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VALUE INVESTORS

## **European Investing Summit 2021**

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At the date of presentation, Magallanes, through the different investment vehicles managed and / or advised, holds a 5,47% stake in the share capital of Iberpapel.

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## 1. ABOUT US

- **Equity Long only** asset management company, founded in December 2014
- **Independent:** created and controlled by its founding partners
- **Co-investment – Alignment of interests** with our clients: >20% of AUM internally-owned
- **Family business culture** in the asset management company, in the portfolio and in our investors
- **AUM ≈ €2.2 BN**
- Specialized in one single strategy: **European equity** with a **Value Investing** philosophy, via the following vehicles:
  - European Equity 85%
  - Iberian Equity 10%
  - Microcaps 5%

**Aiming to preserve and increase capital in the long-run**

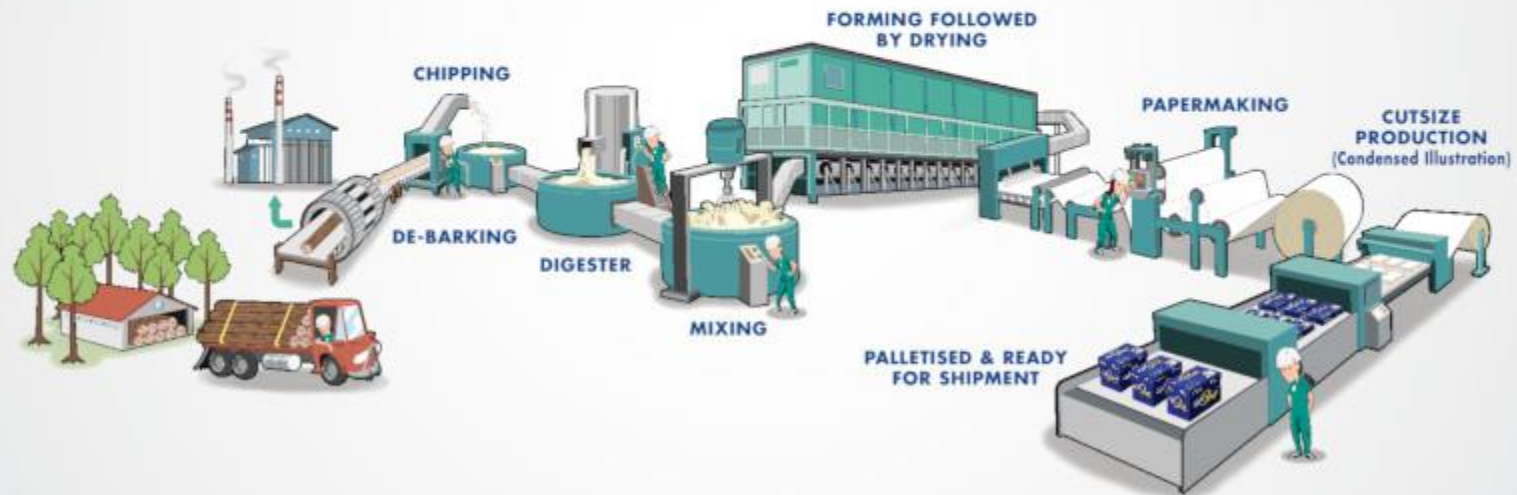
## 2. AT A GLANCE



- **Spanish paper company**
- Its unique producing asset is ***Papelera Guipuzcoana de Zicuñaga***
- Fully **integrated** – from the forest to the paper
- Paper capacity **250ktn/year**
- **Strong balance sheet**
- Experienced **management** team

