



# SalMar ASA

Presentation Q4 2019

CEO Gustav Witzøe

CFO & COO Trine Sæther Romuld



# Agenda

- Highlights
- Operational update
- Financial update
- Outlook

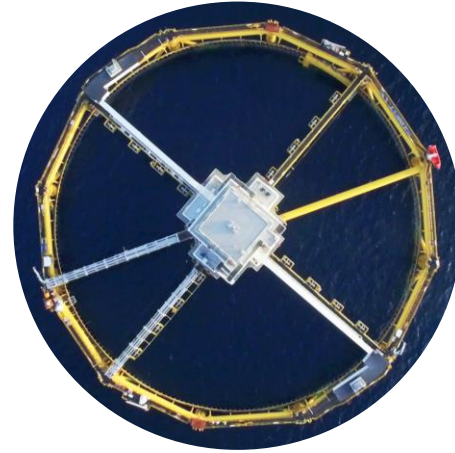
# Oceans of opportunity

Two directions going forward – coastal and offshore fish farming



## COASTAL

- Cost leadership and leading role in industry development
- Seek attractive M&A opportunities
- Take our share in growth opportunities



## OFFSHORE

- SalMar Ocean - pioneering and leading the way in offshore fish farming
- Potential to be main growth driver going forward
- Confident through the results of Ocean Farm 1, strong biological performance so far on 2<sup>nd</sup> production cycle

# SalMar – strategic highlights



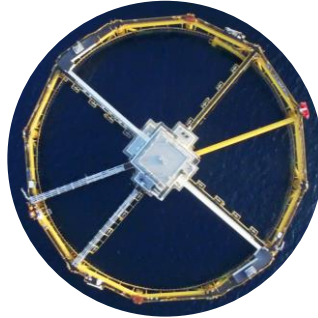
## Genetics & smolt

- Follafooss 2
- Senja 2 (under development)
- New plot acquired in Tjuin – Central Norway
- Closed net pen



## Farming

- Continuous improvements
- Learning from best practice
- “On the site-managers” terms
- Cost program ongoing
- New sites & zone structure
- Optimize organization in respect of production volume



## Offshore Farming

- SalMar Ocean established
- Build and develop an organization to handle growth ambition
- See big potential – ongoing processes on schedule



## Industry & sales

Continuous improvements

### *Industry*

- Optimize use of InnovaMar
- Complete InnovaNor
- Upgrade of Vikenco

### *Sales*

- Optimize allocation of salmon
- Best distribution

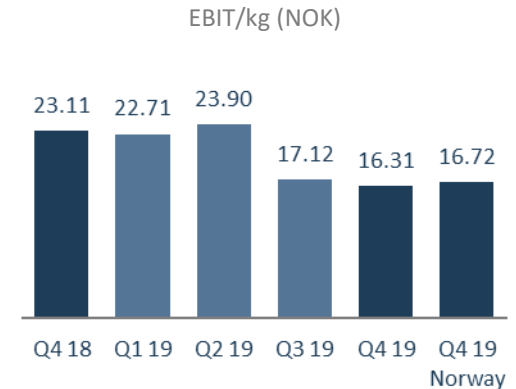
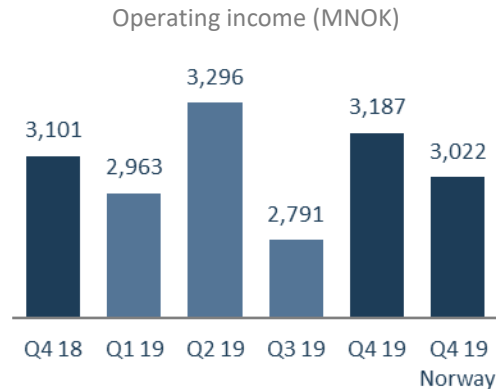
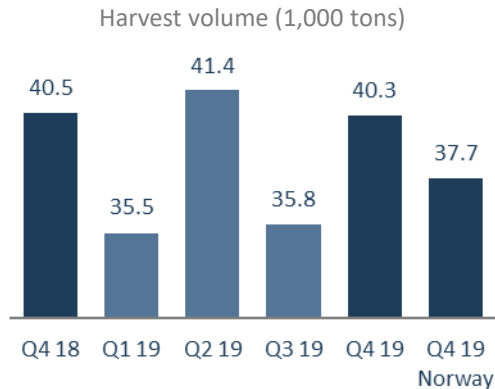


