

Preview Note

28 April 2017

Buy

Recommendation unchanged

Share price: EUR 3.82

closing price as of 27/04/2017

Target price: EUR 4.60

Target Price unchanged

Upside/Downside Potential 20.4%

Reuters/Bloomberg

NVGR.LS/NVG.PL

Market capitalisation (EURm) 2,741

Current N° of shares (m) 718

Free float 35%

Daily avg. no. trad. sh. 12 mth 765

Daily avg. trad. vol. 12 mth (m) 1,062.44

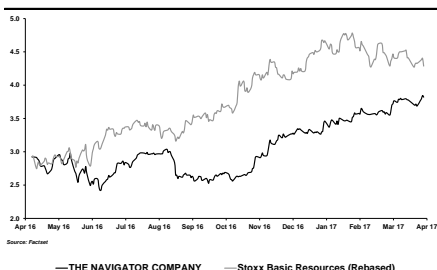
Price high/low 12 months 2.42 / 3.85

Abs Perfs 1/3/12 mths (%) 7.61/10.40/21.81

Key financials (EUR)	12/15	12/16e	12/17e
Sales (m)	1,628	1,577	1,586
EBITDA (m)	390	397	384
EBITDA margin	24.0%	25.2%	24.2%
EBIT (m)	283	230	210
EBIT margin	17.4%	14.6%	13.3%
Net Profit (adj.)(m)	196	218	156
ROCE	10.3%	8.6%	7.7%
Net debt/(cash) (m)	558	640	729
Net Debt Equity	0.4	0.5	0.6
Net Debt/EBITDA	1.4	1.6	1.9
Int. cover(EBITDA/Fin.int)	7.8	20.1	28.1
EV/Sales	2.0	1.9	2.2
EV/EBITDA	8.5	7.5	9.0
EV/EBITDA (adj.)	8.5	7.5	9.0
EV/EBIT	11.7	12.9	16.5
P/E (adj.)	14.1	10.8	17.6
P/BV	2.1	1.9	2.3
OpFCF yield	4.1%	11.9%	4.1%
Dividend yield	15.0%	6.2%	7.3%
EPS (adj.)	0.26	0.30	0.22
BVPS	1.70	1.72	1.65
DPS	0.57	0.24	0.28

Shareholders

Semapa 65%;



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1Q17 preview: tailwind from higher pulp prices

The facts: The Navigator Company will release its 1Q17 results on May 4 before the market opening. We anticipate revenues of EUR 385.1m, EBITDA of EUR 89.3m and net income of EUR 29.4m.

Our analysis: A4 B-Copy paper prices were stable on a qoq basis, with PIX reaching an average of 805 EUR/ton vs. 808 EUR/ton in the previous quarter. We expect paper volumes slightly below 1Q16 (Q4 is usually stronger in terms of volumes and PIX prices in 1Q16 were c. 30 EUR/ton higher). We expect close to 80 thousand tons of market pulp in the quarter (vs. 89.8 thousand in 4Q16 and 64.6 thousand in 1Q16).

PIX bleached hardwood average price reached 680 USD/ton (639 EUR/ton) vs. 655 USD/ton (608 EUR/ton) in 4Q16 and 762 USD/ton (EUR 691 EUR/ton) in 1Q16. We expect a small improvement in EBITDA margin on a qoq basis from the improved performance of pulp prices (also helped by the normalization of Energy operations) and a decline vs. 1Q16.

Free cash-flow in the quarter is expected to reach EUR +17.9m, pushing net debt to EUR 621.8m (vs. EUR 639.7m at the end of 2016). Working capital is expected to behave in a more normalized fashion after a significant improvement in the last quarter of 2016. The conversion cycle is anticipated to be at 47 days after reaching 39 days in 4Q16. The average of the last four moving quarters was 50 days and 42 days in the last five years.

In documents filed with CMVM, the Board of Directors of The Navigator Company (NVG) proposed the distribution of EUR 0.2371 per share as dividends related to 2016, with the company's main shareholder, Semapa, proposing an additional distribution of EUR 0.11158 per share. This translates into a total distribution to NVG's shareholders of EUR 0.34868 per share or EUR 250m (excluding own shares). NVG's Annual General Meeting will be held on May 24.

We recall that our estimates for the distribution were EUR 0.28 per share (EUR 200m). NVG recorded a net income of EUR 217.5m in 2016, with an EBITDA of EUR 397.4m. These proposals are in line with our argument for a strong dividend distribution that underpinned our decision to call NVG as CaixaBI's Top Pick at the beginning of this year.

