ESG - Environmental, Social and Governance
EU - European Union
EV - Enterprise Value
FCFF - Free Cash Flow to Firm
FSC - Forest Stewardship Council
GBP - British Pound Sterling
GDP - Gross Domestic Product
GHG - Greenhouse Gas
ICMA - International Capital Market Association
IDP - Individual Development Plan
IMF - International Monetary Fund
IPCG - Instituto Português de Corporate Governance
KPMG - Klynveld Peat Marwick Goerdeler
KPI - Key Performance Indicator
LSEG - London Stock Exchange Group
LTM - Last Twelve Months
m - Million
MSCI - Morgan Stanley Capital International
MW - Megawatt
NOPAT - Net Operating Profit After Tax
NTM - Next Twelve Months
NVG - Navigator Stock Ticker
OMIE - Operador do Mercado Ibérico de Energia
P/E - Price-to-Earnings Ratio
PEFC - Programme for the Endorsement of Forest Certification
PM3 - Paper Machine 3
PV – Present Value
ROA - Return on Assets
ROE - Return on Equity
SLL - Sustainability-Linked Loan
tCO_2e - Tonnes of CO_2 Equivalent
USD - United States Dollar
UWF - Uncoated Woodfree Paper
WACC - Weighted Average Cost of Capital

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The Navigator Company, S.A.

Euronext Lisbon Exchange

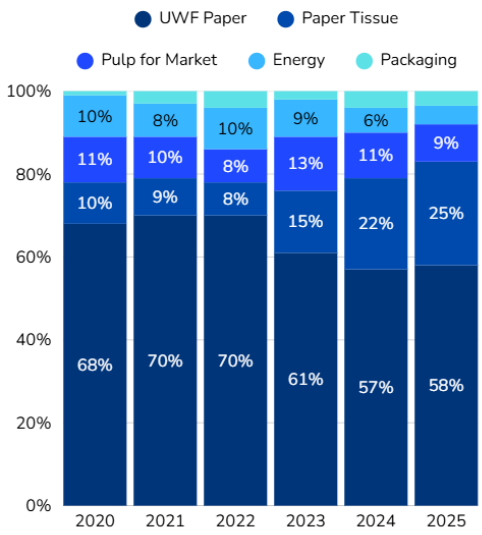
Recommendation: **BUY** (14.7% upside)

Table 1 - Navigator's Investment Summary

Recommendation	BUY
Current Share Price (05/03/2026)	3.32 €
Target Price (FY2026)	3.81 €
Upside	14.7%
52-Week Range	2.92€ - 3.64€
Industry	Pulp and Paper
Ticker	NVG
Stock Exchange	Euronext Lisbon
Shares Outstanding (m)	711.18
Market Capitalization (bn€)	2.44€

Source: Author, Company Data

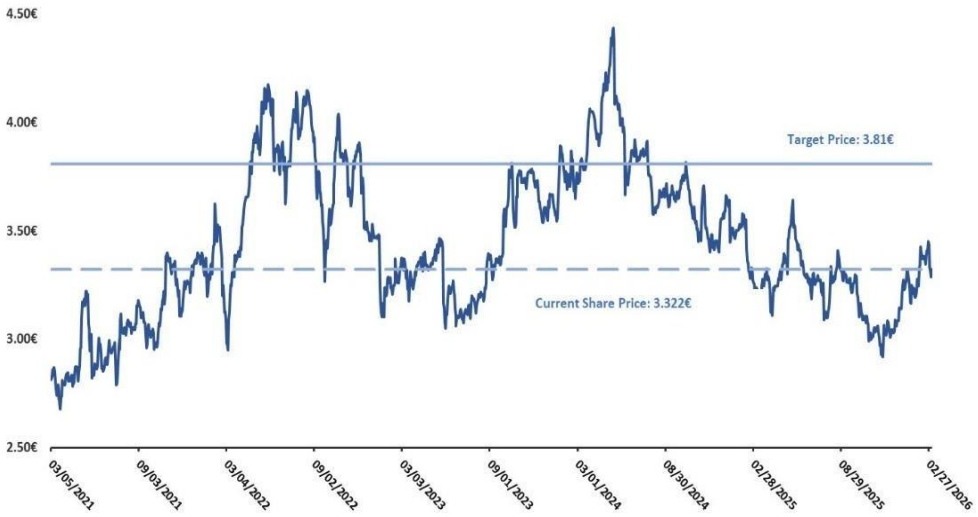
Figure 2 - Navigator's Revenue Mix



Source: Author, Company Data

The Navigator Company, S.A. is Europe's largest producer of UWF paper and one of the world's leading manufacturers of BEKP, with a fully integrated operation across pulp, paper, tissue, packaging, and energy, selling to over 130 countries worldwide. As can be seen in Figure 1, the stock hit a peak of 4.44€ in early 2024 but has since declined, reflecting a challenging period across the sector and weaker pulp prices. With the stock trading at 3.32€, as of March 5th, 2026, the company's ongoing strategic shift toward tissue and sustainable packaging supports the view that its intrinsic value exceeds its current market price (Table 1).

Figure 1 - Navigator's Daily Stock Price Evolution



Source: Author, LSEG Workspace

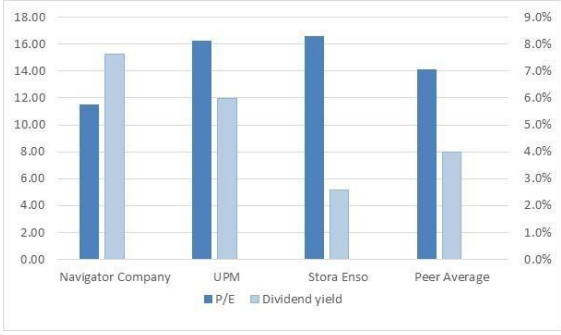
Investment Summary

Based on the recommendation system presented in Appendix 1, this report issues a **BUY** recommendation for The Navigator Company with a target price of 3.81€, implying a 14.7% upside. The target price is primarily based on a DCF valuation, supported by a sensitivity and scenario analysis, and further cross-checked using a Dividend Discount Model and Relative Valuation. The investment recommendation is supported by three key catalysts:

AN ESSENTIAL TURNING POINT — THE SHIFT TO TISSUE AND PACKAGING

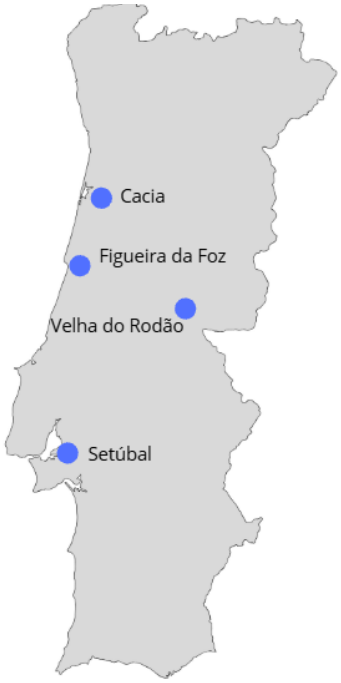
Navigator is still widely perceived as a printing and writing paper company, but that picture is changing fast. Tissue has overtaken pulp as the second largest revenue contributor following the acquisitions of Navigator Tissue Ejea in 2023 and Navigator Tissue UK in 2024, while the packaging segment is expanding through the gKRAFT product line. These are not niche additions, they are products people and businesses use every day, with demand that is resilient across economic cycles and unaffected by digitalization. As this shift becomes

Figure 3 - P/E and Dividend Yield Comparison with Peers



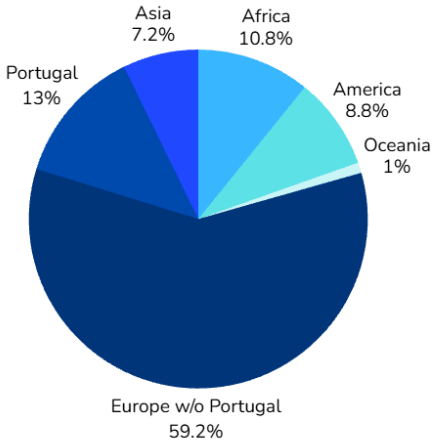
Source: Author, LSEG Workspace

Figure 4 - Navigator's Industrial Footprint in Portugal



Source: Author, Company Website

Figure 5 - Geographic Revenue Breakdown (2025)



Source: Author, Company Data

more visible in the revenue mix, the market narrative should start to catch up with the underlying reality of the business (Figure 2).

DISCIPLINED GROWTH IN HIGHER RETURN SEGMENTS

Navigator's investment strategy is becoming more focused on segments with stronger long-term fundamentals. The company is planning to add a new tissue machine in 2028 (Navigator, 2026e) and convert a paper machine into a packaging machine in 2026 (Navigator, 2025e), while continuing to look at opportunities in fiber-based packaging.

At the same time, the vertically integrated business model offers a high degree of flexibility to allocate fibers to pulp, paper, tissue, and packaging products depending on market conditions. This is combined with a strong focus on efficiency improvements, ensuring that investments translate into higher returns and profitability, rather than simply expanding the asset base.

MARKET UNDERVALUES NAVIGATOR'S STRUCTURAL TRANSITION

Despite its ongoing transformation, The Navigator Company is still largely valued by the market as a traditional printing and writing paper company. As of March 5th, 2026, Navigator trades at a discount to most of its peers on earnings-based multiples, particularly on a P/E basis, while offering one of the highest dividend yields in its peer group (Figure 3).

Meanwhile, the company is becoming less exposed to declining paper segments, with tissue and packaging gaining increasing relevance. As this shift becomes more visible in its financial results, the market is likely to reassess Navigator's profile, supporting a re-rating of the stock.

Business Description

The Navigator Company traces its origins back to 1953, when it was founded as Companhia Portuguesa de Celulose in Cacia with the goal of industrializing eucalyptus-based pulp production in Portugal. Throughout the following decades, the company expanded through major national consolidations, forming the former Portucel Soporcel Group before adopting its current identity as The Navigator Company S.A. (Navigator, 2026b). Headquartered in Setúbal, the company operates six major industrial complexes across Portugal (Figure 4), Spain and the UK and manages approximately 110 thousand hectares of certified forest, ensuring a sustainable and secure supply of eucalyptus fiber (Navigator, 2024a). The company exports approximately 91% of its production to more than 130 countries, maintaining a strong commercial presence in Europe, Africa, the Americas, and Asia (Figure 5). This scale, combined with a high degree of vertical integration and control over key raw materials, provides Navigator with a well-positioned operating platform, supporting cost efficiency and operational flexibility.

Key Operating Segments

Navigator has a diversified business structure, organized in five main business segments: pulp, energy, UWF paper, tissue and packaging (Figure 2).

Navigator ranks as the world's seventh largest BEKP producer, and this pulp serves as the backbone of UWF, tissue, and packaging production (Navigator, 2025b). The vast majority is consumed internally, with only a smaller portion occasionally sold on the open market. As such, pulp plays a central role in supporting the production and cost control of the integrated model rather than acting as a primary driver of revenue growth. Similarly, energy is mostly used internally, allowing the company to be largely self-sufficient, with any surplus power fed into the national grid. Furthermore, Navigator is Portugal's leading biomass-based power producer, accounting for around 5% of the country's total electricity generation and over 50% of its biomass-based output (Navigator, 2026a).

On the other hand, regarding the main revenue streams, UWF paper remains the largest contributor, accounting for approximately 58% of total revenues in 2025, supported by the quality of Eucalyptus globulus fiber, Navigator's flagship raw material, which is particularly suited to high-quality printing and writing grades.

Following this, tissue has become the second largest revenue contributor, now accounting for approximately 25% of total revenues. The segment covers a wide range of products including toilet rolls, kitchen rolls, facial tissues, and cleansing wipes, serving both retail and away-from-home channels. These are everyday products that people buy regardless of the economic environment, making demand both steady and largely unaffected by digitalization.

Finally, although it currently contributes the least to revenue, the packaging sector has significant potential for future expansion due to the rising demand for environmentally friendly packaging. Through its gKRAFT product line, Navigator is establishing itself as an alternative to plastic-based materials through fiber-based products like food packaging and bag papers. This strategy is supported by growing consumer awareness and increasing regulatory pressures to reduce plastic usage.