## Other

- Continue to develop Arnarlax
- Big biological and market potential

# Fourth quarter highlights

- Total operational EBIT 658 MNOK and harvest volume 40,300 tons
- Strong operational improvements for Northern Norway
- Weak price achievement in Central Norway due to large volume in the period where prices were lowest
- Lower volume has affected capacity utilization and spot price increase has given lower contribution from fixed price contracts
- Guiding of 152,000 tons in Norway maintained and increase guidance on Iceland to 12,000 tons
- Propose dividend for 2019 of NOK 21.00 per share





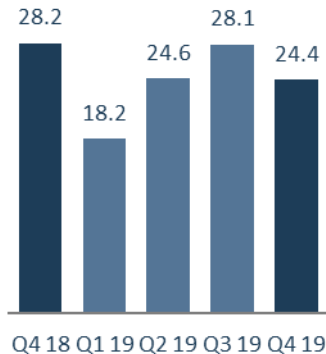
A wide-angle photograph of a salmon farming operation in a fjord. In the foreground, a large circular salmon cage is visible, constructed from metal frames and netting. The water is a deep blue. In the background, a range of rugged, snow-capped mountains rises against a clear blue sky. The text "DETAILED OPERATIONAL UPDATE" is overlaid in white, bold, sans-serif font across the center of the image.

# DETAILED OPERATIONAL UPDATE

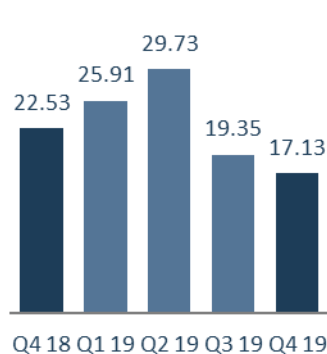
# Farming Central Norway

	Q4 2019	Q4 2018	FY 2019	FY 2018
Operating income (NOKm)	1,349	1,577	5,670	5,962
Operational EBIT (NOKm)	418	636	2,165	2,533
Operational EBIT %	31.0 %	40.3 %	38.2 %	42.5 %
Harvested volume (tgv)	24.4	28.2	95.3	100.1
EBIT/kg	17.13	22.53	22.71	25.31

Harvest volume (1,000 tons)



EBIT/kg (NOK)



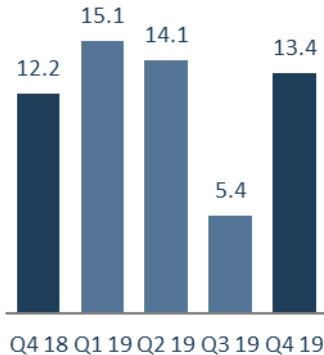
- Results in the period impacted by unfavorable harvest distribution
  - High volumes at the beginning of the period where price were the lowest
  - Earlier harvest of autumn 2018 as a preventive measure to reduce biological risk due to sea lice pressure in the beginning of the period
  - Impacting both costs and price achievement negatively
- Spring 18 generation accounted for 55 % of the volume and was finished harvested in the quarter
- Expect a lower volume due to seasonality and stable costs in Q1 2020
  - Continue harvesting of autumn 2018 generation in Q1 and will start harvesting of spring 2019 generation which has shown good biological results.
- Expect to harvest 103,000 tons in 2020

