



THE ICELAND SEAFOOD GROUP  
Q1 2022 RESULTS

# Presentation to Investors and Analysts





**Q1 2022 Results**  
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and Analysts

# 90

YEARS 1932–2022

**We are  
Iceland Seafood**



## Iceland Seafood in numbers

449m+

€ Annual revenues in 2021

12.5m

Normalised PBT 2021

32.8%

Equity ratio at year  
end 2021

Global value-added  
Seafood producer and  
sales and marketing  
company



11

Businesses in 7 countries



5.000+

Customers across 45 countries



1.0m+

Meals sold every day  
during 2021



7

value added factories



945+

employees



100.000

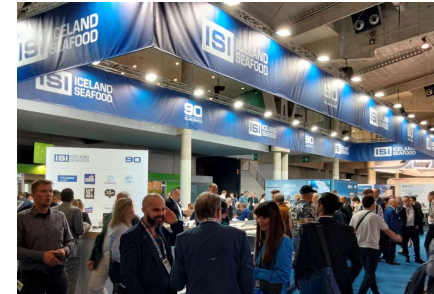
MT of products  
sold in 2021



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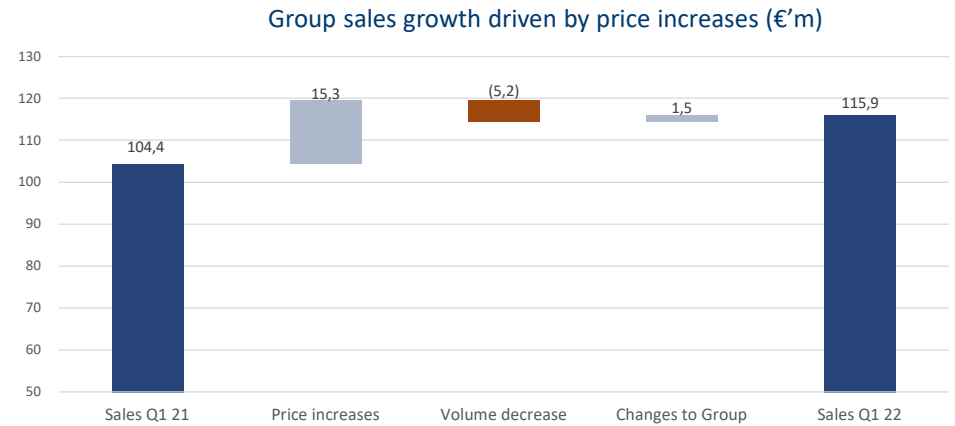
# The Iceland Seafood family at the Seafood Expo Global Barcelona 2022



## Significant rapid price increases in all areas impacting Group operation in Q1

Increased political risk and disruptive supply chains bringing on challenges and opening up opportunities at the same time

- Significant and rapid price increases in all areas during Q1 2022, driven by strong demand and unstable supply. There are signs which indicate that prices are leveling off in certain areas,
- These price increases have impacted Iceland Seafood negatively. This is a timing issue as all industry participants experience similar cost increases. It takes longer time to pass the cost on in retail than foodservice,
- Iceland Seafood has increased prices to its customers, but cost increases have been steeper than anticipated. Price increases have come into effect in Q1 and Q2 and will further come through in Q3. Iceland Seafood will continue to adjust prices in accordance with cost increases as needed,
- Due to Covid19 and geopolitical turmoil, it is expected that price volatility and disruptions in various supply chains will continue for the coming months, with increased prospects of deglobalization,
- This will have negative impact on profitability of the sector in general, as companies are likely to carry higher inventories and diversify the supply base further to manage the underlying risk,
- On the other hand, it is likely that production will move closer to consumers. Production in Europe will become more competitive where automation and investments in production efficiencies will play a key role. Iceland Seafood is in good position to benefit from this development,
- The operation of Iceland Seafood is well balanced. The company is in good position to address challenges and utilize opportunities that will arise, due to its strong sourcing base and value-added operations close to key markets.