Figure 6 - Navigator's Recent Acquisitions

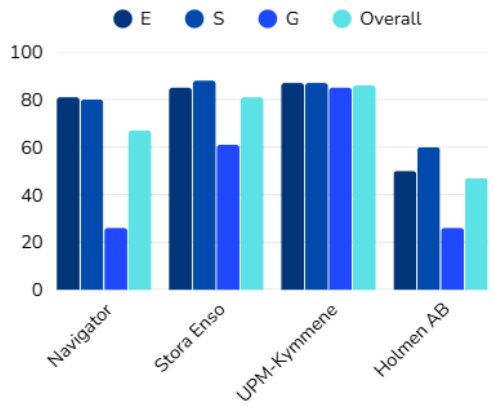


Source: Author, Bloomberg

Company strategy

Navigator's stated vision is "to extend its leadership position in printing and writing paper to other business areas and add to Portugal's international stature" (Navigator, 2026c). This ambition reflects Navigator's current strategy centered on diversifying its business mix, while using its vertically integrated platform as the foundation to do so efficiently. While historic consolidation built its leadership in UWF paper and pulp, recent acquisitions such as AMS-BR Star Paper (2015), Goma Camps Group (2023), and Accrol Group (2024) have accelerated scale expansion and diversification into higher-growth tissue markets (Figure 6).

Figure 7 - ESG Score



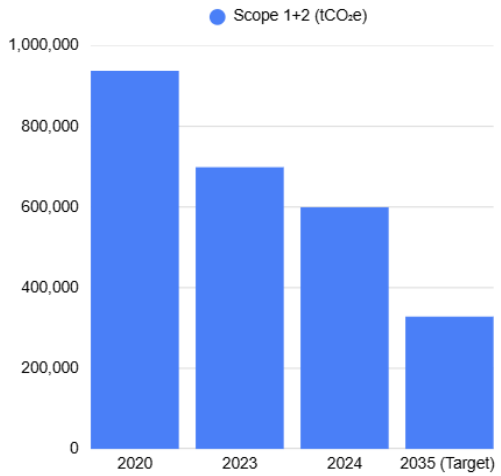
Source: Author, LSEG Workspace

Table 2 - ESG Scorecard

ESG Ratings	Navigator	UPM	Stora Enso	Mondi	Holmen
Sustainalytics↓	12.54	13.84	14.63	13.58	18.13
MSCI	A	AAA	AAA	AAA	AA
EcoVadis ↑	73	90	79	92	80
CDP Climate	A	A	A	-	-
CDP Forest	A	-	-	A	A

Source: Author, CDP Climate, EcoVadis, MSCI, Sustainalytics

Figure 8 - GHG Trend



Source: Author, Company Data

Looking ahead, Navigator plans to add a new tissue machine and convert an existing paper machine into packaging production in 2026, further reinforcing its transition toward higher-growth segments. Beyond these stated plans, and consistent with its strategic ambition to expand into packaging, a further packaging-related acquisition is assumed in the forecast.

ESG

Navigator exhibits good ESG standards, with the environmental and social pillar ratings being clearly the main drivers of its good ESG score. Conversely, the governance pillar score is Navigator's main relative weakness, lagging behind peers (Figure 7). Navigator has several awards, showing a solid ESG profile. The company holds the 1st place out of 85 Paper & Forestry companies, having the lowest risk for investors, according to Sustainalytics (Navigator, 2025c), however, when compared to peers in other rating agencies, it is clear that Navigator's strong risk profile does not fully translate into performance-based scores, where peers such as UPM-Kymmene and Mondi consistently rank higher (Table 2).

Environmental

The paper and pulp industry is striving for a more sustainable approach to production, addressing topics such as the management of wood resources, the environmental impact of raw material transportation, water and energy consumption, and waste production.

Sustainability is a structural pillar of Navigator's business model and a central component of its long-term value creation strategy. The company is internationally recognized for its environmental performance, being rated a 2025 ESG Industry Top-Rated Company by Sustainalytics and achieving A scores in both CDP Climate Change and CDP Forest (Navigator, 2025c), reflecting its strong commitment to climate mitigation and responsible forest management. Navigator manages approximately 137,000 hectares of forest, representing 1.2% of Portugal's territory, all certified under FSC® and PEFC™, and maintains one of the most advanced biodiversity programs in the sector (Navigator, 2024a). This is particularly important in an industry where access to certified fiber is critical, as it ensures regulatory compliance, secures raw material availability, and supports product differentiation. The company's leadership in sustainable forestry is reinforced by its nurseries, which produce more than twelve million plants per year across 130 species. In addition, Navigator was also one of the first companies in the world to fully commit to decarbonizing its industrial complexes, and its 340€ million decarbonization roadmap is already producing results (Figure 8). In 2024, Navigator further strengthened its environmental profile with the installation of 38 MW of new industrial solar capacity, becoming Portugal's largest industrial self-consumer of renewable energy, while 80% of its electricity generation now originates from renewable sources, mainly biomass (Navigator, 2024a). Considering that

energy accounts for a substantial cost of producing pulp and paper, these measures not only ensure that the cost of doing business remains stable but also improve Navigator's margin performance. In addition, the company seeks to minimize its use of water and fossil fuels as well as maximize renewable energy usage and minimize CO_2 emissions.

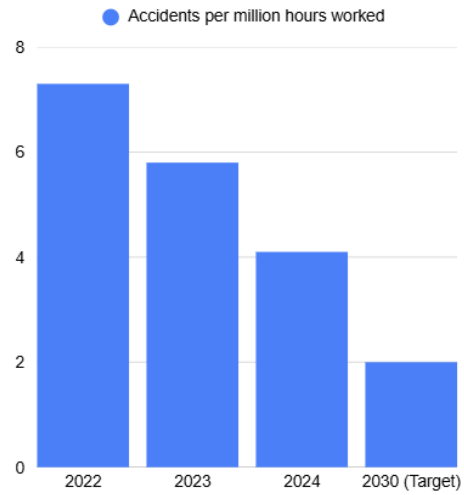
Overall, Navigator's environmental performance represents a key strength and provides a competitive advantage within the sector.

Social

Navigator considers human capital a strategic priority, as workforce quality is key to maintaining operational efficiency in an industrial business, with 3,965 permanent employees across the world. Within the company, there is a strong focus on career development by giving workers internal progressions based on merit, organizational growth, continuous skills development and promotions to safer working environments. The firm believes that workforce satisfaction enhances productivity, keeps qualified professionals and strengthens the ability to attract young talent. In line with this, in 2022, Navigator launched its "Crescer" project, aiming to improve the commitment and sense of accomplishment of workers while working to build future leaders. This builds on measures implemented since 2021 to promote Individual Development Plans, cultivating a culture of growth, and as of 2025, 45% of all employees and 60% of specialists and managers completed the IDP (Navigator, 2024a). These efforts reflect a long-term commitment to talent retention and the development of a skilled workforce capable of supporting the company's strategic ambitions.

Beyond internal development, Navigator also prioritizes the well-being and safety of employees. The company invested 27 million euros to strengthen infrastructure and improve processes to make the workplace safer, with 2024 seeing the lowest number of accidents ever recorded and a total reduction of around 44% since 2022 (Figure 9). This is part of the company's "Missão Zero" strategy, based on five pillars with the objective of having zero work-related injuries.

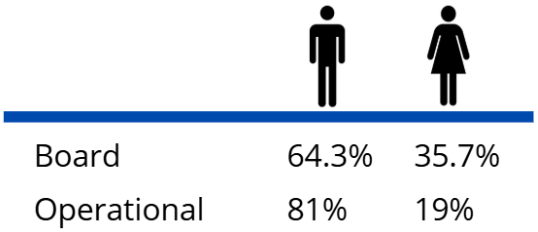
Figure 9 - Accident Frequency Rate



Source: Author, Company Data

The workforce remains mainly composed of male workers because of the physical demands of forestry and industrial job sites (Figure 10). However, Navigator is aware of this gender imbalance and continues to promote a culture of equality, committing to gender equity and inclusion (Navigator, 2024b). In addition, the company offers a rejuvenation program providing economic advantages for older employees.

Figure 10 - Gender Distribution in Navigator

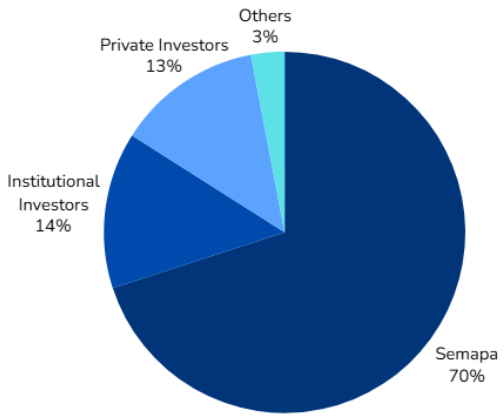


Board	64.3%	35.7%
Operational	81%	19%

Source: Author, Company Data

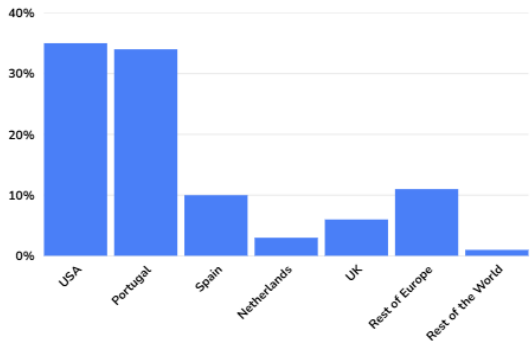
Apart from the workforce, Navigator also focuses on the local communities, investing in infrastructure and people. These initiatives have the objective of reducing the negative impacts of its operations. One example of this is Portucel Moçambique which brought food security, better income and welfare for the local communities in Zambezia and Manica.

Figure 11 - Navigator's Shareholder Structure



Source: Author, LSEG Workspace

Figure 12 - Geographic Distribution of Institutional Investors



Source: Author, Company Data

At its core, Navigator's approach to social responsibility reflects a strong focus on people, both within the organization and across the communities in which it operates.

Governance

Navigator's governance structure is based on a board of directors, led by Ricardo Miguel dos Santos Pacheco Pires, with António José Pereira Redondo as chairman of the executive committee (Appendix 2). The board is composed of six executive members and eight non-executive, four of which are independent, in order to align with IPCG recommendations.

The audit board currently has three members and is chaired by José Manuel Oliveira Vitorino. The Statutory Auditor, the impartial organization designated to examine a company's financial records is KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A.

In terms of shareholder structure, Navigator trades on Euronext Lisbon, with a share capital of 500€ million and 711.18 million shares outstanding. These shares are distributed among the Semapa Group, who owns approximately 70%, institutional investors with 14% and private investors with 13% (Figure 11). Navigator's governance score of 26 out of 100 (Figure 7) is the lowest among its peers, reflecting the impact of its concentrated ownership structure. While this concentration provides strategic stability and alignment of interests, it potentially limits the influence of minority shareholders, which is a factor worth considering for investors. Apart from SEMAPA, the majority of Navigator's institutional investors are from the United States and Europe, with a sizable portion based in Portugal. European shareholders include investors from Spain, the Netherlands, and the United Kingdom. The remainder of the world is represented by a minimal share of institutional investors (Figure 12).

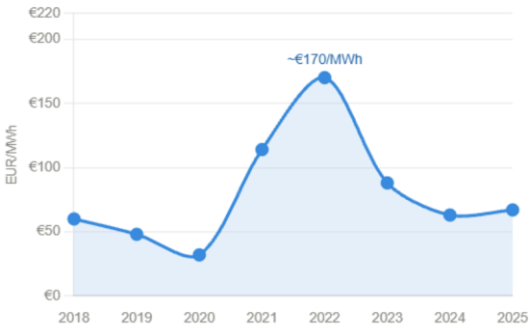
Regarding business conduct, Navigator has a code of ethics and conduct that applies to all employees and collaborators across the group that covers integrity, anti-corruption, conflicts of interest, confidentiality and data protection. It also has a whistleblowing channel managed by an external company, which, in 2024, received 37 reports, of which only one confirmed. Reflecting its commitment to aligning management incentives with long-term sustainability, Navigator also incorporates ESG indicators, including CO2 emissions reduction, certified wood consumption, and water and energy use directly into the variable remuneration of executive directors (Navigator, 2024b).

In terms of diversity, the board has endorsed an Equality Plan for 2025, which has been notified to the CMVM. This is in addition to the formal Diversity Principles adopted by the company in 2020. Although the board is dominated by males, Navigator has been striving to achieve gender parity, with five women serving as directors.