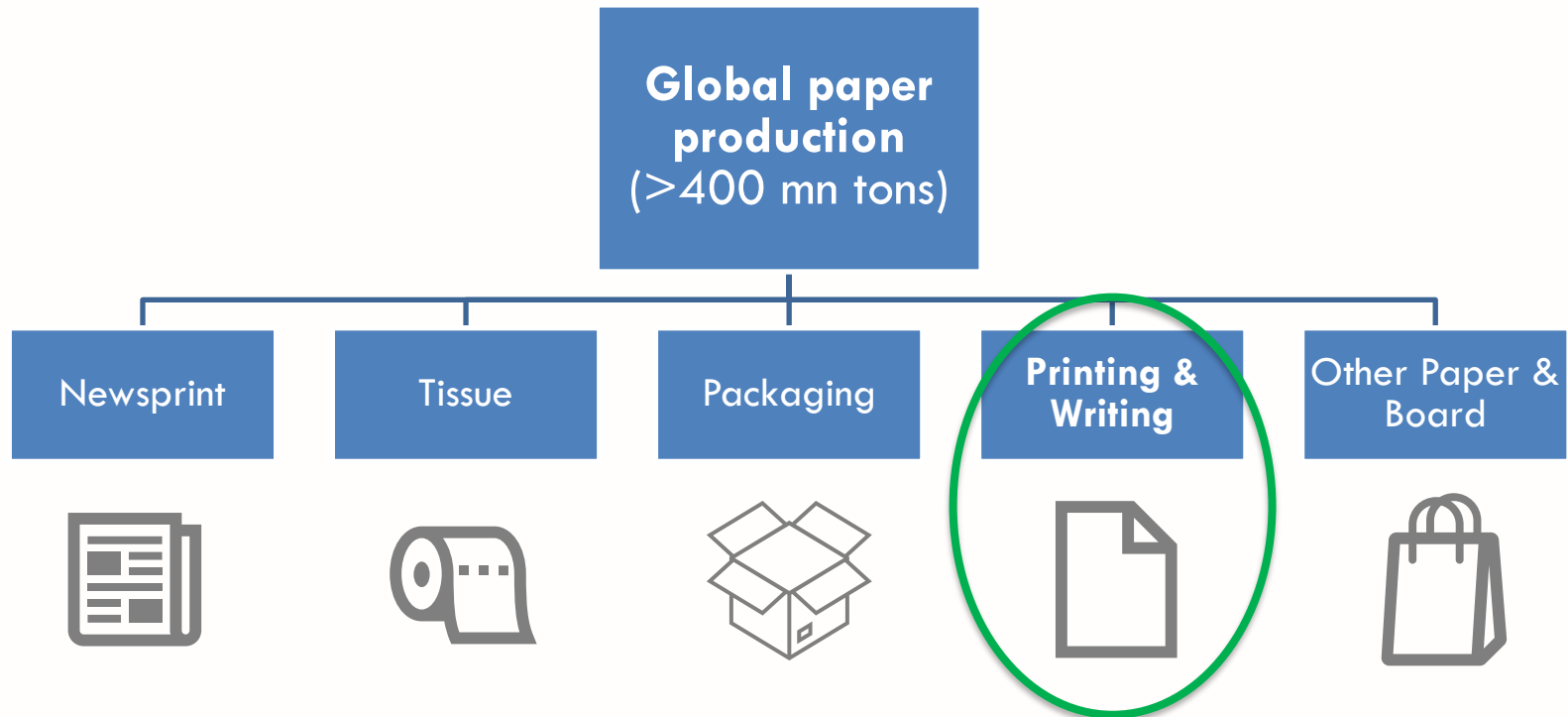
### 3. PAPER MARKET: HOW PAPER IS MADE?