Conclusion & Action: The first quarter of the year is expected to benefit from a recovery of pulp prices with resilient volumes in both paper and pulp. BHKP prices should be the main driver of earnings in the coming quarters with announced price hikes for May already above 800 USD/ton (to 820 USD/ton from Fibria). Management will hold a conference call with analysts on May 4, after which we will publish a note with our comment on the results.

1Q17 results estimates

EURm	1Q16	4Q16	1Q17e	Chg. % (YoY)	Chg. % (QoQ)
Revenues	384.6	422.0	385.1	0.1%	-8.7%
EBITDA	93.5	95.9	89.3	-4.5%	-7.0%
margin	24.3%	22.7%	23.2%		
EBIT	56.4	52.3	44.0	-22.0%	-16.0%
margin	14.7%	12.4%	11.4%		
Net Financials	-2.7	-4.2	-3.4		
Net Income	44.7	83.2	29.4	-34.2%	-64.6%
margin	11.6%	19.7%	7.6%		

Source: CaixaBI Equity Research

The Navigator Company : Summary tables

PROFIT & LOSS (EURm)	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Sales	1,531	1,542	1,628	1,577	1,586	1,655
Cost of Sales & Operating Costs	-1,238	-1,180	-1,202	-1,253	-1,274	-1,275
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	350	328	390	397	384	402
EBITDA (adj.)*	350	328	390	397	384	402
Depreciation	-103	-112	-122	-167	-173	-170
EBITA	248	217	268	231	210	233
EBITA (adj)*	248	217	268	231	210	233
Amortisations and Write Downs	-14.0	1.3	14.6	-0.4	0.0	0.0
EBIT	234	218	283	230	210	233
EBIT (adj.)*	234	218	283	230	210	233
Net Financial Interest	-14.2	-34.2	-50.3	-19.8	-13.7	-15.8
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	220	184	233	210	195	214
Tax	-9.5	-2.7	-35.8	7.3	-39.0	-42.8
<i>Tax rate</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	3.5%	<i>n.m.</i>	<i>n.m.</i>
Discontinued Operations	0.0	0.0	0.0	0.6	0.0	0.0
Minorities	0.0	0.0	-0.4	0.0	0.0	0.0
Net Profit (reported)	210	181	196	218	156	171
Net Profit (adj.)	210	181	196	218	156	171
CASH FLOW (EURm)	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Cash Flow from Operations before change in NWC	327	292	304	384	329	341
Change in Net Working Capital	-35.8	36.9	-37.1	33.9	-69.0	-10.3
Cash Flow from Operations	291	329	267	418	260	330
Capex	-16.9	-50.3	-152	-139	-149	-138
Net Financial Investments	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow	274	278	115	279	111	193
Dividends	-215	-201	-440	-170	-201	-187
Other (incl. Capital Increase & share buy backs)	-2.7	-44.2	-54.9	-95.5	0.0	0.0
Change in Net Debt	56.5	33.3	-381	13.8	-89.7	5.8
NOPLAT	172	160	208	169	155	171
BALANCE SHEET & OTHER ITEMS (EURm)	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Net Tangible Assets	1,428	1,364	1,438	1,421	1,396	1,364
Net Intangible Assets (incl. Goodwill)	380	380	382	382	382	382
Net Financial Assets & Other	31.0	23.6	51.2	44.5	44.5	44.5
Total Fixed Assets	1,839	1,768	1,871	1,847	1,823	1,791
Inventories	203	189	213	209	229	239
Trade receivables	201	189	215	216	229	239
Other current assets	53.1	62.9	57.6	69.6	69.6	69.6
Cash (-)	-619	-597	-170	-68.5	-68.5	-68.5
Total Current Assets	1,075	1,037	655	563	596	616
Total Assets	2,914	2,805	2,526	2,410	2,419	2,407
Shareholders Equity	1,574	1,550	1,303	1,232	1,187	1,171
Minority	0.2	0.2	8.6	2.3	2.3	2.3
Total Equity	1,574	1,551	1,311	1,234	1,189	1,173
Long term interest bearing debt	772	468	687	639	728	722
Provisions	49.3	41.1	59.2	31.0	31.0	31.0
Other long term liabilities	146	134	127	99.6	99.6	99.6
Total Long Term Liabilities	966	644	873	769	859	853
Short term interest bearing debt	59.7	305	40.6	69.7	69.7	69.7
Trade payables	201	212	225	256	220	230
Other current liabilities	113	93.9	77.3	81.1	81.1	81.1
Total Current Liabilities	373	611	343	407	371	381
Total Liabilities and Shareholders' Equity	2,914	2,805	2,527	2,410	2,419	2,407
Net Capital Employed	1,982	1,903	2,054	2,004	2,049	2,027
Net Working Capital	203	166	203	169	238	248
GROWTH & MARGINS	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
<i>Sales growth</i>	1.9%	0.8%	5.6%	-3.1%	0.6%	4.3%
EBITDA (adj.)* growth	-9.1%	-6.3%	18.7%	1.9%	-3.4%	4.8%
<i>EBITA (adj.)* growth</i>	-8.7%	-12.4%	23.7%	-14.0%	-8.8%	10.6%
<i>EBIT (adj.)* growth</i>	-18.3%	-6.6%	29.6%	-18.6%	-8.6%	10.6%