ESG Opportunities for Navigator

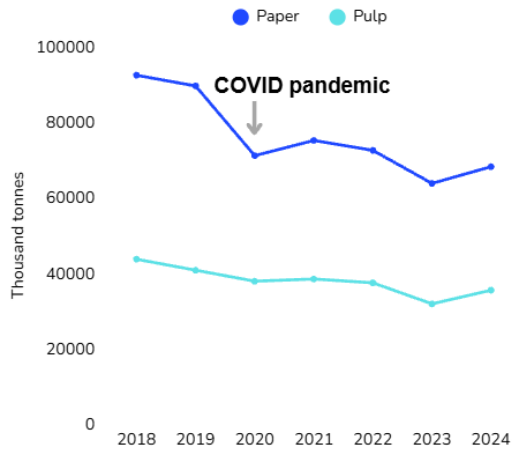
Navigator has significant opportunities to leverage ESG initiatives to improve its competitive position and financial performance in the competitive industries in which the company operates. One of the possibilities is to expand to sustainable financing instruments such as SLLs or the issuance of green bonds, since a great share of its activities are already linked to sustainable practices. In relation to green bonds, Navigator has a clear pipeline of eligible assets. Keeping investments in renewable energy capacity, energy efficiency at mills, forest management, and circular initiatives which are well-aligned with the EU taxonomies and ICMA Green Bonds Principles, would allow Navigator to match its long-term CAPEX with long-dated funding. SLLs are particularly suited, given the company's ability to define measurable, credible, and auditable ESG KPIs, and the company already tracks key environmental indicators such as greenhouse gas emissions, water usage, and forest certification coverage. With these implementations, Navigator can support its cost of capital optimization.
Overall, Navigator demonstrates a solid ESG profile, driven primarily by its environmental leadership and supported by solid social practices, while governance remains the main relative limitation due to its concentrated ownership structure.

Figure 13 - Iberian Energy Prices



Source: Author, OMIE

Figure 14 - Paper and Pulp Consumption (2018-2024)



Source: Author, CEPI

Industry Overview

Macroeconomic Environment

Navigator operates in a global market, exporting most of its production, making understanding the global economic condition essential. According to IMF (2026), global GDP is expected to grow at approximately 3.3% in 2026 and 3.2% in 2027. However, the Euro Area, which is 72.2% of Navigator's revenue, is expected to grow at a more moderate rate of 1.3% and 1.4%, showing that demand may be more constrained in Europe, while global markets grow faster. Furthermore, ongoing geopolitical tensions and global conflicts may increase economic uncertainty and negatively impact demand and prices, which could impact Navigator's ability to sell and maintain current margins.

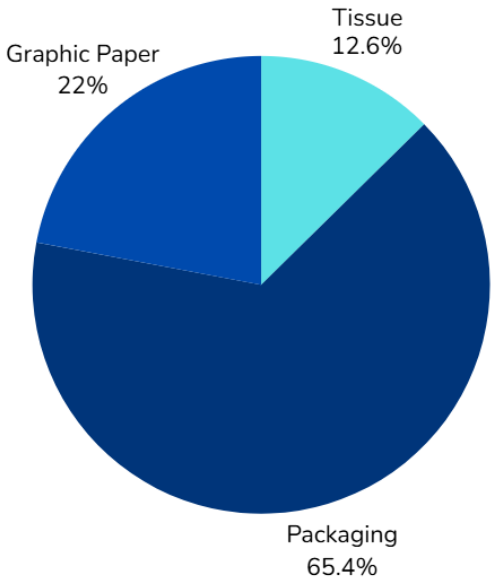
Energy Price

Energy represents a key cost component in the pulp and paper industry, given the energy intensive nature of producing paper. In recent years, energy prices have shown significant volatility, peaking sharply in 2022 (Figure 13) due to geopolitical tensions and proceeding to normalize (OMIE, 2026). This volatility affects costs and increases margin pressure and as a result can negatively impact the paper and pulp sector. Notably, the industry generates more than half of its primary energy from biomass (European Commission, n.d.), providing a structural partial hedge against fossil fuel price swings.

Industry Overview

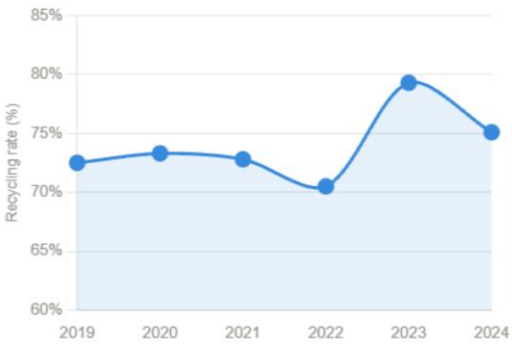
Over the past two decades the paper and pulp industry has changed drastically due to a big shift in consumer behavior. The shift from printed newspapers, magazines and office documents toward online media, social networks and cloud-based document management has reduced demand for traditional

Figure 15 - European Paper Demand by Segment (2024)



Source: Author, CEPI

Figure 16 - Recycling Rate in Europe 2019-2024



Source: Author, CEPI

graphic and printing papers, especially in mature markets. According to CEPI (n.d.), European paper consumption declined by approximately 26% between 2018 and 2024, falling from 92 to 68 million tons (Figure 14), reflecting the structural shift away from graphic paper. The COVID-19 pandemic accelerated this trend: lockdowns disrupted physical distribution channels, education and office work moved online, and many companies adopted digital workflows on a permanent basis. Together, these forces reinforced the long-term decline in demand for standard printing and writing grades.

Following this decline in 2020, demand recovered in 2021 supported by price increases, restocking and post-pandemic normalization. In 2023, however, the sector experienced a decline due to weaker macroeconomic conditions, high energy prices, excess inventories and increased competition for raw materials. These fluctuations highlighted the cyclical nature of the industry and reinforced the need for companies to diversify into more resilient segments.

Despite this, paper and pulp remain essential to the global economy, representing an annual turnover of approximately 180€ billion in Europe alone (European Commission, n.d.). Beyond graphic paper, the industry presents opportunities such as packaging, hygiene products and tissue used in healthcare, food, logistics and consumer goods. Many of these products have no digital substitute and are closely linked to population growth, consumption and industrial activity. As a result, while the product mix is changing, the sector continues to play a strategic role in supply chains.

While traditional graphic paper is in decline, packaging and tissue have emerged as the industry's most resilient and fastest-growing segments, already accounting for 78% of European paper demand (Figure 15). 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, with the global paper packaging market projected to grow at around 5% annually through 2033 (Grand View Research, 2025). Tissue, in turn, is supported by demographic growth, rising hygiene standards and steadily increasing consumption in emerging markets, with the global tissue and hygiene market projected to grow at a 3.34% CAGR through 2030 (Statista, 2026). As a result, these segments play a central role in the industry's future growth profile, providing a more stable and diversified demand base, as they are less exposed to digital substitution. Companies with greater exposure to these segments are therefore better positioned to achieve more stable revenues and reduced earnings volatility.

Looking ahead, the industry should stabilize as the effects of the post-pandemic distortion dissipate. Overall consumption should return to more normalized patterns, with limited growth in graphic papers, but solid expansion in packaging and tissue. Stricter regulation on plastics, continued e-commerce growth, rising hygiene standards and higher sustainability requirements are all expected to reinforce demand, supporting the sector's long-term growth outlook.

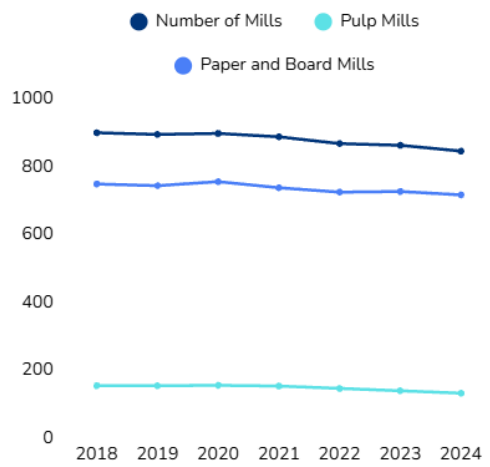
Demand Factors

Globally, there has been an increase in pulp-based packages, supported mainly by e-commerce growth and sustainability regulations. The consistency of the recycling rate in Europe supports the promotion of recyclable and fiber-based materials (Figure 16). In terms of consumer preferences, consumers have moved from using single-use plastics to paperboard and containerboard. In

addition, this demand is expected to support strong structural demand for kraft liners and packaging products.

According to CEPI (n.d.), the market for graphic papers, which consists of printing and writing papers, increased by 5.2% in 2024, this represents the first positive growth rate since 2010. However, these gains cannot compensate for the sharp 13% decline experienced in 2023, and total volumes still remain below pre-pandemic levels. This short-term uptick does not reverse the structural decline driven by digitalization, keeping print-exposed producers at continued risk.

Figure 17 - Number of Mills 2018-2024



Source: Author, CEPI

Supply Factors

In the past few years, global pulp supply has been affected significantly by mill closures and conversions of paper mills into packaging or tissue production (Figure 17). This shift is reflected in output mix as packaging now represents 65.3% of total European paper and board production (Figure 15). While this supports long-term sustainability and profitability, it temporarily limits overall pulp supply capacity and contributes to short-term price volatility.

Furthermore, market instability in the pulp & paper industry has been driven by pandemic-related shifts, which left many mills depleted or with excess inventory. Rising logistics, transportation costs, delayed international shipments and geopolitical disruptions have created the necessity for firms to rely more on spot markets to secure timely, available products.

BHKP

BHKP is a key benchmark in the pulp and paper industry, being the primary raw material used in production of tissue, paper and packaging. As a globally traded commodity, BHKP prices are primarily determined by supply and demand dynamics and present significant cyclicality. Although Navigator produces BEKP, BHKP prices are used as a proxy, as both products are very similar and largely interchangeable.

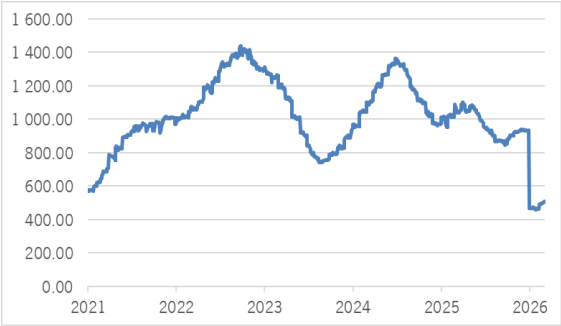
As seen in Figure 18, BHKP prices show high volatility over the past five years. After a peak in late 2022, of around 1400€ per ton, it declined in 2023 due to excess inventory and lower demand, before recovering in 2024 and declining to around 460€ per ton in early 2026, the lowest price in the observed period. This pattern highlights the cyclical nature of pulp markets, where price movements are driven by imbalances between supply and demand.

On the supply side, capacity expansions in low-cost regions, such as Brazil, have increased global pulp supply. At the same time mill closures and the conversion to tissue and packaging partially offset this increase. On the demand side, pulp consumption moves with the global economy, with China at the center of this dynamic, accounting for approximately 30% of total global wood pulp imports (Sasu, 2026), making it the single largest buyer force in the market. As a result, changes in Chinese demand have a disproportionate impact on global pulp prices.

Navigator is exposed to pulp price movements, when these prices increase, the company benefits from higher revenues, however this means that its input costs for paper, tissue and packaging production also go up. On the other hand, once prices fall, as currently observed, pulp revenue also decreases, but input costs for production also ease.

This creates a natural offset, supported by Navigator's vertically integrated model, allowing the company to manage pulp price swings better than non-

Figure 18 - BHKP Daily Price Evolution



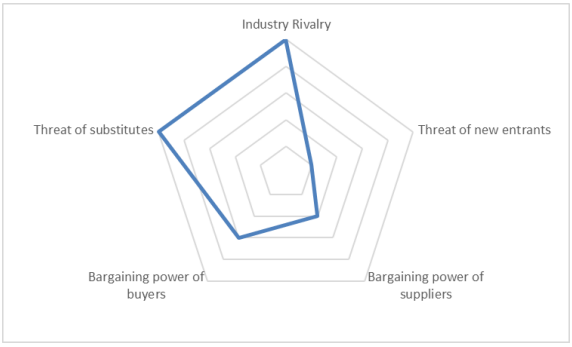
Source: Author, Bloomberg

integrated peers. Over time, this exposure should decline as more pulp is used internally in tissue and packaging, reducing reliance on market-based pulp sales and increasing exposure to more stable end markets.

Competitive Positioning

Navigator operates in a global pulp and paper industry alongside several large international players. Navigator's competitors were selected based on their similarities in industry as well as business description, regions and size. As a result, its peer group is composed of UPM-Kymmene, Suzano, Stora Enso, Holmen, Klabin, Altri SGPS, Ence Energia y Celulose, Metsa Board, Billerud and Mondi. To further explore the competitiveness in the pulp and paper sector, Porter's Five Forces are presented below (Figure 19).