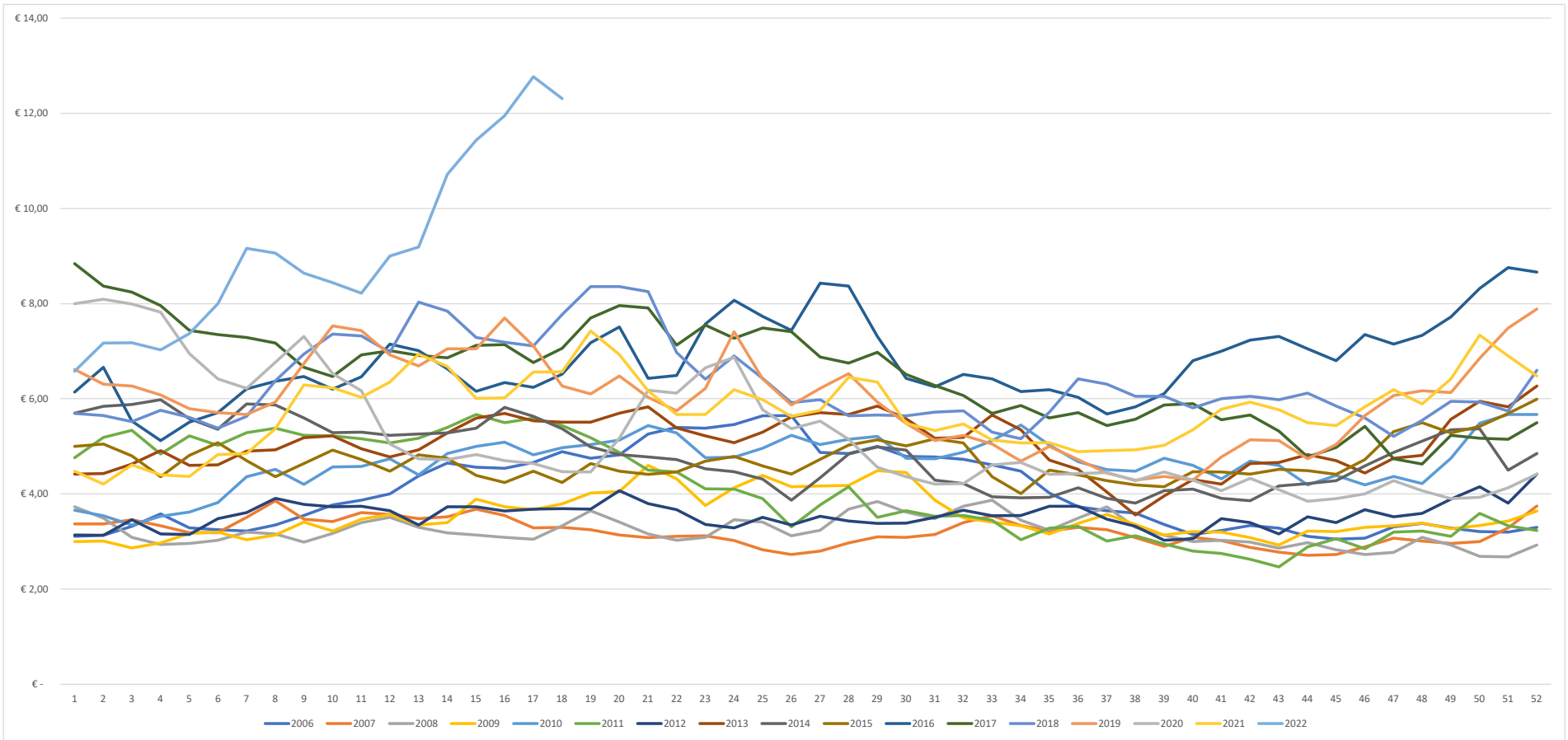
Investments going forward can be segmented into three main categories:

- Investments connected with **sustainability** matters. E.g., Solar Panels, waste management, water treatment etc. New head of ESG for the Group, Elma Sif Einarsdóttir, started in January 2022,
- Investments connected with **automation** and operational efficiency. This is key in driving efficiency, further enhancing consistency and increasing competitiveness,
- Marketing and **branding** investments, Iceland Seafood has invested in companies with retail or consumer brands (Carr&Sons, Ahumados Domínguez). The Group plans to further invest in the brands it holds and increase their value.