The Navigator Company : Summary tables

GROWTH & MARGINS	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Net Profit growth	-0.5%	-13.6%	8.2%	10.7%	-28.4%	9.8%
EPS adj. growth	-0.5%	-13.6%	8.2%	18.5%	-28.4%	9.8%
DPS adj. growth	26.7%	-6.6%	119.4%	-58.7%	18.1%	-6.9%
EBITDA (adj)* margin	22.9%	21.3%	24.0%	25.2%	24.2%	24.3%
EBITA (adj)* margin	16.2%	14.1%	16.5%	14.6%	13.3%	14.1%
EBIT (adj)* margin	15.3%	14.2%	17.4%	14.6%	13.3%	14.1%
RATIOS	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Net Debt/Equity	0.1	0.1	0.4	0.5	0.6	0.6
Net Debt/EBITDA	0.6	0.5	1.4	1.6	1.9	1.8
Interest cover (EBITDA/Fin.interest)	24.8	9.6	7.8	20.1	28.1	25.4
Capex/D&A	14.5%	45.7%	142.1%	83.0%	86.0%	81.2%
Capex/Sales	1.1%	3.3%	9.4%	8.8%	9.4%	8.3%
NWC/Sales	13.2%	10.7%	12.5%	10.7%	15.0%	15.0%
ROE (average)	13.4%	11.6%	13.8%	17.2%	12.9%	14.5%
ROCE (adj.)	8.5%	8.4%	10.3%	8.6%	7.7%	8.6%
WACC	7.8%	7.8%	7.8%	7.8%	0.0%	
ROCE (adj.)/WACC	1.1	1.1	1.3	1.1	n.m.	
PER SHARE DATA (EUR)***	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Average diluted number of shares	767.5	767.5	767.5	717.5	717.5	717.5
EPS (reported)	0.27	0.24	0.26	0.30	0.22	0.24
EPS (adj.)	0.27	0.24	0.26	0.30	0.22	0.24
BVPS	2.05	2.02	1.70	1.72	1.65	1.63
DPS	0.28	0.26	0.57	0.24	0.28	0.26
VALUATION	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
EV/Sales	1.6	1.6	2.0	1.9	2.2	2.1
EV/EBITDA	7.0	7.7	8.5	7.5	9.0	8.6
EV/EBITDA (adj.)*	7.0	7.7	8.5	7.5	9.0	8.6
EV/EBITA	9.9	11.7	12.4	12.9	16.5	14.9
EV/EBITA (adj.)*	9.9	11.7	12.4	12.9	16.5	14.9
EV/EBIT	10.5	11.7	11.7	12.9	16.5	14.9
EV/EBIT (adj.)*	10.5	11.7	11.7	12.9	16.5	14.9
P/E (adj.)	10.6	13.0	14.1	10.8	17.6	16.0
P/BV	1.4	1.5	2.1	1.9	2.3	2.3
Total Yield Ratio	9.0%	18.6%	5.8%	7.3%	6.8%	7.5%
EV/CE	1.2	1.3	1.6	1.5	1.7	1.7
OpFCF yield	12.3%	11.8%	4.1%	11.9%	4.1%	7.0%
OpFCF/EV	11.2%	10.9%	3.5%	9.4%	3.2%	5.6%
Payout ratio	102%	111%	n.m.	78.1%	129%	109%
Dividend yield (gross)	9.6%	8.5%	15.0%	6.2%	7.3%	6.8%
EV AND MKT CAP (EURm)	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Price** (EUR)	2.91	3.09	3.60	3.27	3.82	3.82
Outstanding number of shares for main stock	767.5	767.5	767.5	717.5	717.5	717.5
Total Market Cap	2,233	2,368	2,760	2,343	2,741	2,741
Net Debt	213	177	558	640	729	724
<i>o/w Cash & Marketable Securities (-)</i>	<i>-619</i>	<i>-597</i>	<i>-170</i>	<i>-69</i>	<i>-69</i>	<i>-69</i>
<i>o/w Gross Debt (+)</i>	<i>831</i>	<i>773</i>	<i>727</i>	<i>708</i>	<i>798</i>	<i>792</i>
Other EV components	0	0	0	0	0	0
Enterprise Value (EV adj.)	2,446	2,544	3,317	2,982	3,470	3,464