## PULP PAPER MAKING PROCESS



Source: APRIL group

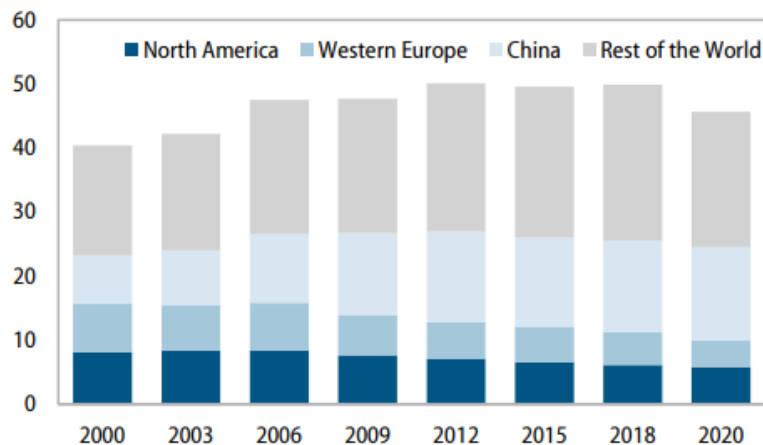
## 3.1. PAPER MARKET: KEY SEGMENTS





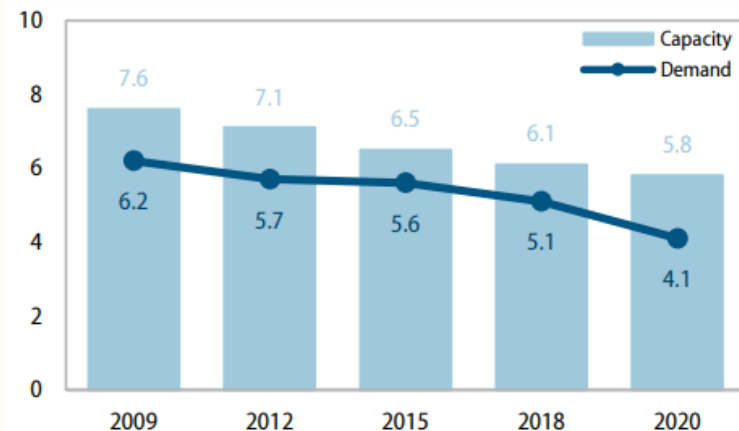
## 3.2. PAPER MARKET: UNCOATED WOODFREE PAPER (UWF)

UWF paper demand evolution by market (mn tons)