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# Salmon prices have hit all time high. Weekly Salmon prices (2006 – 2022)





## S-Europe off to a good start despite of price increases, weaker supply and unfavorable external conditions

### Integration opportunities being realized

- Record sales of €20.2m in March, which is 25% up on last Year, largely driven by price increases,
- Q1 sales of IS Ibérica up 36% on previous year. However in volume, sales were below plan,
- Factory reforms and extension plan on track including installation of solar panels, aimed to provide significant future savings in electricity cost in the factory,
- First cross selling project between Ahumados Dominguez (AD) & Iceland Seafood Ibérica “Ahumados Domínguez **FRESH**” well on its way. First products exposed in Madrid Fusion and Seafood Expo Global exhibitions in March and April this year generating good interest from buyers,
- Increased distribution of salmon products has been secured following marketing campaign in December 2021. These benefits will come through in Q3.

### Rawson season concluded. Overall fishing volumes were 10% lower than last year

- Production volume of Argentinean shrimp at Achernar was 21% down on Q1 last year, impacted by lower fishing volumes (10% lower than last year) and unstable labour environment,
- Market conditions remain good, prices have been stable, supported by good demand from key markets in Europe and US and lower supply due to less fishing during the Rawson season,
- Overall, a positive but uncertain outlook given the dynamic environment we are operating in. Substantial logistical challenges impacting both costs and export of product out of Argentina to Europe and Asia.

## New aligned management team in place at IS UK. Key task in the short term to push through extreme cost increases

Production volume ramping up, but cost increases and difficult labour market still having negative impact

- All UK operations moved into a single location at year end 2020. The merger process and integration has proven to be more costly and complex than anticipated, severely impacted by both Brexit and Covid19,
- Production continued to be affected by difficult labour market and Covid situation in the beginning of the year but started improving from beginning of March. Production of coated products has ramped up from c.a. 100MT to 190MT per week from that time,
- Price increases of all input is bringing on additional challenges. Significant cost increases of raw material, packaging, ingredients, labour etc,
- Investment in automation actively explored to address difficult labour situation and improve efficiency. Lead time of new equipment delivery has increased substantially.

Strengthening of management team fully completed with Glen Mathews joining as MD at end of February

- Glen was previously the Production Director of Hilton (former Icelandic Seachill), for 20 years, managing over 1,400 employees across three factories,
- The management team has been strengthened in various positions during Q1. People with retail processing and commercial experience have joined the business, many of them have worked successfully together in their previous jobs,
- Key focus points of the team in the short term are:
  - To stabilize and improve efficiency and quality in the production. Steps have been taken in that direction but there is still a way to go,
  - Cost reductions have been implemented and are starting to pay off,
  - To push through price increases to customers. This takes time, especially with retail customers,
- At the same time the long term vision and strategy is being reviewed with the aim of fully utilising the potential of the business.





# Branded products continue to grow as a proportion of total sales - now 56%+ and growing

## Sales value of branded products 2021





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# Financial performance



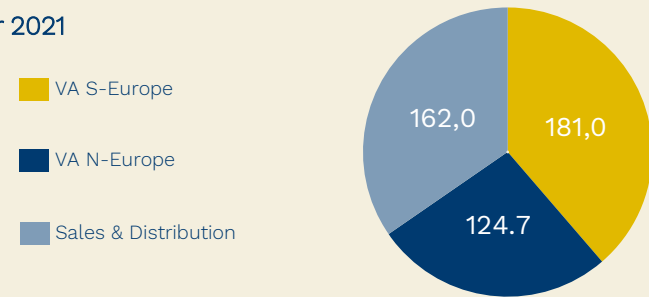
# Unique combination of sourcing expertise and well positioned value added activities

Iceland Seafood Int'l management					
Sales & Distribution		Value Added N-Europe		Value Added S-Europe	
IS Iceland		IS UK		IS Ibérica	
IS France		Oceanpath		Elba	
IS Germany		Dunns of Dublin		Ahumados Dominguez	
		Carr & Sons		Achernar	