Source: Company, Caixa-Banco de Investimento estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: Basic Resources/Forestry & Paper

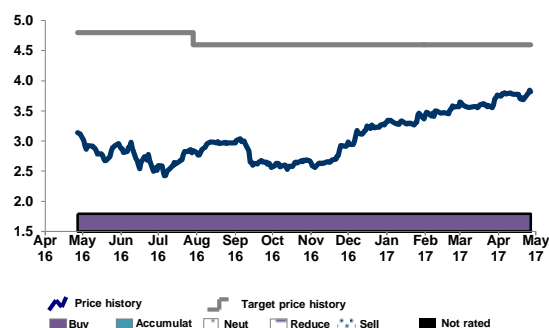
Company Description: The Navigator Company (former Portucel) is a major european producer of UWF and also one of the largest producer in Europe of BHKP.

Recommendation history for THE NAVIGATOR COMPANY

Date	Recommendation	Target price	Price at change date
29-Jul-16	Buy	4.60	2.84
13-Oct-15	Buy	4.80	3.25
29-Apr-15	Neutral	4.60	4.41
29-Sep-14	Buy	3.80	3.00

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows Caixa-Banco de Investimento continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
Current analyst: Carlos Jesus (since 06/09/2007)



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The company or companies covered in this report had knowledge of the changes in the fair-value, recommendation included in this report or validated the assumptions used in the report before its publication? No.

This report was initiated after the announcement of the 12M16 results and was concluded (produced) on the date and time mentioned on the ESN Recommendation System page and was published immediately afterwards.

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CaixaBI uses for valuation purposes primarily DCF valuation and Sum-of-the-Parts valuations as well peer group comparisons. The valuation methodologies used by CaixaBI is defined in the "Definition Guide", available in our website www.caixabi.pt.

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Within the last years, CaixaBI provided investment banking services to: Altri, BCP, BPI, Cofina, Corticeira Amorim, CTT, EDP, EDP Renováveis, Luz Saúde, Galp Energia, Ibersol, Impresa, Inapa, Jerónimo Martins, Mota-Engil, Mota-Engil Africa, Novabase, The Navigator company, Pharol, NOS, Semapa, SDC Investimentos, Sonae, Sonae Indústria, Sonae, Sumol + Compal, Teixeira Duarte, REN and Sonae Capital.

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The supervisory board chairman of CaixaBI is non-executive member of Galp Energia's board.

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Recommendation System:

Since 18 October 2004, the Members of ESN are using an Absolute Recommendation System (before was a Relative Recommendation System) to rate any single stock under coverage. Since 4 August 2008, the ESN Rec. System has been amended, with a time horizon of 12 months (it was 6 months). Since 1 April 2015, the ESN Rec. System has been adjusted (Hold replaced with Neutral and expected return bands was modified). Caixa Banco de Investimento is a Member of ESN, therefore uses the same Recommendations System of ESN. The ESN Recommendation System is Absolute. It means that each stock is rated on the basis of a total return, measured by the upside potential (including dividends) over a 12 months' time horizon.

The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: Buy, Accumulate, Neutral, Reduce and Sell (in short: B, A, N, R, S).

Meaning of each rating or recommendation:

Buy: the stock is expected to generate a total return of over 15% during the next 12-month time horizon;

Accumulate: the stock is expected to generate a total return of 5% to 15% during the next 12-month time horizon;

Neutral: the stock is expected to generate a total return of -5% to +5% during the next 12-month time horizon;

Reduce: the stock is expected to generate a total return of -5 to -15% during the next 12-month time horizon;

Sell: the stock is expected to generate a total return below -15% during the next 12-month time horizon;

Rating Suspended: the rating is suspended due to a capital operation (take-over bid, SPO, ...) where the issuer or a related party of the issuer is or could be involved or to a change of analyst covering the stock;

Not Rated: there is no rating for a company being floated (IPO) by the issuer or a related party of the issuer.

ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

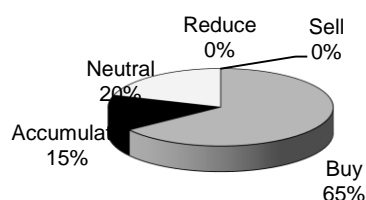
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months time horizon
- **Rating Suspended:** the rating is suspended due to a change of analyst covering the stock or a capital operation (take-over bid, SPO, ...) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved
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Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Caixa Banco de Investimento Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

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