Source: Navigator & JB Capital

UWF paper demand and capacity in W.Europe



Source: Navigator & JB Capital

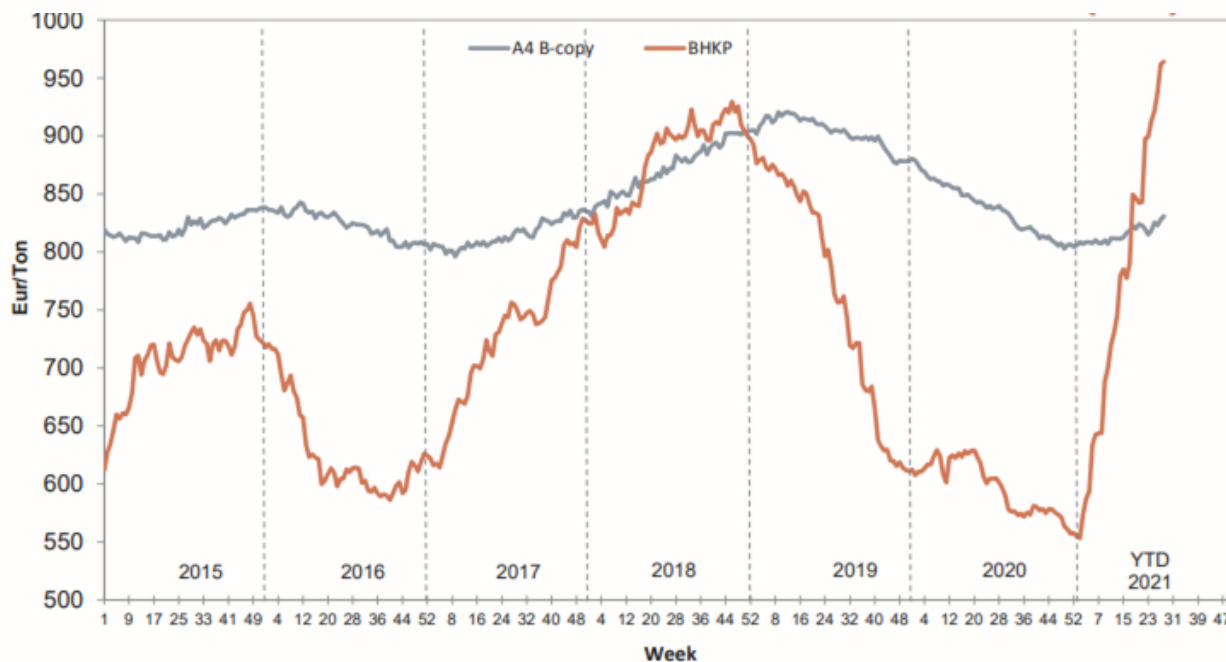
By 2022, capacity will be <5mn tons



### 3.3. PAPER MARKET: PRICING & PULP RELATIONSHIP

**HIGHER PULP PRICES = +PRESSURE ON NON-INTEGRATED PRODUCERS**

European market paper price – A4 B-Copy and BHKP (in €)



Average BHKP prices

	2014-19	2020	H1 2021
Europe USD	823	680	905
Europe EUR	711	596	752
China USD	622	460	702