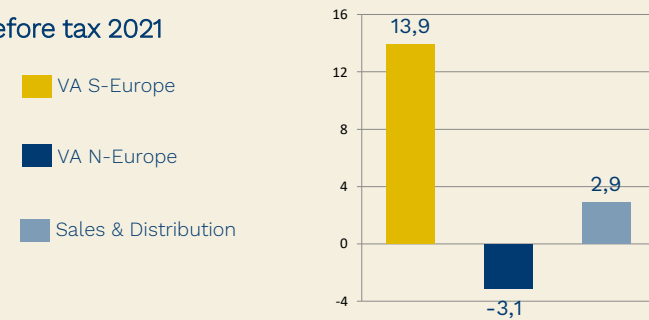
## Employees

28 (3,0%)		398 (42.1%)		515 (54.5%)	
Executive management & Group reporting:			4 (0.4%)		

## Turnover 2021



## Profit before tax 2021



## 45% increase in sales from Q1 21, driven by price increases and the addition of Ahumados Dominguez

€ m's	Q1 22	Q1 21
Sales	54.1	37.2
Net margin	7.5	6.0
Normalised EBITDA	3.2	3.4
Normalised PBT*	2.6	3.1

\* Normalised PBT represents Profits before tax before allowing for significant items.

\*\* Ahumados Dominguez in the figures from Q4 21



- > VA S-Europe
- > VA N-Europe
- > Sales & Distribution

Sales in Q1 2022 of €54.1m up €16.9m on Q1 2021

- Strong demand for product in all categories. Sales growth largely driven by price increases,
- Production volume of Argentinian shrimp at Achernar 21% down on Q1 last year, impacted by lower fishing volumes and unstable labour environment,
- Sales of Ahumados Dominguez €4.4m in the period, grew by 16% from last year. Market campaign in December delivering sales growth,

Normalised PBT of €2.6m, down €0.5m from Q1 2021

- Overall good results considering the extreme challenges in the operating environment,
- Strong margins on key products, especially light salted cod. Good market conditions for Argentinian shrimp also contributed to the results,
- Lower production volume at Achernar than last year, which negatively impacted the results. Squid season in Argentina starting at end of Q1 has been going well, which will help results in Q2,
- Margin and profitability of Ahumados Dominguez impacted by extreme price increases of salmon in the period.

# Significant and rapid price increases in all areas impacted the divisional results in the period

- > VA S-Europe
- > VA N-Europe
- > Sales & Distribution

€ m's	Q1 22	Q1 21
Sales	28.6	31.8
Net margin	(0.1)	3.1
Normalised EBITDA	(2.0)	1.2
Normalised PBT*	(2.9)	0.3

\* Normalised PBT represents Profits before tax before allowing for significant items.

10% decrease in sales compared to same period last year

- Demand in Ireland unusually strong in Q1 2021, due to lockdown restrictions on restaurant activity and strong position of our Irish operation post Brexit,
- The price increases that have been put through in the period, have had negative impact on demand,

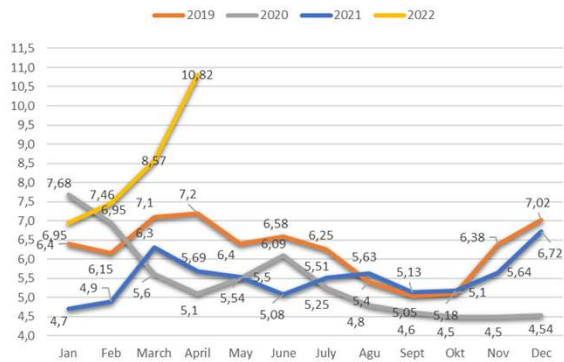
Sales in UK negatively impacted by the Omicron variant in the beginning of the year. Challenges in production and disruptive supply chains also impacted sales and service levels in UK,

Foodservice demand has picked up in the period and is getting similar to pre-covid levels,