# Farming Northern Norway

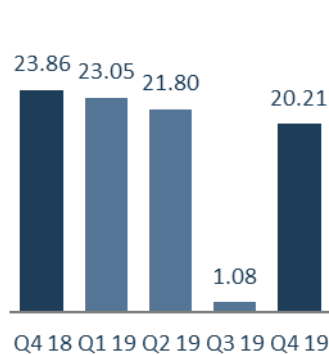
	Q4 2019	Q4 2018	FY 2019	FY 2018
Operating income (NOKm)	746	701	2,789	2,645
Operational EBIT (NOKm)	270	291	931	1,154
Operational EBIT %	36.2 %	41.6 %	33.4 %	43.6 %
Harvested volume (tgv)	13.4	12.2	48.0	42.4
EBIT/kg	20.21	23.86	19.41	27.24

- Results as expected in the period
- Significant cost improvements compared to previous quarters
- Spring 18 generation accounted for 55% of harvested volume
- Started Autumn 18 generation harvesting with good biological performance
- Expect similar volume and costs at the same level in Q1 2020
- Expect to harvest 49,000 tons in 2020

Harvest volume (1,000 tons)



EBIT/kg (NOK)

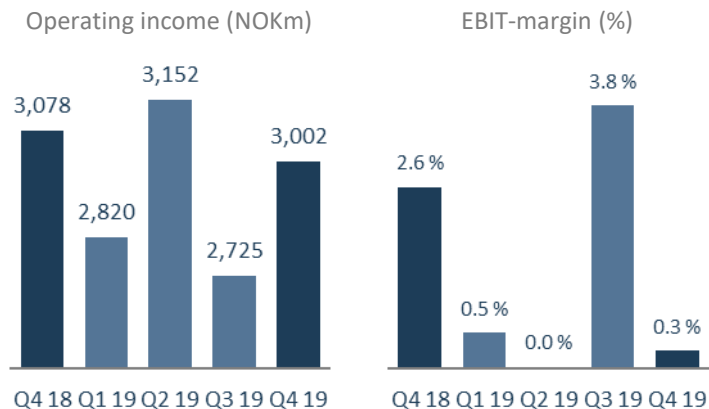




# Sales & Processing

	Q4 2019	Q4 2018	FY 2019	FY 2018
Operating income (NOKm)	3,002	3,078	11,699	11,432
Operational EBIT (NOKm)	8	79	124	-13
Operational EBIT %	0.3 %	2.6 %	1.1 %	-0.1 %

- Higher fixed cost per kg due to lower volumes
- Contract share at 20 % in the period with lower positive contribution compared with previous quarter due to spot price increase
- Contract share currently at 30% for Q1 2020 and 20% for FY 2020 with prices slightly up from the level in 2019
- Expect lower volume in Q1 2020 due to seasonality
- Construction work on InnovaNor is progressing according to plan

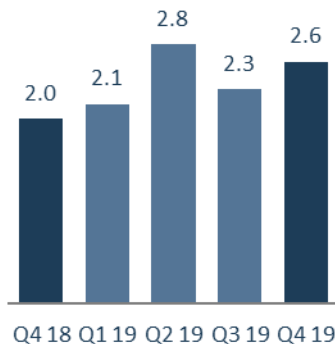


# Arnarlax (Iceland)

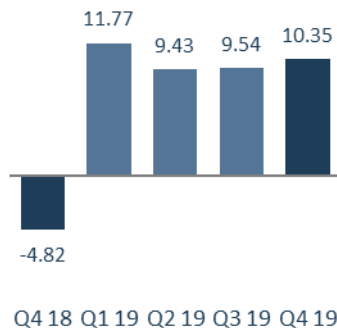
	Q4 2019	Q4 2018	FY 2019 <sup>1</sup>	FY 2018
Operating income (NOKm)	165	114	627	400
Operational EBIT (NOKm)	27	-10	100	-79
Operational EBIT %	16.3 %	-8.4 %	16.0 %	-19.7 %
Harvested volume (tgv)	2.6	2.0	9.8	6.7
EBIT/kg	10.35	-4.82	10.21	-11.82

1) Consolidated results from February 2019

Harvest volume (1,000 tons)



EBIT/kg (NOK)