Figure 19 - Porter's Five Forces Analysis



Source: Author

Industry Rivalry: HIGH

The pulp and paper industry is highly competitive, with multiple key players across different regions and segments. Most products are commoditized, with low brand differentiation while high fixed costs and significant exit barriers keep firms competing despite weak profitability. Furthermore, low-cost producers in regions such as Latin America create even more pressure on global players. As a result, competition in the industry is primarily driven by cost efficiency, scale and operational performance.

Threat of new entrants: LOW

Entering this sector is challenging due to very high capital requirements in both forestry and industrial infrastructure. Building a fully integrated supply chain from forestry to mills is incredibly expensive, often requiring investments of hundreds of millions of euros, while construction also takes several years. Furthermore, strict environmental regulations add significant complexity to any new market entry. Established players also benefit from economies of scale, which makes it harder for new entrants to compete.

Bargaining power of suppliers: LOW/MEDIUM

The main inputs for the pulp and paper industry are wood fiber, energy and chemicals. Wood fiber, the most important input, is largely commoditized but supply constraints and economic volatility can increase costs and supplier impact. On the other hand, suppliers of chemicals such as bleach are numerous and interchangeable. Switching costs across most inputs are moderate preventing excessive supplier pressure and bigger players with their own fiber supply and energy are impacted even less.

Bargaining power of buyers: MEDIUM

The industry has many buyers, from individuals to large retailers and corporations with varying brand loyalty. Switching costs are relatively low as alternatives are abundant, moreover, large retailers have significant negotiating leverage over producers. However premium products which create a degree of differentiation are less prone to switching from buyers.

Threat of substitutes: HIGH

The threat of substitution varies depending on the segment. Printing and writing paper are being substituted by digital alternatives. However, in tissue no

meaningful substitution exists and in packaging it is the opposite, as fiber-based alternatives are substituting single-use plastics.

Overall, high rivalry and substitution pressure weigh on industry profitability, while strong entry barriers and moderate buyer and supplier power shape a challenging competitive environment.

Navigator's Position

In this context, Navigator is well positioned, its vertically integrated business model provides greater control over inputs such as wood and energy, reducing its cost volatility. In addition, the company's flexible operations allow them to redirect pulp to different segments depending on market conditions. Finally, its increasing tissue and packaging segments reduce their reliance on the UWF paper, which has been on a structural decline, which allows them to maintain a more resilient and diversified revenue mix compared to other competitors.

Financial Analysis

Table 3 - Navigator's Key Financials: Actual Values for 2021-2025, Forecasted Values for 2026-2031

KEY FINANCIALS (€ millions)	2020A	2021A	2022A	2023A	2024A	2025A	2026F	2027F	2028F	2029F	2030F	2031F
INCOME STATEMENT												
Revenue	1 385.36	1 595.87	2 464.62	1 953.24	2 088.28	1 969.77	2 037.49	2 072.38	2 117.12	2 164.63	2 193.78	2 222.49
EBITDA	277.02	356.58	775.01	516.39	550.40	371.68	436.02	461.10	482.70	500.03	460.69	501.17
EBITDA Margin %	20.00%	22.34%	31.45%	26.44%	26.36%	18.87%	21.40%	22.25%	22.80%	23.10%	21.00%	22.55%
EBIT	124.55	230.48	610.34	376.48	385.65	200.15	274.65	296.97	315.03	320.37	278.61	313.37
EBIT Margin %	8.99%	14.44%	24.76%	19.27%	18.47%	10.16%	13.48%	14.33%	14.88%	14.80%	12.70%	14.10%
Net Profit	109.22	171.42	392.53	274.95	286.99	144.71	199.38	215.62	229.10	232.69	198.60	225.27
Net Margin %	7.88%	10.74%	15.93%	14.08%	13.74%	7.35%	9.79%	10.40%	10.82%	10.75%	9.05%	10.14%
SEGMENT MIX (% of Revenue)												
UWF Paper	68.00%	70.00%	70.00%	61.00%	57.00%	58.00%	56.91%	56.23%	55.05%	53.57%	52.59%	51.65%
Tissue	10.00%	9.00%	8.00%	15.00%	22.00%	25.00%	25.26%	25.82%	27.05%	28.57%	29.32%	30.10%
Packaging	1.00%	3.00%	4.00%	2.00%	4.00%	4.00%	4.12%	4.29%	4.41%	4.53%	4.83%	5.05%
Pulp	11.00%	10.00%	8.00%	13.00%	11.00%	9.00%	8.81%	8.75%	8.65%	8.55%	8.52%	8.49%
Energy	10.00%	8.00%	10.00%	9.00%	6.00%	5.00%	4.91%	4.90%	4.84%	4.78%	4.74%	4.70%
PROFITABILITY RATIOS												
ROE	10.64%	16.55%	34.06%	21.35%	21.48%	10.45%	13.75%	14.20%	14.56%	14.37%	11.83%	12.84%
Operating ROA	4.88%	9.07%	22.44%	13.16%	12.52%	6.12%	8.44%	8.79%	9.04%	8.97%	7.56%	8.21%
CAPITAL & INVESTMENT												
CAPEX	97.68	101.19	123.01	200.93	223.73	210.00	174.69	191.62	154.86	108.23	134.69	111.12
CAPEX/Revenue %	7.05%	6.34%	4.99%	10.29%	10.71%	10.66%	8.57%	9.25%	7.31%	5.00%	6.14%	5.00%
Net Debt	733.09	648.01	443.87	559.88	729.09	836.16	771.18	736.03	684.35	579.06	742.78	599.04
Net Debt/EBITDA	2.65x	1.82x	0.57x	1.08x	1.32x	2.25x	1.77x	1.60x	1.42x	1.16x	1.61x	1.20x
SOLVENCY RATIOS												
Debt/Equity	100.90%	84.89%	62.47%	55.44%	74.90%	68.39%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%
Interest Coverage Ratio	8.60x	16.24x	11.00x	12.88x	10.38x	6.27x	10.53x	10.57x	10.75x	10.62x	8.98x	9.66x
Long-term Debt/Total Debt %	71.30%	85.89%	88.71%	85.41%	81.21%	91.39%	85.71%	85.71%	85.71%	85.71%	85.71%	85.71%
LIQUIDITY RATIOS												
Current Ratio	1.12	1.33	1.47	1.42	1.24	1.41	1.53	1.63	1.73	1.90	1.73	1.97
Quick Ratio	0.84	1.00	1.09	0.97	0.90	0.93	1.07	1.18	1.28	1.46	1.28	1.53

Source: Author, Company Data

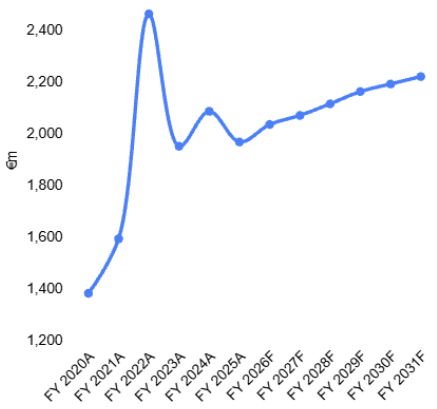
Note: Segment percentages may not sum to 100% due to rounding.

The full income statement, balance sheet and cash flow statement are presented in Appendices 3, 4 and 5, respectively. The formulas used to compute all financial ratios are detailed in Appendix 6.

Revenue

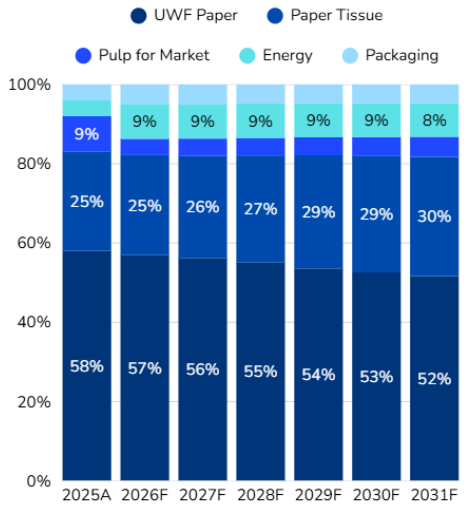
As seen in Figure 20 and Table 3, Navigator's revenue grew 78% from 2020 to 2022, where it peaked at 2,465€ million, driven by post-pandemic recovery and price peaks of paper and pulp. From 2023 onwards, prices normalized and demand slowed, pulling revenues back to 1,969€ million in 2025 (Navigator, 2025a). Following this, revenues are expected to gradually recover, reaching

Figure 20 - Navigator's Revenue Evolution (2020-2031F)



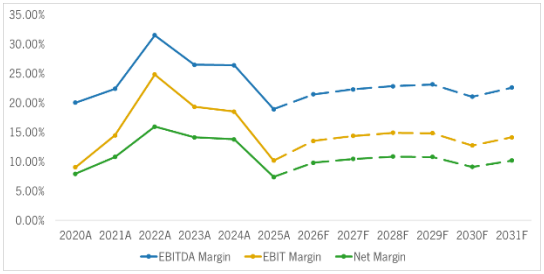
Source: Author, Company Data

Figure 21 - Navigator's Revenue Breakdown (2025-2031F)



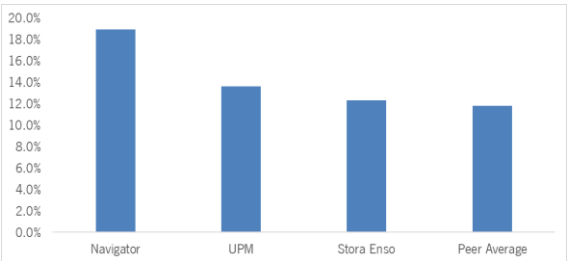
Source: Author, Company Data

Figure 22 - Margin Trends (2020-2031F)



Source: Author, Company Data

Figure 23 - EBITDA Margin vs Peers (2025)



Source: Author, Company Data

approximately 2,222€ million by 2031, implying a more stable trajectory, thanks to tissue and packaging's bigger presence in the revenue mix.

This evolution is best understood through Navigator's segment breakdown (Figure 21). In terms of UWF paper, Navigator remains very dependent on this segment, which continues to be the largest share of revenues. However, its importance is gradually declining over time, from 70% in 2020 to around 52% by 2031, consistent with the shift from paper to digital substitutes, implying a CAGR of -0.2% over the forecasted period.

On the other hand, Tissue grew by 255% from 2020 to 2025 reaching 492€ million, overtaking pulp for the second highest segment with about 25% of total revenues. The historical growth rate of 31.8% was exceptional and largely due to acquisitions, and going forward, with a new tissue machine operational from April 2028 onwards, this segment is expected to grow at a CAGR of 5.4% from 2026 to 2031, reaching 30% of total revenues.

Similarly, packaging has shown strong growth from just 1% of total revenues in 2021 to 4% in 2025. In the short term, the growth is expected to be modest as the segment is still in early stages of development, with the PM3 machine rebuild representing the primary investment, which will increase Navigator's flexibility and not necessarily packaging revenues. A more meaningful growth is expected following a potential acquisition assumed in 2030, which is expected to increase Navigator's packaging capacity and drive a CAGR of 6% until 2031.

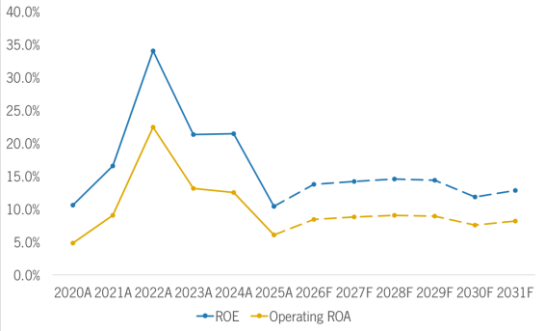
Pulp and energy are both secondary segments that have seen a decline over the past five years, from a combined 21% in 2020 to 14% in 2025, as Navigator redirects fiber and energy for internal use. Even so, pulp is expected to recover modestly with a CAGR of 0.9% through 2031, as BHKP prices gradually recover from current cycle lows. Energy is also expected to stabilize at 1% CAGR as Navigator continues to produce more energy from biomass. The full set of revenue and cost assumptions underlying these projections is detailed in Appendix 7.

Margins

Navigator's five-year historical averages of EBITDA, EBIT and net profit stand at approximately 25.1%, 17.5% and 12.8% respectively. These are strong values thanks to Navigator's vertical integration and premium positioning in UWF paper. As seen in Figure 22, in 2022 all three metrics peaked above their historical values, with EBITDA margin reaching 31.4% driven by higher revenues. From then on, margins compressed as revenues normalized, with a decline to 18.9% in 2025 because of higher costs and price lows in pulp and paper. Despite this, Navigator's EBITDA margin of 18.9% remains above peer average of 11.7% and other strong competitors such as Stora Enso and UPM (Figure 23).