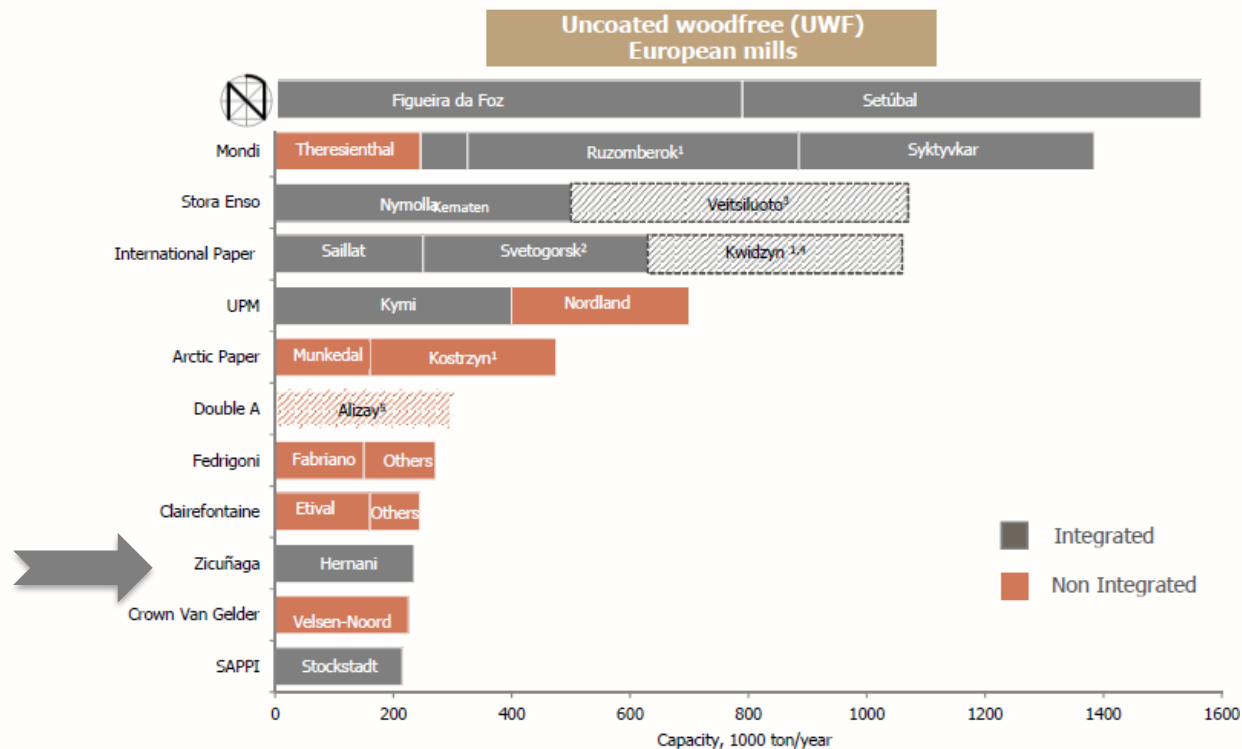
Average A4 B-Copy price

	2014-19	2020	H1 2021
EUR	844	836	814

Source: FOEX & Navigator

### 3.3. PAPER MARKET: LEVEL OF INTEGRATION

~70% INTEGRATED PLAYERS vs ~30% NON-INTEGRATED PLAYERS



<sup>1</sup> Mill located in Poland and Slovakia

<sup>2</sup> Mill located in Russia

<sup>3</sup> Mill will permanently close down during Q3 2021

<sup>4</sup> Sale of Kwidzyn to Mayr Melhof to be concluded by Q3 2021

<sup>5</sup> Alizay UWF production will stop in Q1 2022 after sale to VPK