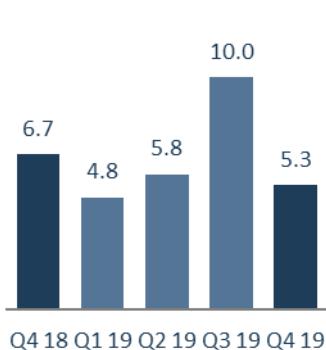


- Positive contribution in the period
  - Stable production costs and stable capacity utilization at the harvesting plant
- Harvested from 17 generation in the quarter and started harvesting of 18 generation
- Expect higher volume in Q1 and higher costs
  - Larger harvesting of 18G due to increased mortality caused by winter wounds in a period with severe winter storms in January and February 2020
- Guiding increased to 12,000 tons harvest volume in 2020
  - Revised harvest plan for 2020 with more harvest before the winter starts due to lessons learned from increased mortality in the beginning of 2020

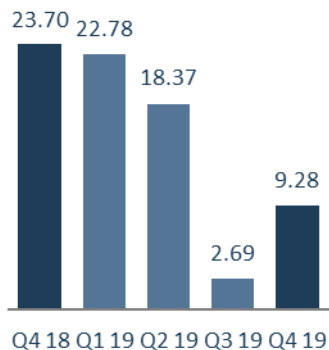
# Norskott Havbruk (Scottish Sea Farms)

	Q4 2019	Q4 2018	FY 2019	FY 2018
Operating income (NOKm)	392	512	1,834	2,057
Operational EBIT (NOKm)	49	158	292	661
Operational EBIT %	12.6 %	30.8 %	15.9 %	32.1 %
Value adjustments biomass	109	50	-48	-10
Profit before tax	152	202	229	640
SalMar's share after tax	73	83	106	265
Harvested volume (tgv)	5.3	6.7	25.9	27.5
EBIT/kg	9.28	23.70	11.29	24.06

Harvest volume (1,000 tons)



EBIT/kg (NOK)



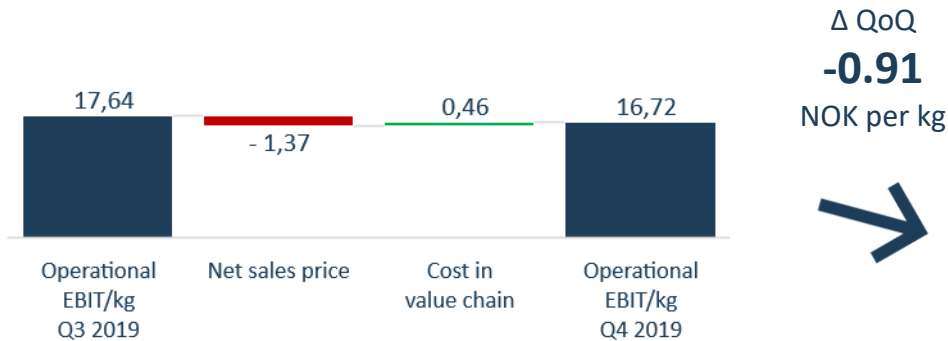
- Weak results in the period
- Harvest volume in the quarter impacted by biological challenges earlier in the year in Shetland & Mainland regions
  - Mainland and Orkney Islands main contributors to harvest volume in Q4
- Costs impacted by low volumes and high mortality costs
  - Mortality costs affecting cost with 52 p/kg in addition to harvest of fish with lower average weights
  - Expect improvements in Q1 2020
- Good biological status in all regions by the end of the quarter
- First smolt delivery from new RAS facility in the quarter with larger and more robust smolt
- Expect to harvest 26,000 tons in 2020



