

# Q1 2019 Presentation

Oslo – 10 May 2019

Hallvard Muri, CEO

Simon Nyquist Martinsen, CFO



# Agenda

 Highlights

 Financial performance

 Outlook

 Q&A

BIOLOGY



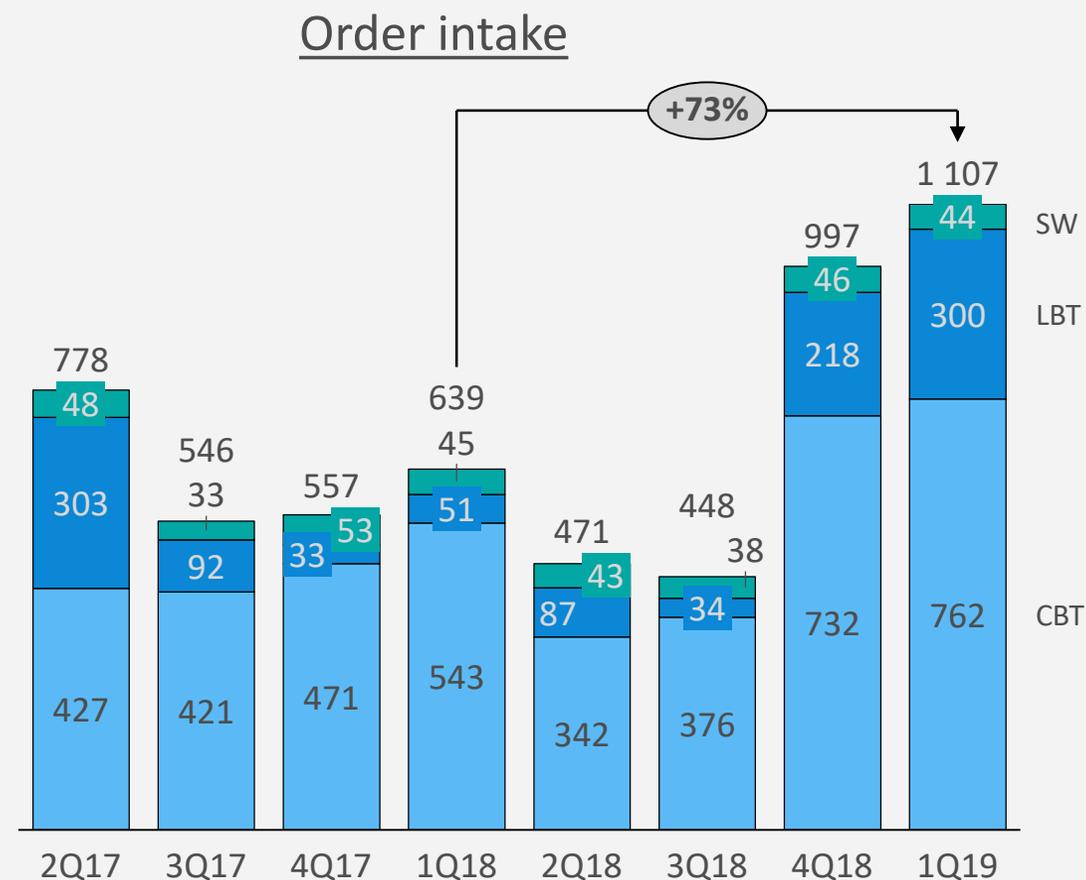
TECHNOLOGY



 Highlights Q1 2019 – by CEO Hallvard Muri

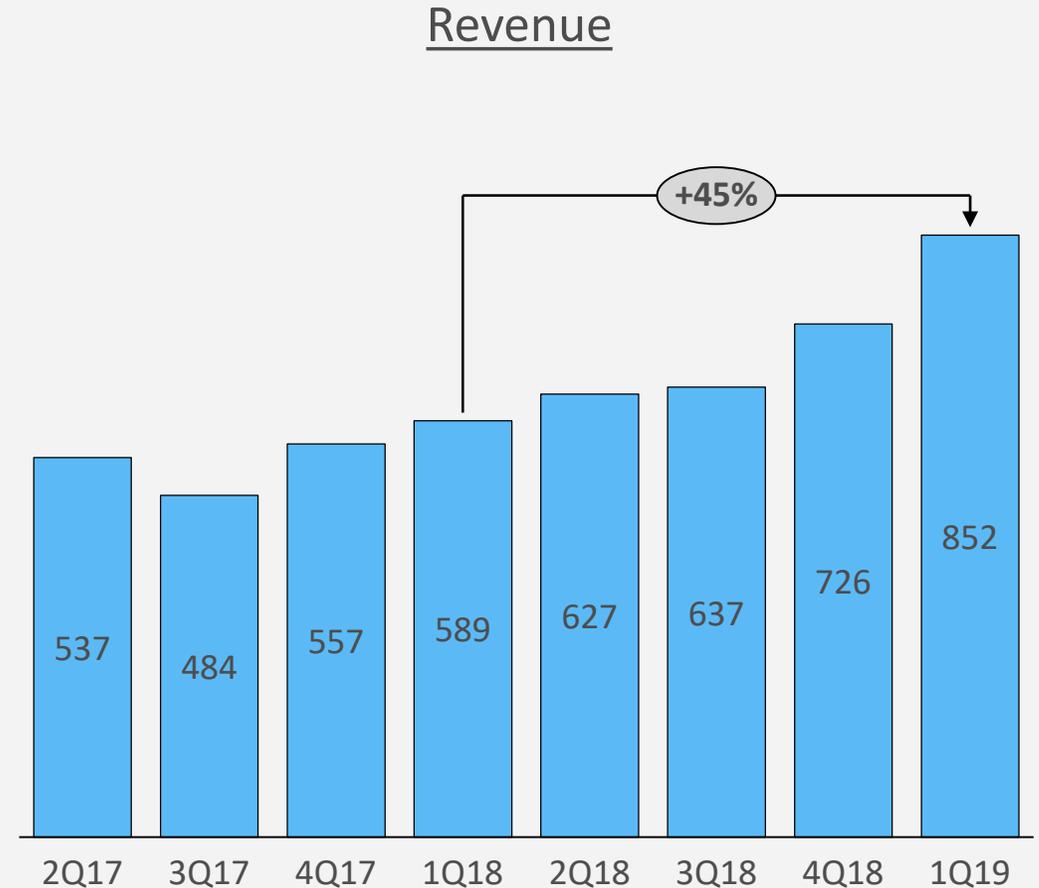
# Record high order intake – 1.1 billion NOK

- 1.1 billion NOK order intake - strong across all regions
- Another quarter with positive development in the Cage Based segment, driven especially by Nordic CBT and Egersund Net
- Major land based contract awarded by Svaberget Smolt AS of appr. 300 MNOK
- Barge Supply and Sales Contract signed with Grieg NL Seafarms Ltd in Q3 2018, not included in order backlog yet
- Last twelve months order intake of 3,023 MNOK, compared to 2,555 MNOK full year 2018