Negative PBT of €2.9m

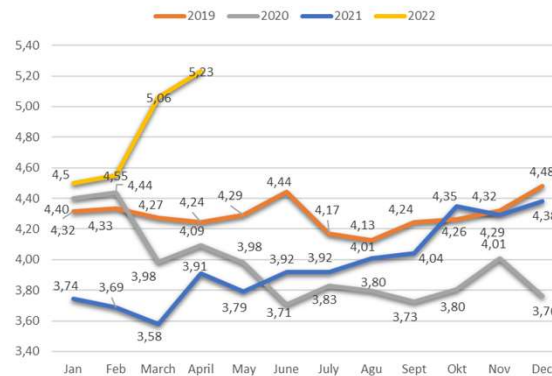
- Extreme price increases of all input factors having significant impact on the Q1 results both in Ireland and UK,
- Both businesses are more reliant on sales to retail customers than foodservice, it takes longer to pass on price increases to customers within retail,
- IS UK business was still loss making in the period. On top of extreme cost increases the production operation and demand was impacted by the outbreak of Omicron and disruptive supply chains in the period,
- Formation of new management team in UK completed in the period, with the addition of experienced and aligned professionals,
- Impact of price increases is a timing issue as all industry participants experience similar cost increases, but the pace of price increases has been unprecedented.

Salmon prices (€/kg)



Source: SeaData Center

H&G cod frozen prices (US\$/kg)



Source: Norges Sjømatråd

# Strong start of the year for S&D division, 50% growth in profitability from same time last year

- > VA S-Europe
- > VA N-Europe
- > Sales & Distribution

€ m's	Q1 22	Q1 21
Sales	40.4	39.4
Net margin	2.1	1.8
Normalised EBITDA	0.9	0.6
Normalised PBT*	0.9	0.6

\* Normalised PBT represents Profits before tax before allowing for significant items.

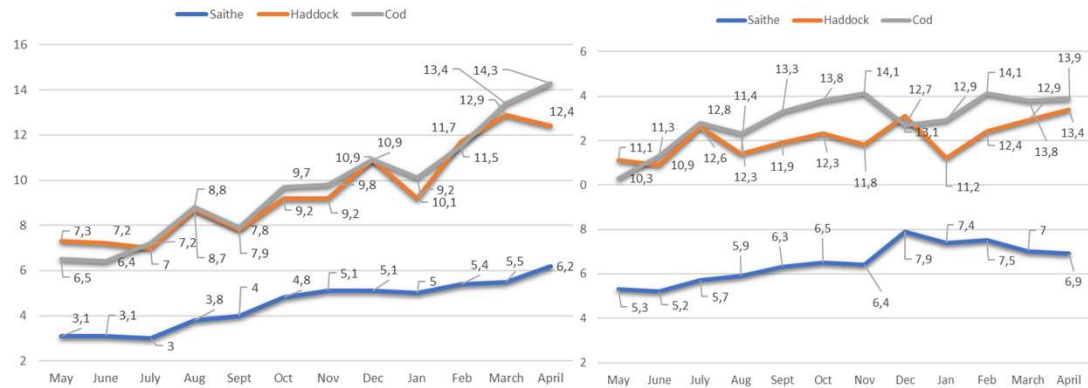
Continuing strong demand for products from Iceland

Normalised PBT of €0.9m up 50% from Q1 2021

- Overall, the division is benefiting from the extreme price increases in the period,
  - Growth in sales of all product categories, except pelagic, from same time last year,
  - Ukraine is an important market for pelagic products. That market closed with the Russian invasion at end of February, but slowly opened again at end of the period,
  - Demand for Icelandic groundfish products increased after the invasion, as some customers are looking for alternatives to products of Russian origin,
  - Continuing Covid 19 related supply chain disruptions are having further positive impact on demand for Icelandic products, both in Europe and US.
- Net margin €0.3m up on last year, helped by strong sales and price increases in the period,
  - Sales and profitability in France improved from last year, both from frozen and fresh products. The German operation continued to perform well,
  - Operating and finance costs are in line with last year, resulting in divisional Normalised PBT of €0.9m, compared to €0.6m in Q1 2021.

**Frozen at Sea fillets (€/kg)**

**Fresh fillets (€/kg)**



## Breakeven results at Normalised PBT level in the period

Iceland Seafood  
Int'l

€ m's	Q1 22	Q1 21
Sales	115.9	104.4
Net margin	9.4	10.9
Normalised EBITDA	2.0	5.1
Normalised PBT*	0.0	3.7
Net Profit	(0.7)	2.7

\* Normalised PBT represents Profits before tax before allowing for significant items and discontinued operations.