# Operational EBIT deviation analysis (qoq)

## Norway

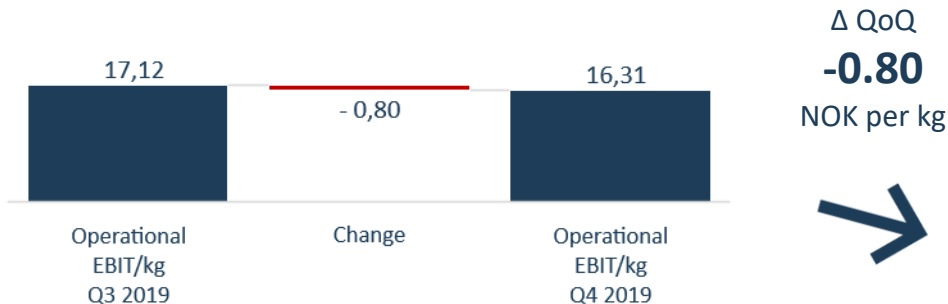
EBIT per kg (NOK)



- Net sales price decreased due to low contribution from contracts and unfavorable harvest distribution in Central Norway
- Positive cost development
  - Significantly lower farming costs in Northern Norway

## Group

EBIT per kg (NOK)



- Group EBIT per kg decreased QoQ due to low contribution from contracts and unfavorable harvest distribution in Central Norway
- Stable positive contribution from Arnarlax

# Group profit and loss

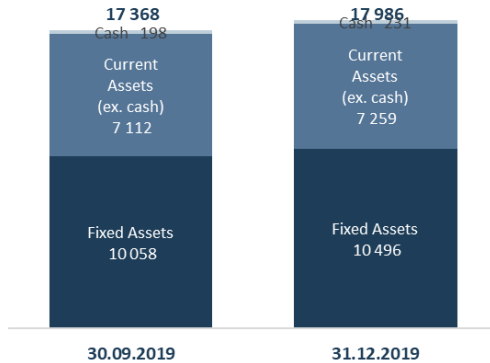
<i>NOK million</i>	Q4 2019	Q4 2018	Δ%	FY 2019	FY 2018	Δ%
Operating income	3,186.7	3,101.1	3 %	12,237.6	11,342.6	8 %
<b>EBITDA</b>	<b>863.9</b>	<b>1,057.2</b>	<b>-18 %</b>	<b>3,786.0</b>	<b>3,948.6</b>	<b>-4 %</b>
Depreciations and write-downs	205.7	122.3		718.4	487.8	
<b>Operational EBIT</b>	<b>658.1</b>	<b>934.9</b>	<b>-30 %</b>	<b>3,067.6</b>	<b>3,460.8</b>	<b>-11 %</b>
Fair value adjustment	218.4	413.7		-33.0	845.8	
<b>EBIT</b>	<b>876.5</b>	<b>1,348.6</b>	<b>-35 %</b>	<b>3,034.6</b>	<b>4,306.6</b>	<b>-30 %</b>
Income from investments in associates	77.8	82.3		118.7	252.9	
Net financial items	-62.9	-64.6		5.1	-107.0	
<i>Net interest costs</i>	-42.9	-27.7		-157.7	-105.1	
<i>Other financial items</i>	-20.0	-36.8		162.8	-1.9	
<b>Profit before tax</b>	<b>891.4</b>	<b>1,366.3</b>	<b>-35 %</b>	<b>3,158.4</b>	<b>4,452.6</b>	<b>-29 %</b>
Tax	168.2	207.7		613.9	873.3	
<b>Net profit for the period</b>	<b>723.2</b>	<b>1,158.7</b>	<b>-38 %</b>	<b>2,544.5</b>	<b>3,579.2</b>	<b>-29 %</b>
Earnings per share (NOK)	5.93	10.36	-43 %	22.06	31.70	-30 %
Harvested volume (t <sub>gw</sub> )	40.3	40.5	0 %	153.1	142.5	7 %
EBIT per kg (NOK)	16.31	23.11	-29 %	20.04	24.29	-18 %
Nasdaq spot price (average)	57.31	55.89	3 %	57.96	59.97	-3 %

- Higher revenue YoY due to increased spot prices
- Positive fair value adjustment in the quarter due to higher standing biomass QoQ and higher forward prices
- Net interest costs increased YoY due to implementation of IFRS 16
- EBIT/kg decreased YoY following higher cost and weaker price achievement