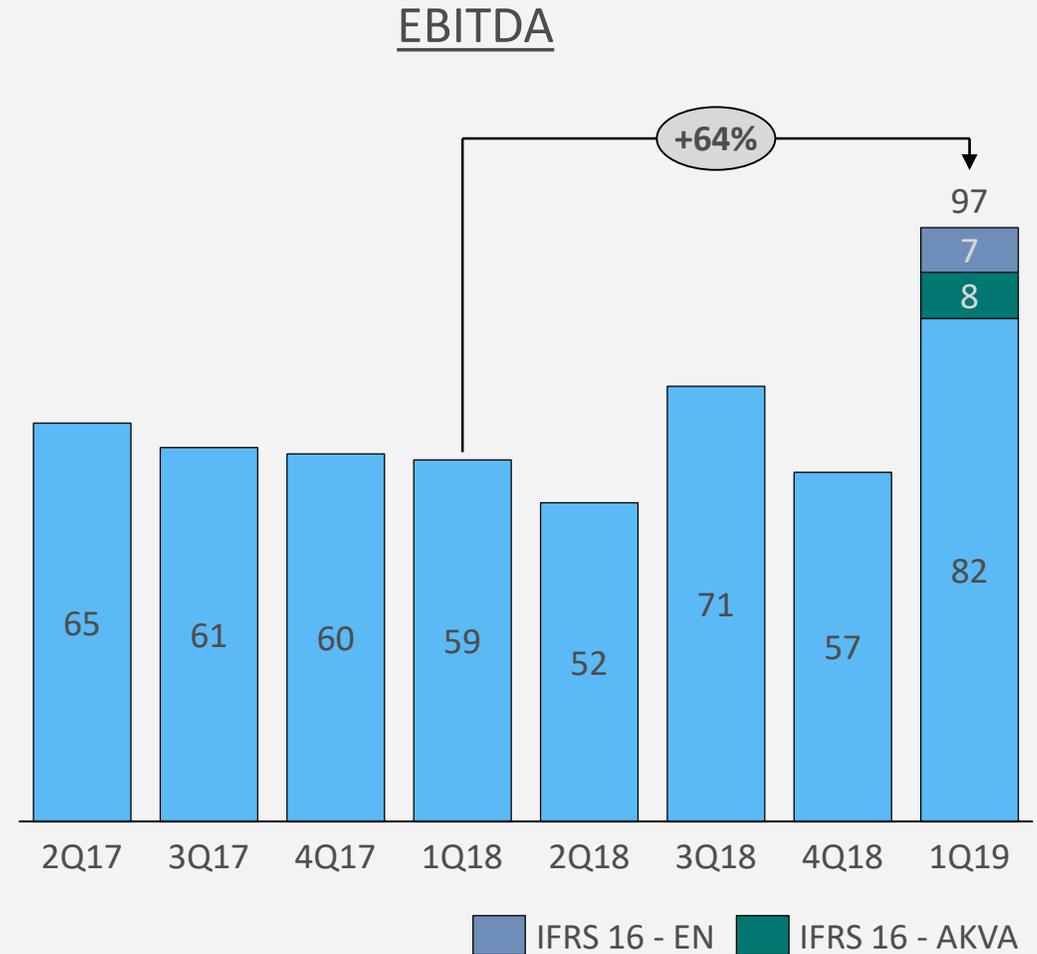
# Strong revenue growth

- 45% increase in revenue compared to Q1 2018
- Revenue growth from acquisition and organically
- Americas another positive quarter with revenue of 145 MNOK, up from 113 MNOK in Q1 2018
- Strong order intake development in Nordic CBT, driving revenue, increase of 20 % compared to last year
- Good development in both net sales and net service after integration of AKVA / Egersund net organizations



# EBITDA development

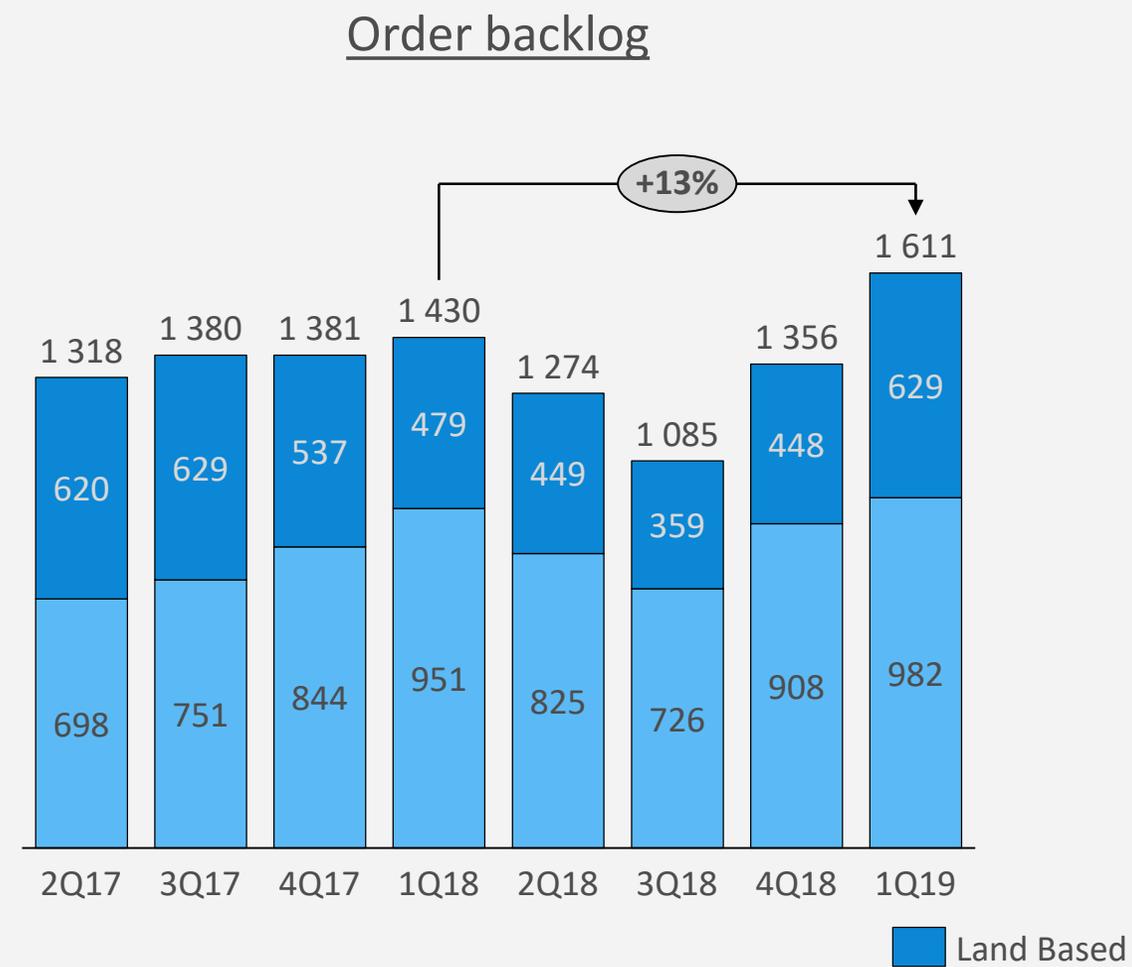
- EBITDA of 97 MNOK in the quarter, including 15 MNOK in effect of reclassification due to IFRS 16 (leases)
- Americas continued positive development with an EBITDA of 15 MNOK compared to 6 MNOK in Q1 2018, driven first and foremost by improved margins.
- Nordic CBT segment 10% increase in EBITDA YoY, previous operational challenges at Helgeland Plast no longer hampering results
- Steady improvement in the Land Based segment with an EBITDA of 11 MNOK compared to 9 MNOK in Q1 2018
- The effect of IFRS 16 is 15 MNOK in the quarter, mainly related to property rental agreements