\*\* Ahumados Dominguez in the figures from Q4 21



Group sales 11% up on Q1 2021

- Sales growth driven by higher prices in all regions,
- Sales in S-Europe increased by €12.6m on a like-for-like basis (excluding Ahumados Dominguez). Sales of IS Iberica up 36% in value but 18% in volume,
- In N-Europe sales to retail in Q1 2021 were exceptionally good, especially in Ireland, due to covid impact on restaurant activities. Rapid price increases negatively impacting demand in the market during Q1 2022,
- Continuing strong demand for Icelandic products. Slight increase in sales of S&D division, despite closing of the US sales office late 2021.

Profitability impacted by price increases of all input

- Net margin down €1.5m, impacted by the extreme cost increases in the period.
- Operating costs €1.7m higher than Q1 2021, driven by the addition of Ahumados Dominguez (€1.6m),
- Finance cost slightly up on prior year, due to increase in net debt. Adverse movement of €0.2m in FX from Q1 2021
- Breakeven results at Normalised PBT level, compared to €3.7m profit in Q1 2021,
- After considering cost of significant items and income tax (€3.1m), net loss in the period of €0.7m was €3.4m down on the results same time last year.

## Seasonally high inventory balance at end of March. Price inflation further increase value of inventories

€ m's	31.3.2022	31.12.2021	Variance
Fixed assets	32.0	31.6	0.5
Leased assets	1.8	1.9	(0.1)
Intangible assets	62.5	62.6	(0.1)
Deferred tax/other	4.2	4.9	(0.8)
<b>Non-Current Assets</b>	<b>100.5</b>	<b>101.0</b>	<b>(0.5)</b>
Inventory	85.5	77.3	8.2
Trade and other receivables	72.3	65.7	6.6
Other assets	8.2	7.6	0.6
Bank deposits	27.6	27.8	(0.1)
<b>Current Assets</b>	<b>193.7</b>	<b>178.4</b>	<b>15.3</b>
<b>Total Assets</b>	<b>294.2</b>	<b>279.4</b>	<b>14.8</b>

Inventories increased by €8.2m from year beginning, reflecting seasonality of inventories in S-Europe both in terms of cod and Argentinean shrimp,

Price increases of raw material further increase value of inventories. In volumes, inventories at end of March are lower than same time last year,

Accounts receivables are €6.6m higher than at year end, driven by higher sales in S-Europe division.

At end of December, 79% of Group receivables are insured, AD receivables are still not insured. (Without AD the ratio is 82%)

Net debt at end of March were €102.9m, increased by €8.7m in the period, driven by increase in total assets,

Cash position is strong at end of March. The balance is expected to decrease in Q2 with positive impact on equity ratio,

€ m's	31.3.2022	31.12.2021	Variance
<b>Total Equity</b>	<b>90.9</b>	<b>91.7</b>	<b>(0.8)</b>
Thereof minority interest	2.2	2.3	(0.1)
Long term borrowings	38.3	40.3	(2.0)
Lease liabilities	1.4	1.5	(0.1)
Obligations/Deferred tax	2.4	2.3	0.1
<b>Non-Current Liabilities</b>	<b>42.1</b>	<b>44.1</b>	<b>(2.0)</b>
Short term borrowings	92.2	81.6	10.6
Trade and other payables	58.9	52.2	6.7
Other current liabilities	10.1	9.6	0.4
<b>Current liabilities</b>	<b>161.2</b>	<b>143.5</b>	<b>17.7</b>
<b>Total Equity and Liabilities</b>	<b>294.2</b>	<b>279.4</b>	<b>14.8</b>

Loan agreement of €20m with Arion banki extended for 3 years in April 2022. The bank will provide funding to the S&D division. The facility is currently undrawn,

Group funding headroom (including bank deposits) is around €57.3m at end of March,

Total equity of €90.9m and equity ratio of 30.9% compared to 32.8% at end of 2021.