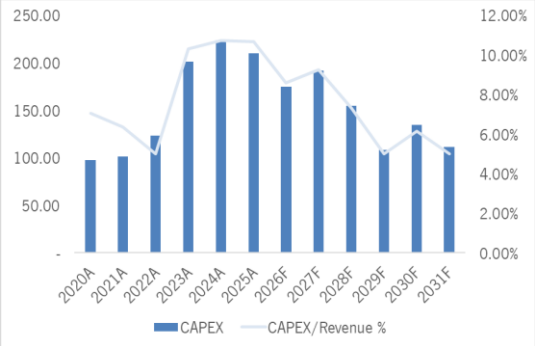
Throughout the forecasted period, margins are expected to gradually recover, with EBITDA margin reaching 22.6% and net profit 10.2% by 2031. A slight decline is expected in 2030, where a planned acquisition will increase costs as Navigator deals with increased costs during the integration and optimization phase. Overall, while margins are unlikely to return to the peak levels observed in 2022, they are expected to stabilize at more sustainable levels over the long term.

Figure 24 - Profitability Trends (2020-2031F)



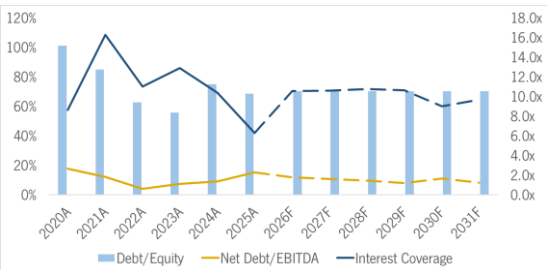
Source: Author, Company Data

Figure 25 - CAPEX and CAPEX/Sales (2020-2031F)



Source: Author, Company Data

Figure 26 – Solvency Trends (2021-2031F)



Source: Author, Company Data

Profitability

The profitability ratios of Navigator also show similar cyclical trends to those in the case of the margin ratios. These ratios peak in the year 2022, with ROE at 34.1% and Operating ROA at 22.4%, followed by a decline to 10.5% and 6.12% in the year 2025 (Figure 24). Throughout the time period, ROE is greater than Operating ROA, which demonstrates that leverage by Navigator results in a positive return to its shareholders. In terms of future developments, ROE is anticipated to bounce back to 14% in the year 2027, roughly following the trend that existed prior to 2022, although there will be a temporary decline in the year 2030 due to the projected acquisition.

CAPEX

Navigator's capital expenditures have significantly increased from 98€ million in 2020 to 210€ million in 2025, with CAPEX/sales ratio rising from 7% to over 10% (Figure 25). This was due to the higher investment cycle seen in 2023 onwards, where Navigator acquired two tissue companies, Goma Camps in 2023 and Accrol Group in 2024 (Figure 6), in order to expand its presence in the tissue sector, and as such dealt with associated integration costs. Furthermore, because of the PM3 machine rebuild and decarbonization roadmap, CAPEX in 2025 was still high.

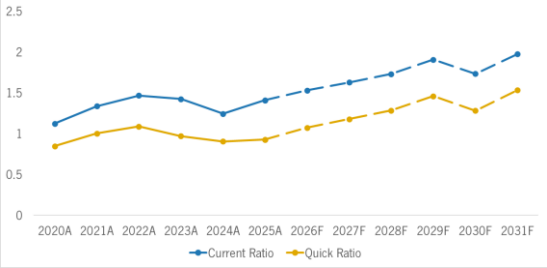
Regarding forecasted CAPEX, an 115€ million tissue machine investment is planned from 2026 to 2028 with annual investments of 48€ million, 53€ million and 14€ million, respectively (Navigator, 2025d). In addition, an annual 35€ million budget until 2028 is expected as Navigator finishes its decarbonization roadmap. Following this CAPEX is expected to normalize to 5% of revenues by 2029, before a modest increase in 2030 reflecting 25€ million of integration investment associated with the forecasted acquisition. While this elevated investment phase may weigh on free cash flow in the short term, it is expected to support long-term growth and a more balanced business mix.

Depreciation and amortization are expected to grow gradually, as a percentage of revenues, in line with historical averages, from 165€ million in 2024 to 188€ million by 2031, reflecting the expanding asset base. Projected working capital requirements are derived from turnover ratios and grow proportional to revenue growth. In general, although the near-term cash flow will continue to be constrained due to the high investment cycle period, it is anticipated that significant improvements will take place post-2028.

Solvency

Regarding solvency, the ratios for Navigator Company have changed considerably during the historic period, which is related to the investment cycle. Thus, debt to equity fluctuated from 55% to 100%, whereas in the forecasted period, it is assumed stable at 70%, consistent with Navigator's historical range (Figure 26). As of 2025, long-term debt has seen an increase to around 91.4%, as Navigator increases the maturity of its obligations. In the following years long-term debt is still expected to be high, making up approximately 85.7% of total debt. Moreover, Net Debt/EBITDA grew up to 2.25 in 2025 but then dropped to more acceptable levels due to the increase of EBITDA. This, coupled with a steady rise in the Interest coverage ratio, signals an improvement in the company's ability to meet interest obligations.

Figure 27 – Liquidity Trends (2021-2031F)



Source: Author, Company Data

Table 4 - Navigator DCF Valuation

DCF Valuation	
WACC	6.64%
Terminal growth rate	1.30%
PV of FCFFs	983.86
PV Terminal Value	2494.21
Reinvestment rate	14.47%
Value of Equity	2706.46
Target Price	3.81 €

Source: Author, ECB

Table 5 - Navigator's WACC

Weighted Average Cost of Capital	
Risk-free rate	2.85%
Beta (re-levered)	0.66
Equity Risk Premium	8.62%
Cost of Equity	8.53%
Pre-tax cost of debt	2.70%
Tax rate	31.50%
After-tax cost of debt	1.85%
Weight of Equity	71.66%
Weight of Debt	28.34%
WACC	6.64%

Source: Author, Company Data

Table 6 - Sensitivity Analysis: WACC vs Terminal Growth Rate

WACC	Terminal Growth Rate					
		0.30%	0.80%	1.30%	1.80%	2.30%
	5.64%	4.48 €	4.66 €	4.86 €	5.08 €	5.32 €
	6.14%	3.98 €	4.12 €	4.28 €	4.45 €	4.64 €
	6.64%	3.56 €	3.68 €	3.81 €	3.94 €	4.09 €
	7.14%	3.21 €	3.31 €	3.41 €	3.52 €	3.64 €
	7.64%	2.91 €	2.99 €	3.08 €	3.17 €	3.27 €

Source: Author

Liquidity

In relation to liquidity, Navigator is expected to see steady improvements, driven by increasing cash levels over the forecasted period. For the past three years, Navigator's Quick ratio has been under one, suggesting a relatively tight short-term liquidity position (Figure 27). However, like the current ratio, it is expected to increase to more manageable numbers as cash balances improve and short-term obligations remain stable. Overall, this indicates a gradual strengthening of the company's short-term financial position.

Valuation

The **BUY** recommendation for The Navigator Company is based solely on the DCF methodology, reaching a price of 3.81€ by the end of 2026, implying a 14.7% upside. To validate the robustness of the valuation, the Dividend Discount Model and a Relative Valuation analysis were also employed. Furthermore, a sensitivity analysis, scenario analysis, and a Monte Carlo simulation are conducted to assess the impact of key assumptions and reinforce the reliability of the valuation.

Discounted Cash Flow Valuation

The DCF valuation was performed using the Free Cash Flow to Firm methodology along with the Gordon Growth Model to determine the Terminal Value. The forecast was from 2026 to 2031, a horizon that reflects the company's ongoing business shift and the ramp-up of investments planned for the period. This approach yields an Enterprise Value of 3,478€ million and an Equity Value per share of 3.81€ (Table 4). This target price is broadly in line with external analyst consensus (Appendix 10). The WACC of 6.64% (Table 5) is used to discount the projected FCFFs and Terminal Value.

The cost of equity is calculated using the CAPM model, with the risk-free rate of 2.85%, which corresponds to the 10-year German government bond yield (Investing.com, 2026). The beta was obtained through the bottom-up approach, resulting in a re-levered beta of 0.66 based on the selected peers. The equity risk premium of 8.62% was determined using the weighted average risk premium by Navigator's operating region sales (Navigator, 2024a). The pre-tax cost of debt of 2.70% was sourced directly from Navigator's 2025 Investor Presentation, reflecting the company's current borrowing cost as disclosed by management (Navigator, 2025d). The after-tax cost of debt, applying Portugal's marginal tax rate of 31.50%, amounts to 1.85% (Appendix 8).

The long-term growth rate is expected to be 1.3%, based on the forecasted GDP for the Euro area (ECB, 2026). This represents the rate at which Navigator is assumed to grow in perpetuity. Furthermore, the Terminal Value incorporates a reinvestment rate of 14.47%, applied to NOPAT to derive sustainable free cash flows and reflect the reinvestment needed to sustain the assumed perpetual growth rate. This results in the present value of the Terminal Value of 2,494€ million, which accounts for approximately 72% of the EV (Appendix 9).

Sensitivity Analysis

A sensitivity analysis was conducted to study the robustness of the DCF model and to understand the impact of key variables in the price per share result. The analysis focuses on two sets of inputs, first, the WACC and the terminal growth rate and secondly the WACC and EBITDA margin.

Table 7 - Sensitivity Analysis: WACC vs EBITDA Margin

WACC	EBITDA Margin				
	-2.00%	-1.00%	0.00%	1.00%	2.00%
5.64%	4.73 €	4.80 €	4.86 €	4.93 €	4.99 €
6.14%	4.16 €	4.22 €	4.28 €	4.34 €	4.40 €
6.64%	3.70 €	3.75 €	3.81 €	3.86 €	3.91 €
7.14%	3.31 €	3.36 €	3.41 €	3.46 €	3.51 €
7.64%	2.99 €	3.03 €	3.08 €	3.12 €	3.17 €

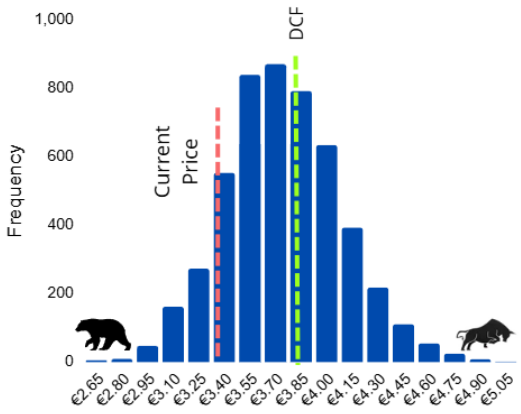
Source: Author

Table 8 - Scenario Analysis

Scenarios	Bear Case	Base Case	Bull Case
Revenue CAGR	-0.67%	1.75%	2.83%
ΔWACC	0.25%	0.00%	-0.25%
Terminal Growth Rate	0.50%	1.30%	1.50%
Target Price	2.87 €	3.81 €	4.42 €
Recommendation	SELL	BUY	STRONG BUY

Source: Author

Figure 28 - Monte Carlo Simulation



Source: Author

Table 9 - Peer Companies

Company	Country	Market Cap	Debt/Equity
The Navigator Company S.A	Portugal	2 443 625 025.08 €	0.40
Altri SGPS S.A.	Portugal	990 785 975.76 €	0.59
Stora Enso Oyj	Finland	9 080 972 350.47 €	0.49
Holmen AB	Sweden	5 421 455 994.87 €	0.06
Billerud AB	United Kingdom	1 647 392 365.44 €	0.42
Mondi PLC	Sweden	4 142 762 755.96 €	0.70

Source: Author, LSEG Workspace

Table 10 - Navigator Relative Valuation

Multiple	Navigator	Peer Average	Implied Price	Result
EV/EBITDA	7.68	8.12	3.89 €	Undervalued
P/E	13.62	17.57	4.93 €	Undervalued
EV/Sales	1.57	1.37	2.84 €	Overvalued
Average Price			3.89 €	Undervalued

Source: Author

In Table 6, the WACC ranges from 5.64% to 7.64% and the terminal growth rate from 0.3% to 2.3%. As a result, a 1% increase in WACC would reduce the target price to 3.1€, while an equivalent decrease in terminal growth rate would only drop target price to 3.56€. This indicates that the WACC has a more significant impact on share price than terminal growth rate, suggesting that changes in the cost of capital represent the more critical downside risk.