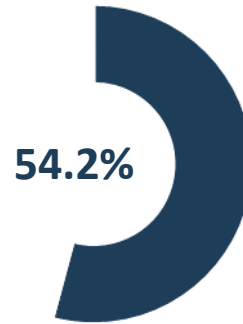


# Group balance sheet

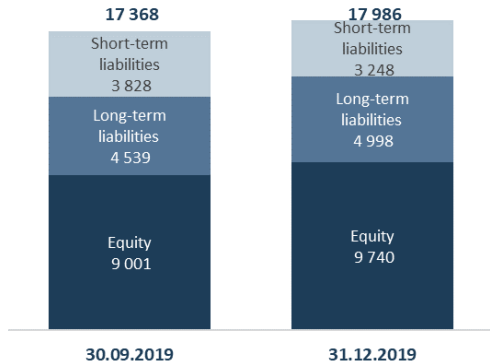
## Assets



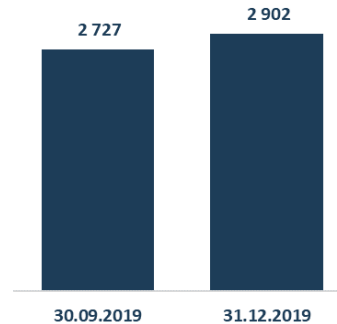
## Equity ratio



## Equity & liabilities



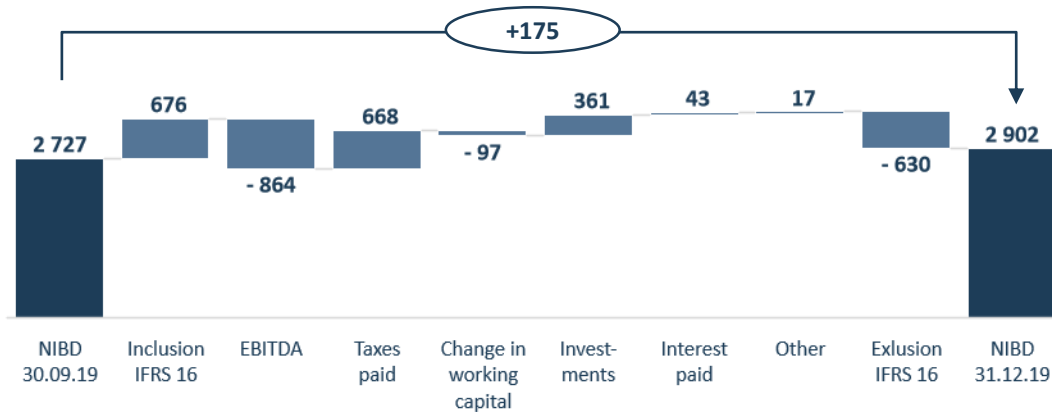
## NIBD



- Investments in line with ongoing investment programs
- Stable standing biomass YoY and higher QoQ
- Interest-bearing debt increased with NOK 208 million during the quarter
  - NIBD at NOK 2902 million by the end of the quarter
- Solid financial position with equity ratio increased to 54.2% and NIBD/EBITDA at 0.8

1) NIBD does not include IFRS 16 leasing liabilities

# Movement in net interest bearing debt



- Cash flow from operations impacted by taxes paid
- Net cash flow from investments at NOK -361 million
  - Farming and Ocean NOK 124 million
  - Smolt and hatchery NOK 67 million
  - Sales & Processing NOK 193 million
  - Capex Iceland NOK 18 million
  - Received dividend from associated companies NOK 43 million
- Net interest-bearing debt increased with NOK 175 million