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Outlook



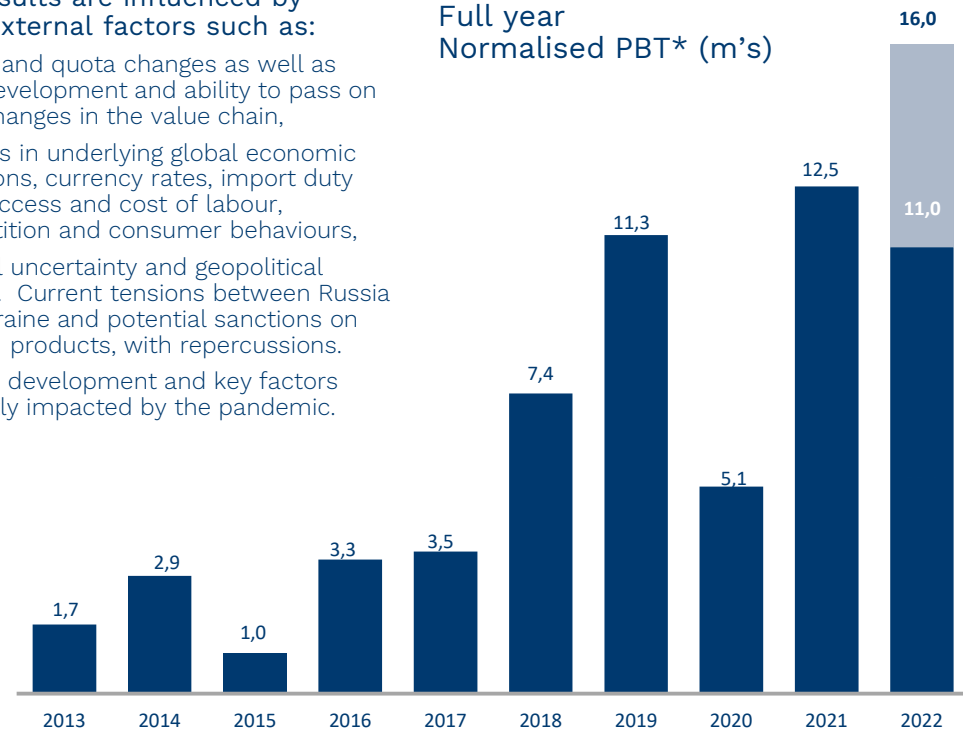
## Revised outlook range for Normalised PBT €11.0-16.0m (previously €14.0-19.0m)

- Results of Q1 impacted by extreme price increases of all input factors. As an example, salmon prices increased by 63% from beginning of the year to end of March,
- There are signs which indicate that prices are leveling off in certain areas, e.g. salmon prices have come down since reaching the top at end of April. However, it is expected that price increases will significantly impact results in Q2,
- Access to labour continues to be challenging, especially in our N-Europe manufacturing operations,
- Disruptions and cost increases in various supply chains are expected to continue, with increased prospects of deglobalization. This will negatively impact efficiency and profitability of the sector, as companies are likely to carry higher inventories and diversify their supply base to manage underlying risk,
- At the same time, it is likely that production will move closer to home. Iceland Seafood is in good position to benefit from this development with its value-added production facilities in Europe,
- Investments in automation and energy saving projects are being implemented to address difficult labour market and improve efficiency. These investments have short payback time,
- Revised outlook range for Normalised PBT of €11.0-16.0m for the year 2022. This is based on the assumption that prices of key raw material input are leveling off, and the Group will succeed with implementing price increases in certain areas that are still pending,
- Q4 is a key trading period for the Group, in terms of smoked salmon, light salted cod and Argentinean shrimp. Largest part of the projected profit is expected to be generated during that quarter.

### Group results are influenced by various external factors such as:

- Fishing and quota changes as well as price development and ability to pass on price changes in the value chain,
- Changes in underlying global economic conditions, currency rates, import duty rates, access and cost of labour, competition and consumer behaviours,
- Political uncertainty and geopolitical turmoil. Current tensions between Russia and Ukraine and potential sanctions on Russian products, with repercussions.
- Covid19 development and key factors indirectly impacted by the pandemic.

### Full year Normalised PBT\* (m's)



***With recent investments and projects that will increase efficiency and drive profit growth, the Group is in strong position to reach its target of Normalised PBT in excess of €20m when the external environment stabilizes.***

# Forward Looking Statements

## Disclaimer

This presentation is furnished and intended for European market participants and should be viewed in that manner.

Any potential forward looking statements contained in this presentation are reflective of managements current views on future events and performance,

whilst the views are based on positions that management believes are reasonable there is no assurances that these events and views will be achieved. Forward looking views naturally involve uncertainties and risk and consequently actual results may differ to the statements or views expressed.

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SEAFOOD



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