Source: Navigator

## 4. IBERPAPEL: BREAKDOWN

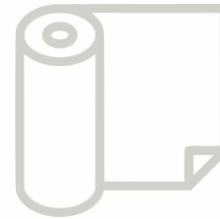
### BY REGION

**SPAIN 58%**

**EU 33%**

**RoW 9%**

### BY KIND OF PRODUCT



**35%**



**35%**



**30%**

## 4.1. IBERPAPEL: THREE COMPETITIVE ADVANTAGES



**Integrated group**

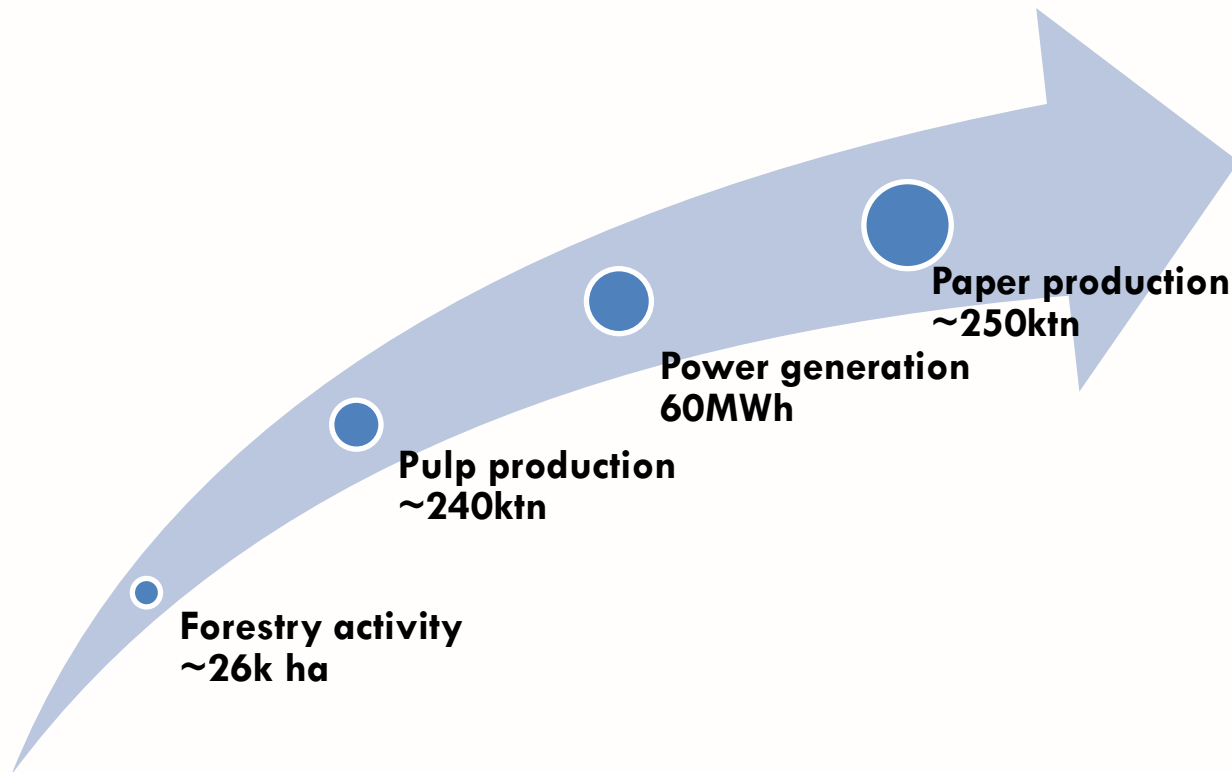


**Flexibility**

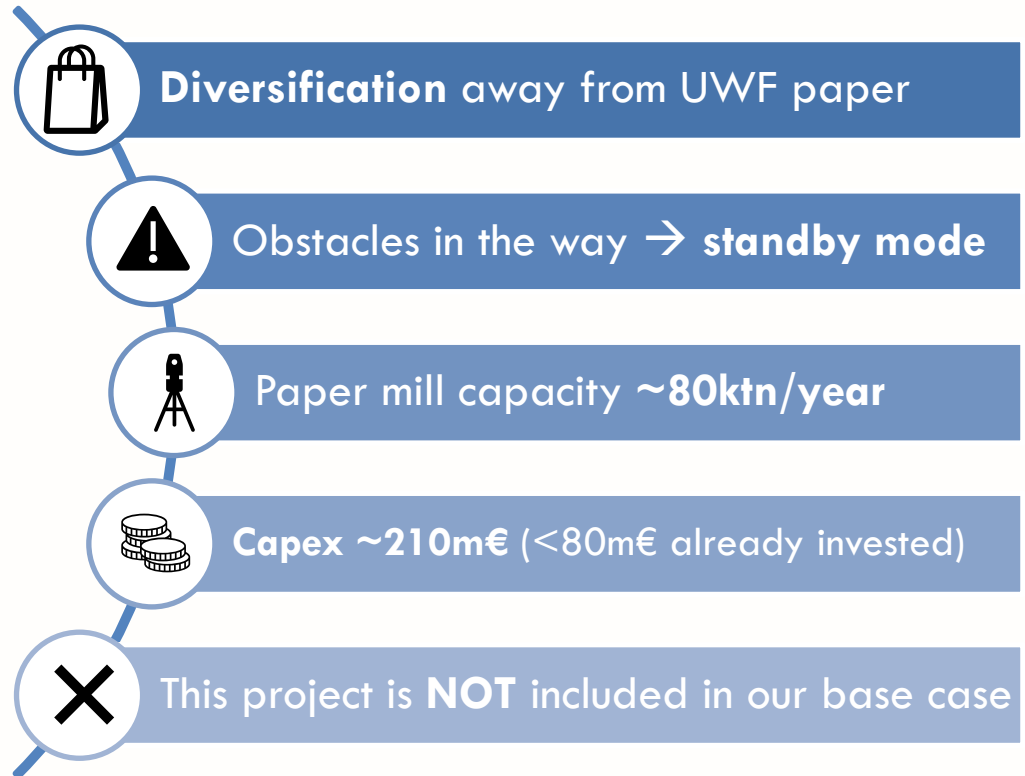


**Leadership in  
production & costs**

## 4.2. IBERPAPEL: BUSINESS INTEGRATION



## 4.3. IBERPAPEL: HERNANI PROJECT



## 5. IBERPAPEL: GOOD MOMENTUM



UWF demand recovery  