In Table 7, the WACC is varied against the EBITDA margin, which is the most operationally significant variable for Navigator given that margin expansion driven by the Tissue and Packaging ramp-up is central to the investment thesis. Even so, a 3% decline of EBITDA margin at the base WACC yields a price of 3.65€, still consistent with a BUY recommendation. Only a higher cost of capital would negatively affect the recommendation. Navigator's current shift to higher margin segments and the efficiency gains over the forecast period reinforces the reliability of the BUY recommendation.

Scenario Analysis

A scenario analysis was also conducted to examine the impact of different business outcomes on the investment recommendation. Two alternative scenarios are tested by varying the revenue growth across each segment, the WACC and the terminal growth rate (Table 8).

The bear case is driven by a delayed transformation, where UWF paper continues to face accelerated decline, tissue and packaging investment disappoint and pulp prices continue low. Revenue growth across all segments is revised downward, WACC increases 0.25% and the terminal growth rate is reduced to 0.50%. Under these assumptions, the target price falls to 2.87€, representing a 13.6% downside and changing the recommendation to a SELL.

The bull case assumes Navigator's transformation exceeds expectations, with Tissue and Packaging scaling faster, while paper and pulp prices recover. WACC went down to 6.39% and the terminal growth rate also rose to 1.5%. Under these assumptions the target price rises to 4.42€, representing an upside of around 33%, confirming the BUY recommendation.

A Monte Carlo simulation of 5,000 iterations was performed varying the terminal growth rate, the WACC and the EBITDA Margin, assuming a normal distribution (Figure 28). The resulting share price distribution has a mean of 3.82€ and a median of 3.81€, closely aligned with the DCF base case. The data also reveals that 67.68% of the outcomes have a target price at least 10% higher than the current share price, with a 4.72% probability of exceeding the bull case share price, while 31.86% suggest a HOLD recommendation and only 0.46% a SELL recommendation (Appendix 11). The close alignment between the simulated mean and the DCF estimate reinforces the reliability and robustness of the BUY recommendation.

Relative Valuation

To further analyze the robustness of the investment recommendation, a multiples valuation is conducted, comparing Navigator with five similar companies in terms of size, business and geographic exposure (Table 9). Three NTM multiples are used, EV/EBITDA, P/E and EV/Sales (Table 10). According to the multiples, EV/EBITDA and P/E, Navigator is undervalued, with their respective implied share prices at 3.89€ and 4.93€. However, according to the third multiple, EV/Sales, Navigator is overvalued because this ratio does not take into consideration the differences in margins among the peer group.

The average implied share price across all three multiples is 3.89€, representing an upside of 17.1% and confirming the BUY recommendation (Appendix 12).

Dividend Discount Model

Table 11 - Navigator's DDM Valuation

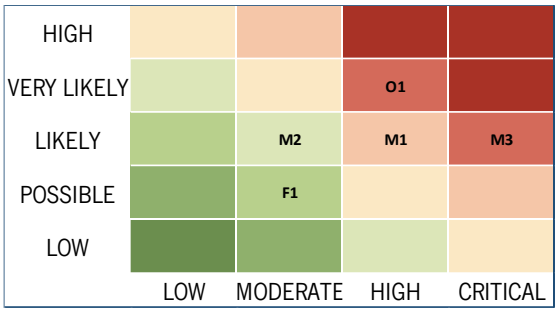
DDM Valuation Summary	
Dividend payout ratio	70%
Perpetual growth rate	1.30%
Cost of equity	8.53%
Target price (FY2026)	2.95 €
Recommendation	SELL

Source: Author

Due to The Navigator Company's established dividend policy and mature business profile, the DDM is used as a supplemental valuation method (Navigator, 2026d).

The model assumes a stable dividend payout of 70% over the forecasted period, reflecting Navigator's consistent commitment to shareholder remuneration. The perpetual growth rate is set at 1.3%, the same level as in the DCF analysis. The total dividend is rounded up to the nearest 25€ million increment, reflecting Navigator's historical practice of declaring dividends in round figures (Appendix 13). Based on these assumptions, the DDM results in a target price of 2.95€ (Table 11). Given that the DDM indicates a downside of approximately 11.2% relative to the current market price, it supports a SELL recommendation (Appendix 1), which is expected as the DDM captures only distributed earnings rather than Navigator's full free cash flow generation potential.

Figure 29 - Navigator's Risk Matrix



Source: Author

Investment Risks

Navigator faces a set of risks that could materially affect its business performance and valuation. These are organized into market, financial and operational risks, and are assessed in terms of probability and impact (Figure 29).

Market Risks

Price Volatility | M1 | Probability: Likely — Impact: High

Navigator operates in a commodity industry where pulp and paper prices are subject to significant cyclical swings. This exposure is amplified because of the structural pressure in the UWF segment and its size in terms of total revenues.

Valuation Impact: Applying bear case revenue assumptions to UWF and pulp segments, the target price falls to 3.40€, implying a HOLD recommendation (Appendix 14).

Mitigation: Navigator diversifies beyond UWF into tissue and packaging, strengthening its product portfolio and reducing reliance on a single segment.

Competitive Environment | M2 | Probability: Likely — Impact: Moderate

The competitive landscape pressures Navigator due to the positioning of some producers, particularly Latin American pulp and paper players, who have significantly lower production costs. Valuation Impact: A 3% contraction in EBITDA margin, reflecting competitive pricing pressure, yields a target price of 3.65€, still consistent with a BUY recommendation (Table 7). Mitigation: Navigator focuses on premium product differentiation, expansion into gKRAFT packaging and tissue, leveraging strong commercial relationships and reinforcing cost efficiency across its operations.

Transformation Execution Risk | M3 | Probability: Likely — Impact: Critical

The transformation towards tissue and packaging is key to Navigator, and its ability to successfully execute this strategy is of the utmost importance. This risk is amplified by the structural decline of the UWF paper, Navigator's core

segment. Delays and unexpected costs in the tissue machine planned for 2028 or a subpar demand of gKRAFT packaging products will impact revenue growth and margins. The planned acquisition in 2030 introduces additional risk for Navigator's margin and cash generation.
Valuation Impact: This risk is captured in the bear scenario, where Tissue and Packaging growth rates are revised downward and the terminal growth rate is reduced to 0.50%, yielding a target price of 2.87€ and a SELL recommendation (Table 8). Mitigation: Navigator's prior acquisition experience from Navigator Tissue Ejea in 2023 and Navigator Tissue UK in 2024 provide historical integration success and Navigator's integrated model allows fiber flexibility if demand or delays occur.

Financial Risks

Foreign Exchange Risk | F1 | Probability: Possible — Impact: Moderate

Navigator exports to over 130 countries, and pulp and paper are globally traded commodities priced primarily in USD. Euro appreciation against the dollar reduces the competitiveness of Navigator's exports. Following the acquisition of Navigator Tissue UK in 2024, the company also carries GBP exposure. Mitigation: Navigator is likely to partially mitigate this through financial hedging instruments.

Operational Risks

Cybersecurity, Information and AI | O1 | Probability: Very Likely — Impact: High

Navigator faces the risk of losing confidentiality, integrity and availability of data, due to exposure to new forms of cyber-attacks. These attacks can also put in question Navigator's corporate and industrial control systems and its usage of AI. These incidents can lead to operational downtime, reputational damage and financial losses. Mitigation: Navigator is expected to strengthen its cybersecurity structure through its formal enterprise risk management framework, reinforced by internal audit functions, implementation of secure unified technological infrastructures and continuous investment in employee awareness and technical security measures.

Conclusion

In conclusion, The Navigator Company finds itself at a turning point, transitioning from UWF paper only to other segments such as tissue and packaging. This transformation is backed by concrete investments, including the new tissue machine in 2028 and the PM3 machine rebuild in 2026, which are expected to drive margin recovery and revenue growth, and while Navigator faces real risks, its vertically integrated model, proven acquisition track record and business mix evolution reduce their potential impact. This report therefore issues a BUY recommendation with a target price of 3.81€, implying a 14.7% upside, further supported by the relative valuation and Monte Carlo simulation.

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Appendices

APPENDIX 1 – Investment Recommendation System

Implied Upside/Downside	Recommendation
>20%	STRONG BUY
10% to 20%	BUY
-10% to 10%	HOLD
<-10%	SELL

Source: Author

APPENDIX 2 – Overview of Board of Directors

Name	Position	Independent	Education	Work Experience
Ricardo Miguel dos Santos Pacheco Pires	Chairman of the Board	No	Degree in Business Administration, Universidade Católica Portuguesa; MBA, Nova School of Business and Economics; Corporate Finance specialization, ISCTE	Experience in consulting (BDO, GTE) and corporate finance (ES Investment); at Semapa since 2008; Chairman of Navigator since 2022
António José Pereira Redondo	CEO	No	Degree in Chemical Engineering, University of Coimbra; MBA in Marketing, Universidade Católica Portuguesa	Joined Soporcel in 1987; roles in production, marketing and sales; CEO since 2020
José Fernando Morais Carreira de Araújo	Executive Director	No	Law degree, Universidade Lusíada do Porto; Accounting and Administration, ISCAP; MBA, ISCTE	Chartered Accountant; experience at KPMG and COLEP; executive roles at Semapa and Navigator since 2007
Nuno Miguel Moreira de Araújo Santos	Executive Director	No	Degree in Civil Engineering, Instituto Superior Técnico; MBA, INSEAD	Former Senior Partner at McKinsey; Executive Director at Navigator since 2015
João Paulo Cabete Gonçalves Lã	Executive Director	No	Degree in Agronomy, Instituto Superior de Agronomia; postgraduate studies in Finance, ISCTE	Over 30 years at Navigator; forestry leadership; former CEO of Portucel Moçambique
Dorival Martins de Almeida	Executive Director	No	Degree in Chemical Engineering, Federal University of São Carlos; MBA, Fundação Getúlio Vargas	Experience at Votorantim, International Paper and CMPC; Industrial Director at Navigator since 2021
António Quirino Vaz Duarte Soares	Executive Director	No	Degree in Business Management, University of Coimbra; Master's in Economics, University of Exeter	Joined Navigator in 2001; roles in sales, marketing and supply chain; Executive Committee member since 2023

Ana Teresa Cunha de Pinho Tavares Lehmann	Non-Executive Director	Yes	Degree in Management, University of Porto; MSc and PhD in Economics, University of Reading	Former Secretary of State for Industry; academic and international advisor
Hugo Alexandre Lopes Pinto	Non-Executive Director	No	Degree in Civil Engineering, Instituto Superior Técnico; MSc in Finance, ISCTE; MBA, INSEAD	Career in engineering and strategy; senior roles at Semapa
Maria Isabel da Silva Marques Abecasis Viegas	Non-Executive Director	No	Degree in Psychology, ISPA; Master's in Human Resources Management, ISCTE	Career in HR (Marconi, Jazztel, Santander); Chief People Officer at Semapa
Maria Teresa Aliú Presas	Non-Executive Director	Yes	Degree in Psychology, Instituto Superior de Psicologia Aplicada	Career at Tetra Pak; leadership roles in sustainability and industry associations
Mariana Rita Antunes Marques dos Santos	Non-Executive Director	Yes	Degree in Business Management, Universidade Católica Portuguesa; MBA, INSEAD; executive education, Kellogg School of Management	Experience in consulting, venture capital and entrepreneurship
Sandra Maria Soares Santos	Non-Executive Director	Yes	Degree in Management, University of Porto; MBA, Porto Business School	Career in banking and industry; former CFO and CEO; restructuring experience
Vítor Paulo Paranhos Pereira	Non-Executive Director	No	Degree in Economics, Universidade Católica Portuguesa; executive education, AESE Business School	Long career in finance and management; board roles within Semapa Group