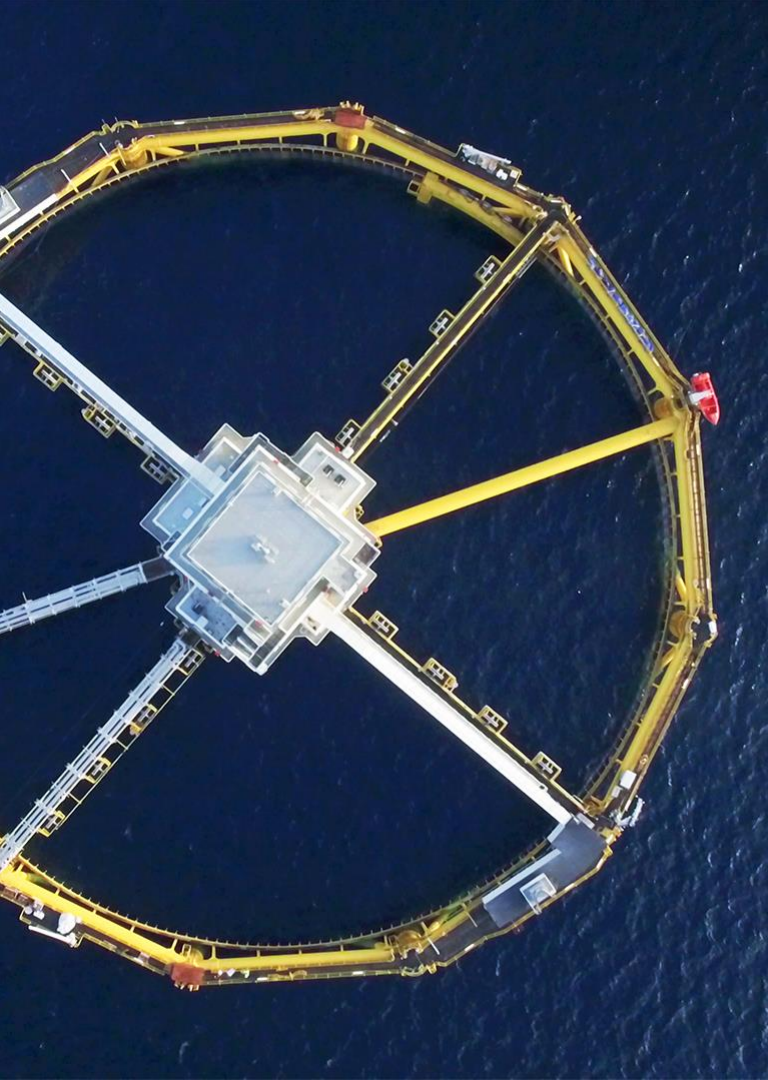


# OUTLOOK

# Outlook



- Expect lower volume and stable costs in Q1 2020
- Contract share for Q1 2020 currently around 30% and FY 2020 around 20% with prices slightly up from level in 2019
- Guiding of 152,000 tons in Norway maintained, increased guidance on Iceland to 12,000 tons and Scottish Sea Farms expect 26,000 tons in 2020.
- Ocean strategy continues according to plan
- CAPEX in 2020 currently estimated to NOK 1,421 million
  - Maintenance CAPEX – NOK 283 million
  - Investments for further growth within smolt and hatchery NOK 354 million, Sales & Processing NOK 556 million, Farming NOK 180 million, Ocean NOK 46 million
- Proposed dividend NOK 21.00 per share
- Expect continued good demand in core markets and moderate increase in global supply



# Capital Markets Day

## 15<sup>th</sup> and 16<sup>th</sup> of June 2020

- We are looking forward to welcome you to Frøya
- You will get the opportunity to visit our harvesting and processing facility InnovaMar, one of our best conventional farming sites and Ocean Farm 1 - the worlds first offshore fish farm
- In addition the executive management will give insights into the strategic ambitions going forward
- See our webpage for registration

# New Head of Investor Relations



- Former Head of Investor Relations Runar Sivertsen new Director of Strategic Projects in SalMar
- Håkon Husby new Head of Investor Relations from 1<sup>st</sup> of March 2020
- Worked in SalMar since August 2018
- Background from Management Consulting and Risk Management advisory
- MSc. Applied Physics and Mathematics

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**THANK YOU  
FOR YOUR ATTENTION**

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