(+6% YTD) and **less  
capacity** in Europe



Supply disruptions are  
**good for European  
paper producers**

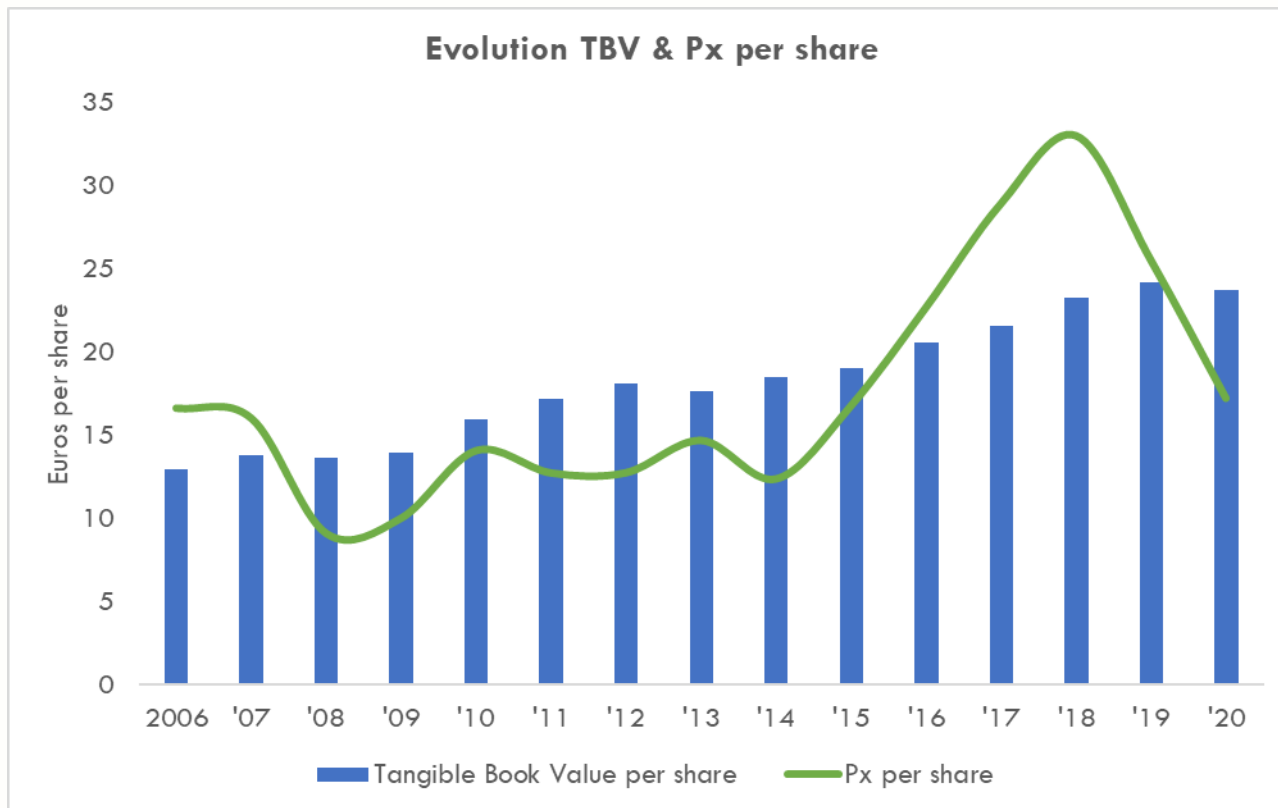


Hunt for **cyclical small-  
cap stocks**

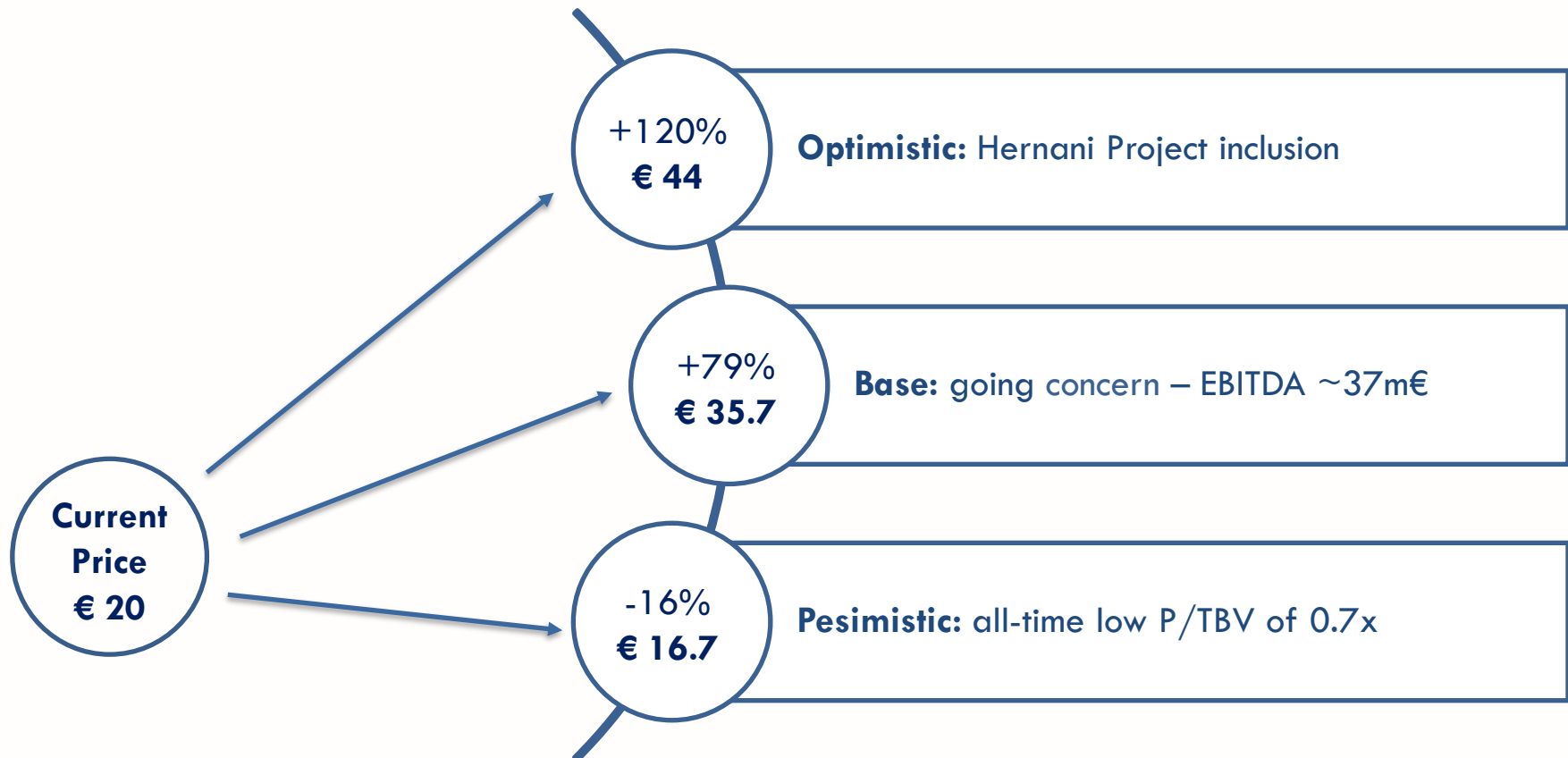


## 5.1. IBERPAPEL: VALUE CREATION

**VALUE CREATION >7%/year ( $\Delta$ TBV + DIVIDEND YIELD)**



## 5.2. IBERPAPEL: VALUATION



## 6. FINAL REMARKS



**“UNCOOL” INDUSTRY**



**TRACK- RECORD**



**EXPERIENCED MANAGEMENT**



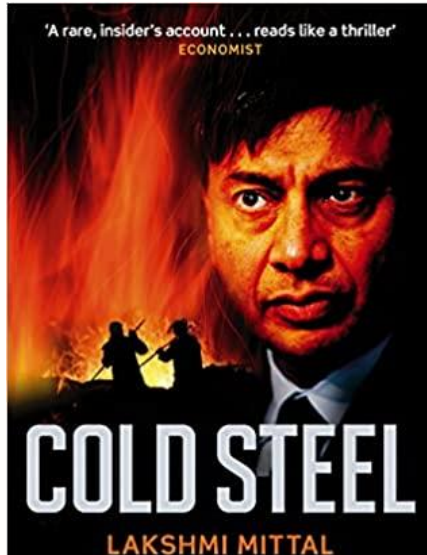
**SOUND BALANCE SHEET**



**CHEAP VALUATION**



## 6. A BOOK, SERIES AND PHRASE



“An investor who has all the answers doesn’t even understand all the questions. A **know-it-all approach** to investing will lead, probably sooner than later, to disappointment if not outright disaster”.- John Templeton



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VALUE INVESTORS

Signatory of:  
**PRI** Principles for  
Responsible  
Investment

# THANK YOU