Source: Author, Company Data

APPENDIX 3 – Income Statement

Income Statement (millions €)	**FY 2021A**	**FY 2022A**	**FY 2023A**	**FY 2024A**	**FY 2025A**	**FY 2026F**	**FY 2027F**	**FY 2028F**	**FY 2029F**	**FY 2030F**	**FY 2031F**
Revenues	1 595.87	2 464.62	1 953.24	2 088.28	1 969.77	2 037.49	2 072.38	2 117.12	2 164.63	2 193.78	2 222.49
COGS	-750.18	-1 049.64	-1 008.43	-1 044.07	-1 064.84	-1 102.28	-1 113.90	-1 132.66	-1 158.08	-1 206.58	-1 194.59
Gross Profit	**845.69**	**1 414.98**	**944.81**	**1 044.21**	**904.93**	**935.21**	**958.48**	**984.46**	**1 006.55**	**987.20**	**1 027.90**
SG&A	-179.99	-215.51	-196.78	-231.67	-217.70	-224.12	-223.82	-226.53	-229.45	-236.93	-237.81
Other Operating Expense	-309.12	-424.46	-231.64	-262.14	-315.55	-275.06	-273.55	-275.23	-277.07	-289.58	-288.92
EBITDA	**356.58**	**775.01**	**516.39**	**550.40**	**371.68**	**436.02**	**461.10**	**482.70**	**500.03**	**460.69**	**501.17**
Depreciation and Amortization	-126.10	-164.67	-139.91	-164.75	-171.53	-161.37	-164.13	-167.68	-179.66	-182.08	-187.80
Operating Profit (EBIT)	**230.48**	**610.34**	**376.48**	**385.65**	**200.15**	**274.65**	**296.97**	**315.03**	**320.37**	**278.61**	**313.37**
Financing Income/Expense	-14.19	-55.48	-29.23	-37.17	-31.94	-26.09	-28.10	-29.31	-30.16	-31.03	-32.45
Sale of Fixed Assets	2.13	0.37	0.62	0.18	0	0.66	0.66	0.66	0.66	0.66	0.66
Non-Recurring Income/Expense	-6.62	-38.76	-0.83	4.38	7.59	0	0	0	0	0	0
Profit before tax (EBT)	**211.80**	**516.47**	**347.04**	**353.04**	**175.80**	**249.22**	**269.53**	**286.37**	**290.86**	**248.24**	**281.58**
Income Taxes	40.38	123.94	72.09	66.05	31.09	49.84	53.91	57.27	58.17	49.65	56.32
Profit after taxes (Net Income)	**171.42**	**392.53**	**274.95**	**286.99**	**144.71**	**199.38**	**215.62**	**229.10**	**232.69**	**198.60**	**225.27**
Minority Interest	0.01	0	0.03	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Income Available to Common Shareholders	**171.41**	**392.53**	**274.92**	**286.95**	**144.67**	**199.34**	**215.58**	**229.06**	**232.65**	**198.56**	**225.23**

Source: Author, Company Data

APPENDIX 4 – Balance Sheet

Balance Sheet (millions €)	FY 2021A	FY 2022A	FY 2023A	FY 2024A	FY 2025A	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Cash and Cash Equivalents	239.17	343.08	169.46	286.63	130.23	269.73	349.64	432.77	570.05	459.03	654.69
Trade Receivables	288.76	436.34	378.02	437.43	418.74	394.56	401.31	409.98	419.18	424.82	430.38
Inventories	186.55	298.73	286.49	303.20	306.29	306.61	309.85	315.06	322.13	335.63	332.29
Other Current Assets	30.24	79.02	65.11	79.88	40.64	58.82	60.55	62.36	63.67	62.42	64.60
Total Current Assets	**744.72**	**1 157.17**	**899.08**	**1 107.14**	**895.90**	**1 029.72**	**1 121.36**	**1 220.17**	**1 375.03**	**1 281.89**	**1 481.96**
Property, Plant & Equipment	1 343.10	1 279.68	1 413.77	1 629.84	1 703.21	1 716.53	1 744.01	1 731.19	1 659.76	1 612.37	1 535.69
Goodwill	377.34	377.34	381.50	422.63	420.58	420.58	420.58	420.58	420.58	695.58	695.58
Other Intangible Assets	25.41	45.26	46.29	119.61	107.64	92.11	93.69	95.71	97.86	99.18	100.47
Other Non-Current Assets	36.73	52.57	68.51	73.96	61.19	59.78	60.79	62.09	63.47	64.32	65.15
Total Non-Current Assets	**1 782.58**	**1 754.85**	**1 910.07**	**2 246.04**	**2 292.62**	**2 289.00**	**2 319.08**	**2 309.58**	**2 241.67**	**2 471.44**	**2 396.89**
Total Assets	**2 527.30**	**2 912.02**	**2 809.15**	**3 353.18**	**3 188.52**	**3 318.72**	**3 440.43**	**3 529.75**	**3 616.70**	**3 753.33**	**3 878.85**
Trade Payables	256.77	368.31	297.48	297.48	535.53	322.36	325.76	331.25	338.68	352.87	349.36
Income Taxes Payable	39.88	125.47	22.83	41.34	17.63	34.99	37.84	40.20	40.83	34.85	39.53
Short-Term Debt	125.14	88.85	106.41	190.86	83.18	148.70	155.10	159.59	164.16	171.69	179.10
Other Current Liabilities	136.39	207.16	205.56	361.08	0	168.36	171.13	174.69	178.47	180.79	183.07
Total Current Liabilities	**558.18**	**789.79**	**632.28**	**890.76**	**636.34**	**674.41**	**689.83**	**705.73**	**722.14**	**740.19**	**751.06**
Long-Term Debt	762.04	698.10	622.93	824.86	883.21	892.21	930.58	957.53	984.95	1 030.12	1 074.62
Deferred Tax Liabilities	92.53	98.31	95.86	135.94	120.30	126.19	128.21	127.26	122.01	118.53	112.89
Other Non-Current Liabilities	69.44	66.12	142.51	145.53	135.54	138.90	140.85	143.35	146.00	147.63	149.24
Total Non-Current Liabilities	**924.01**	**862.53**	**861.30**	**1 106.33**	**1 139.05**	**1 157.29**	**1 199.63**	**1 228.14**	**1 252.97**	**1 296.28**	**1 336.75**
Total Liabilities	**1 482.19**	**1 652.32**	**1 493.58**	**1 997.09**	**1 775.39**	**1 831.70**	**1 889.46**	**1 933.86**	**1 975.11**	**2 036.47**	**2 087.81**
Non-Controlling Interest in Equity	0.29	0.30	0.33	0.36	0.39	0.43	0.47	0.51	0.55	0.59	0.63
Ordinary Shareholders' Equity	1 044.83	1 259.41	1 315.25	1 355.73	1 412.74	1 486.59	1 550.50	1 595.37	1 641.04	1 716.27	1 790.41
Total Shareholders' Equity	**1 045.12**	**1 259.71**	**1 315.58**	**1 356.09**	**1 413.13**	**1 487.02**	**1 550.97**	**1 595.88**	**1 641.59**	**1 716.86**	**1 791.04**
Total Liabilities and Shareholders' Equity	**2 527.31**	**2 912.03**	**2 809.16**	**3 353.18**	**3 188.52**	**3 318.72**	**3 440.43**	**3 529.74**	**3 616.70**	**3 753.33**	**3 878.85**

Source: Author, Company Data

APPENDIX 5 – Cash Flow Statement

Cash Flow Statement (millions €)	FY 2021A	FY 2022A	FY 2023A	FY 2024A	FY 2025A	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Cash Receipts/Payments - Net	374.40	690.52	532.07	472.59	359.49	448.25	455.92	465.77	476.22	482.63	488.95
Income Taxes Paid	-20.65	-64.77	-162.92	-61.09	-54.80	-32.49	-51.05	-54.91	-57.54	-55.63	-51.64
Interest Paid	-14.16	-33.82	-4.86	-18.93	-26.76	-26.09	-28.10	-29.31	-30.16	-31.03	-32.45
Interest & Dividends Received	5.31	0.85	0	0	0	0	0	0	0	0	0
Net Cash Flow from Operating Activities	**344.90**	**592.78**	**364.29**	**392.57**	**277.93**	**389.67**	**376.76**	**381.54**	**388.51**	**395.97**	**404.86**
Capital Expenditures - Net	-101.19	-123.01	-200.93	-223.73	-210.00	-174.69	-191.62	-154.86	-108.23	-134.69	-111.12
Acquisition & Disposals of Business	3.07	0	-55.21	-150.78	0	0	0	0	0	-275.00	0
Net Cash Flow from Investing Activities	**-98.12**	**-123.01**	**-256.14**	**-374.51**	**-210.00**	**-174.69**	**-191.62**	**-154.86**	**-108.23**	**-409.69**	**-111.12**
Dividends Paid	149.56	131.63	199.98	150.00	175.00	150.00	150.00	175.00	175.00	150.00	150.00
Debt - LT & ST Issuance/(Retirement)	-152.99	-111.91	-102.97	211.96	-49.33	74.52	44.77	31.44	32.00	52.69	51.92
Other Financing Cash Flow	-4.47	-123.90	20.31	36.73	0	0	0	0	0	0	0
Net Cash Flow from Financing Activities	**-307.02**	**-367.44**	**-282.64**	**98.69**	**-224.33**	**-75.48**	**-105.23**	**-143.56**	**-143.00**	**-97.31**	**-98.08**
Foreign Exchange Effects	0.09	1.56	0.89	0.42	0	0	0	0	0	0	0
Net Change in Cash	**-60.15**	**103.89**	**-173.60**	**117.17**	**-156.40**	**139.50**	**79.91**	**83.12**	**137.28**	**-111.02**	**195.66**
Cash - Beginning Balance	302.40	239.17	343.08	169.46	286.63	130.23	269.73	349.64	432.77	570.05	459.03
Cash - Ending Balance	**242.25**	**343.06**	**169.48**	**286.63**	**130.23**	**269.73**	**349.64**	**432.77**	**570.05**	**459.03**	**654.69**

Source: Author, Company Data

APPENDIX 6 – Financial Ratios Formulas

This appendix presents the definitions of the key financial ratios used throughout the financial analysis.

Ratio	Formula
PROFITABILITY RATIOS	
ROE	Net Income / Average Total Equity
Operating ROA	EBIT / Average Total Assets
CAPITAL & INVESTMENT	
CAPEX/Revenue	CAPEX / Revenue
Net Debt/EBITDA	(Total Debt – Cash & Equivalents) / EBITDA
SOLVENCY RATIOS	
Debt/Equity	Total Debt / Total Equity
Interest Coverage Ratio	EBIT / Interest Expense
Long-term Debt/Total Debt %	Long-term Debt / Total Debt
LIQUIDITY RATIOS	
Current Ratio	Current Assets / Current Liabilities
Quick Ratio	(Current Assets – Inventory) / Current Liabilities

Source: Author, based on standard financial definitions

APPENDIX 7 - Key Assumptions

The forecast covers the period 2026–2031, using 2025 as the base year.

Revenues

- UWF paper is modelled as a mature, declining segment with a CAGR of -0.2%, consistent with ongoing digital substitution. Its share of total revenues declines from approximately 58% in 2025 to around 52% by 2031
- Tissue is modelled as the primary growth engine with a CAGR of 5.4%, supported by the new tissue machine becoming operational in April 2028, reaching approximately 30% of total revenues by 2031
- Packaging grows at a CAGR of 6.0%, with modest near-term growth from the PM3 rebuild and stronger acceleration following the planned acquisition in 2030
- Pulp is expected to recover modestly at a CAGR of 0.89%, supported by a gradual recovery in BHKP prices, while energy stabilizes at a CAGR of 1%
- Pricing assumptions reflect a gradual normalization of pulp and paper prices following recent cyclical lows
- Total revenues are expected to increase from 1,969€ million in 2025 to approximately 2,222€ million by 2031

Costs

- COGS/Revenues is modelled at 54.1% in 2026, based on the 2025 value and broadly in line with the historical average, and is expected to gradually decline over the forecast period as fixed costs are spread over higher revenues, the revenue mix shifts toward higher-margin tissue and packaging segments, and efficiency gains from the UK tissue operations consolidation materialize

- SG&A/Revenues declines gradually from 11.1% in 2025 to 10.7% by 2031, supported by efficiency gains from Navigator's UK industrial restructuring, which removes duplicated administrative functions and improves operating leverage in the tissue business
- The consolidation of UK tissue operations, closure of the Blackburn facility, PM3 rebuild productivity improvements and increasing use of AI and digital tools in operations are expected to gradually reduce operating cost ratios over the forecast period
- Following the planned acquisition in 2030, cost ratios are expected to temporarily increase before declining again as Navigator applies its operational improvement model
- The effective tax rate is set at 20.0% throughout the forecast period, consistent with the historical average and applied to the income statement

CAPEX and D&A

- CAPEX is modelled as a combination of a recurring maintenance base of approximately 5% of revenues and strategic investments
- Key investment programs explicitly modelled: an 115€ million tissue machine investment from 2026 to 2028 (48€ million, 53€ million and 14€ million respectively), a 35€ million annual decarbonization budget until 2028, and a 25€ million integration buffer in 2030
- Depreciation and amortization increase gradually from 165M€ in 2024 to 188M€ by 2031, reflecting the expanding asset base

Working Capital

As FY2025 financial statements were not yet fully completed, a 5-year trimmed historical average was used excluding outliers, except for inventories and trade receivables where a standard 5-year historical average was applied.

- Inventories, trade receivables and trade payables are modelled using turnover ratios of 3.60x, 5.16x and 3.42x respectively, implying approximately 101, 71 and 107 days outstanding.
- Accrued expenses and other current liabilities are modelled as a percentage of revenues at 5.16% and 2.80% respectively.
- Cash/Revenue ratio is assumed at 22% throughout the forecast period, broadly in line with historical levels.

Debt and Capital Structure

- Debt levels are modelled to maintain a stable capital structure, with debt-to-equity stabilizing at 70% throughout the forecast period
- Long-term debt represents approximately 85.7% of total debt, reducing refinancing risk
- The effective tax rate applied in the WACC is Portugal's statutory marginal rate of 31.50%

APPENDIX 8 — WACC Computation

The beta is estimated using the bottom-up approach, based on 10 peer companies in the pulp and paper industry. The levered betas and debt-to-equity ratios of each peer are sourced from LSEG Workspace. Each peer's unlevered beta is calculated using the respective country's marginal tax rate. The mean unlevered beta across the peer group is then re-levered using Navigator's debt-to-equity ratio and Portugal's marginal tax rate of 31.50%, resulting in a re-levered beta of 0.66.

Cost of Equity					
Beta Bottom-Up Approach					
Peers	**Country**	**Levered Beta**	**Debt/Equity**	**Marginal Tax**	**Unlevered Beta**
UPM-Kymmene Oyj	Finland	0.90	0.27	20.00%	0.75
Suzano SA	Brazil	0.77	1.31	34.00%	0.41
Stora Enso Oyj	Finland	1.07	0.49	20.00%	0.77
Holmen AB	Sweden	0.46	0.06	20.60%	0.44
Klabin SA	Brazil	0.49	1.41	34.00%	0.25
Altri SGPS SA	Portugal	0.33	0.59	31.50%	0.23
Ence Energia y Celulosa SA	Spain	0.65	1.05	25.00%	0.37
Metsa Board Oyj	Finland	0.94	0.55	20.00%	0.66
Billerud AB	Sweden	0.83	0.42	20.60%	0.63
Mondi PLC	Jnited Kingdom	1.03	0.70	25.00%	0.68
Mean Unlevered Beta					**0.52**
Relevered Beta (Navigator D/E, tax)					**0.66**

Source: Author, LSEG Workspace

Cost of Equity — CAPM

The cost of equity is calculated using the CAPM model: $Re = Rf + \beta \times ERP$.

The risk-free rate corresponds to the yield of the 10-year German government bond (Investing.com, 2026), used as a proxy for the risk-free rate as it represents the lowest default risk sovereign bond in the Euro Area and is the standard benchmark for Euro-denominated valuations. The Equity Risk Premium is determined as a weighted average of the country's ERPs (Damodaran, 2026) weighted by Navigator's operating region sales in FY 2024.

Cost of Equity		
ERP weighted by operating region sales		
Region	**Sales Weight**	**ERP**
Africa	10.81%	13.70%
America	8.79%	11.45%
Asia	7.23%	9.95%
Europe (Region) - ex. Portugal	59.17%	7.62%
Oceania	1.00%	6.43%
Portugal	13.00%	5.98%
Weighted ERP	**100.00%**	**8.62%**

Cost of Equity - CAPM	
Formula: $Re = Rf + \beta \times ERP$	**Value**
Risk-free rate	2.85%
Relevered Beta	0.66
Equity Risk Premium	8.62%
Cost of Equity (Re)	**8.53%**

Source: Author, Company Data, Damodaran

Cost of Debt

The pre-tax cost of debt of 2.70% is sourced directly from Navigator's 2025 Investor Presentation, reflecting the company's current borrowing cost as disclosed by management. Applying Portugal's marginal tax rate of 31.50%, the after-tax cost of debt amounts to 1.85%.

The market value of equity corresponds to Navigator's market capitalization. The market value of debt corresponds to the total financial debt as reported by Navigator.

Weighted Average Cost of Capital FY 2025	
Value of equity (thousands €)	2 443 625.03 €
Value of debt (thousands €)	966 388.01 €
D/V	**28.34%**
E/V	**71.66%**
Cost of Debt (pre-tax)	2.70%
Tax rate (marginal)	31.50%
After Tax Cost of Debt	**1.85%**
Cost of Equity (from CAPM)	**8.53%**
WACC	**6.64%**

Source: Author, Company Data, Damodaran

APPENDIX 9 – DCF Valuation

The Terminal Value reinvestment rate is derived from the sustainable growth formula g = ROIC × Reinvestment Rate, ensuring internal consistency between the assumed growth rate and the required level of reinvestment.

DCF Valuation							
millions €	**FY 2026F**	**FY 2027F**	**FY 2028F**	**FY 2029F**	**FY 2030F**	**FY 2031F**	**Terminal**
NOPAT	188	203	216	219	191	215	
Depreciation & Amortization	161	164	168	180	182	188	
Capital Expenditures	-175	-192	-155	-108	-135	-111	
Changes in Working Capital	-41	-4	-5	-5	-3	-4	
Free Cash Flow to Firm (FCFF)	**134**	**172**	**223**	**286**	**235**	**288**	**3 439**
PV of FCFFs	0	161	197	235	182	209	2 494
						Terminal value	**3 439**
						PV of Terminal Value	**2 494**

The equity value per share is obtained by adjusting the Enterprise Value for cash and cash equivalents, total financial debt and non-controlling interests, and dividing by the number of shares outstanding.

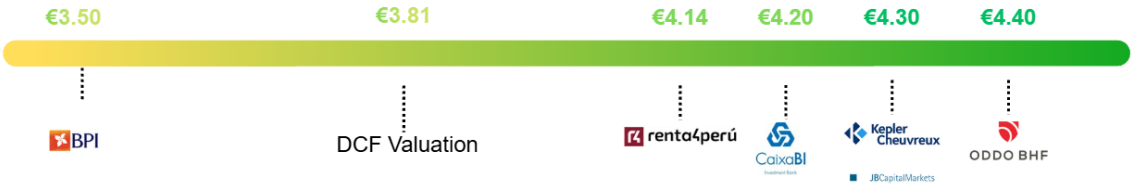
Key DCF Assumptions	
WACC	6.64%
Terminal Growth Rate (g)	1.30%
Tax Rate	31.50%
Reinvestment Rate	14.47%
ROIC (2031)	8.98%

DCF Valuation FY 2026 (millions €)	
Sum of PV of FCFFs	984
PV of Terminal Value	2 494
Enterprise Value	**3 478**
(+) Cash and Cash Equivalents	270
(–) Value of Debt	-1 041
(–) Non-Controlling Interests	-0.43
Value of Equity	**2 706**
Number of Shares Outstanding (m)	711
Value of Equity per Share (€)	**€3.81**
Recommendation	**BUY**

Source: Author, Company Data

APPENDIX 10 – Analyst Recommendation

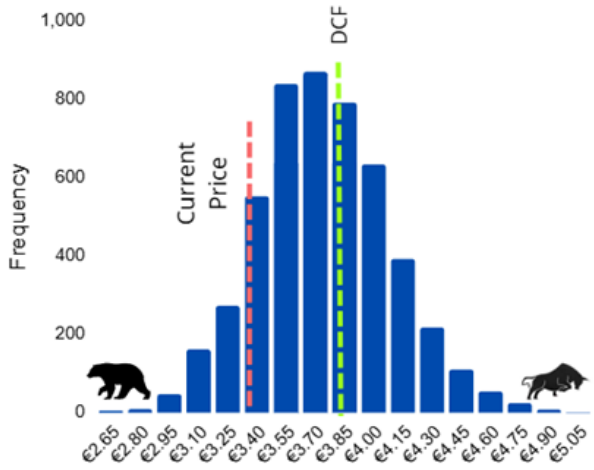
Analyst target prices range between 3.50€ and 4.40€, with a consensus around 4.20€. The report's DCF-based valuation of 3.81€ is below consensus, reflecting more conservative assumptions regarding revenue growth and margin expansion.



Source: Author, Bloomberg, LSEG Workspace

APPENDIX 11 – Monte Carlo Simulation

A Monte Carlo simulation of 5,000 iterations was performed, simultaneously varying the WACC, terminal growth rate and EBITDA Margin. The WACC ranged from 5.64% to 7.64%, the terminal growth rate from 0.80% to 1.80%, and the EBITDA Margin shock from -3% to +3%, assuming a normal distribution.



Source: Author

Monte Carlo Results	
Statistic	Value
Mean	€3.82
Median	€3.81
Standard Deviation	€0.34
Minimum	€2.70
Maximum	€5.19
5th Percentile	€3.27
25th Percentile	€3.59
75th Percentile	€4.04
95th Percentile	€4.41
Coefficient of Variation	8.97%
Skewness	0.22
Kurtosis	0.20
P(Sell)	**0.46%**
P(Hold)	**31.86%**
P(Buy)	**67.68%**

APPENDIX 12 – Relative Valuation

To conduct the relative valuation, only five out of the ten peer companies from the WACC are used. UPM-Kymmene and Suzano are excluded due to significant differences in size, as they are more than five times larger than The Navigator Company. Klabin is excluded due to geographical exposure and a very different capital structure. Ence Energia y Celulosa and Metsa Board are excluded due to differences in business mix. Multiples are sourced from LSEG Workspace as of March 5th, 2026, representing Next Twelve Months estimates applied to Navigator's projected financial metrics for FY 2026.

Relative Valuation									
The Navigator Company S.A. and Peer Companies									
LSEG Workspace - Data of 05/03/2026	**Altri**	**Stora Enso**	**Billerud**	**Mondi**	**Holmen**	**Peer Average**	**Navigator**	**Implied Price**	**Result**
EV/EBITDA	9.25x	7.74x	5.01x	6.54x	12.05x	8.12x	7.68x	€3.89	Undervalued
P/E	19.50x	15.60x	16.73x	16.38x	19.62x	17.57x	13.62x	€4.93	Undervalued
EV/Sales	1.64x	1.12x	0.60x	0.83x	2.66x	1.37x	1.57x	€2.84	Overvalued
						Average Implied Price		**€3.89**	**Undervalued**

Source: Author, LSEG Workspace

APPENDIX 13 – Dividend Discount Model

The DDM is applied as a supplement to the DCF Valuation, given Navigator's dividend history. Dividends are forecasted from 2027 to 2031 and are discounted at the cost of equity. The terminal value is estimated using the Gordon Growth Model with a perpetual growth rate of 1.3%, consistent with the DCF analysis.

Dividend Discount Model (DDM)					
Historical Dividends FY 2020 - FY 2024					
€ millions	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**
Dividend per Share (€)	€0.21	€0.35	€0.28	€0.21	€0.25
Number of Shares (millions)	711.18	711.18	711.18	711.18	711.18
Net Income	109.2	171.4	392.5	275.0	287.0
Payout Ratio	136.9%	145.8%	50.9%	54.6%	61.0%
Total Dividends	**150**	**250**	**200**	**150**	**175**

Dividend Forecast & Valuation						
	FY 2027F	**FY 2028F**	**FY 2029F**	**FY 2030F**	**FY 2031F**	**Terminal Value**
Dividend per Share	€0.21	€0.25	€0.25	€0.21	€0.21	€3.11
Payout ratio	70.0%	70.0%	70.0%	70.0%	70.0%	-
Total Dividends	150.00	175.00	175.00	150.00	150.00	-
PV of Dividend per Share	**€0.19**	**€0.21**	**€0.19**	**€0.15**	**€0.14**	**€2.06**

DDM Valuation	
Sum of PV of dividends	€0.89
PV of terminal value	€2.06
Target price per share (€)	**€2.95**
Current share price (€)	€3.32
Implied upside / (downside)	-11.2%
Recommendation	**SELL**

Source: Author, Company Data

APPENDIX 14 – M1 Price Volatility Scenario

The following table presents the revenue assumptions applied to the UWF and Pulp segments under the M1 Price Volatility scenario. Bear case revenue CAGRs are applied to both segments, reflecting sustained pulp and paper price pressure, while all other segments remain at base case assumptions. This results in a target price of 3.40€, implying a HOLD recommendation.

Base Case vs. M1 Scenario		
	Base Case	M1 Scenario
UWF CAGR	-0.2%	-2.0%
Pulp CAGR	0.8%	-2.0%
Total Revenue (2031)	€2 222m	€2 055m
Target Price	**€3.81**	**€3.40**
Upside %	14.7%	2.3%
Recommendation	**BUY**	**HOLD**

Source: Author