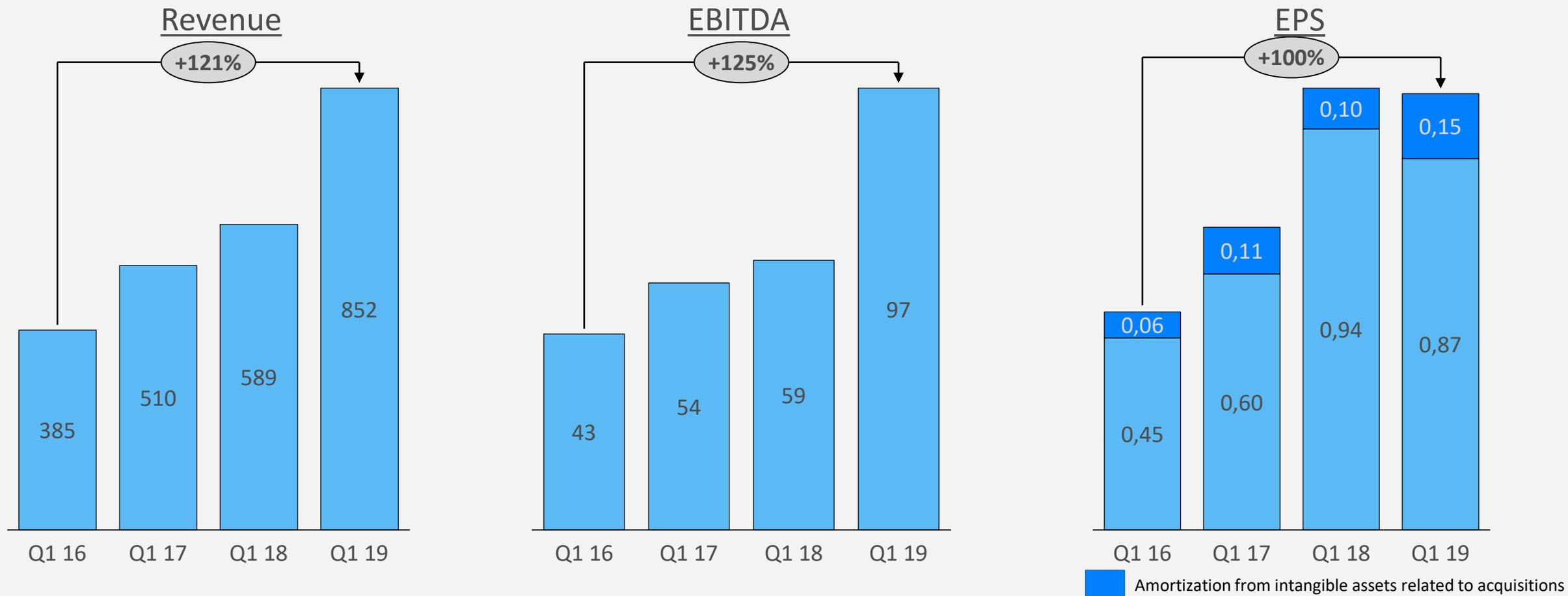
# Highest order backlog ever

## • First quarter 2019 – Highlights

- Strong start of the year; order backlog at end of March of 1.6 BNOK
- Highest order intake ever in a quarter of 1.1 billion NOK
- Significant order with Svaberget Smolt AS awarded in March 2019
- Integration of Egersund Net as planned and development in net sales and service strong
- Dividend of 0.75 MNOK per share paid out in March 2019
- Divestment of Wise lausnir ehf continued to be pushed out in time due to regulatory process in Iceland



# Key financial metrics



In August 2018, number of shares increased from 25 834 303 to 33 334 303. When calculating the EPS in 2018 the monthly average shares outstanding has been used.

# Our presence

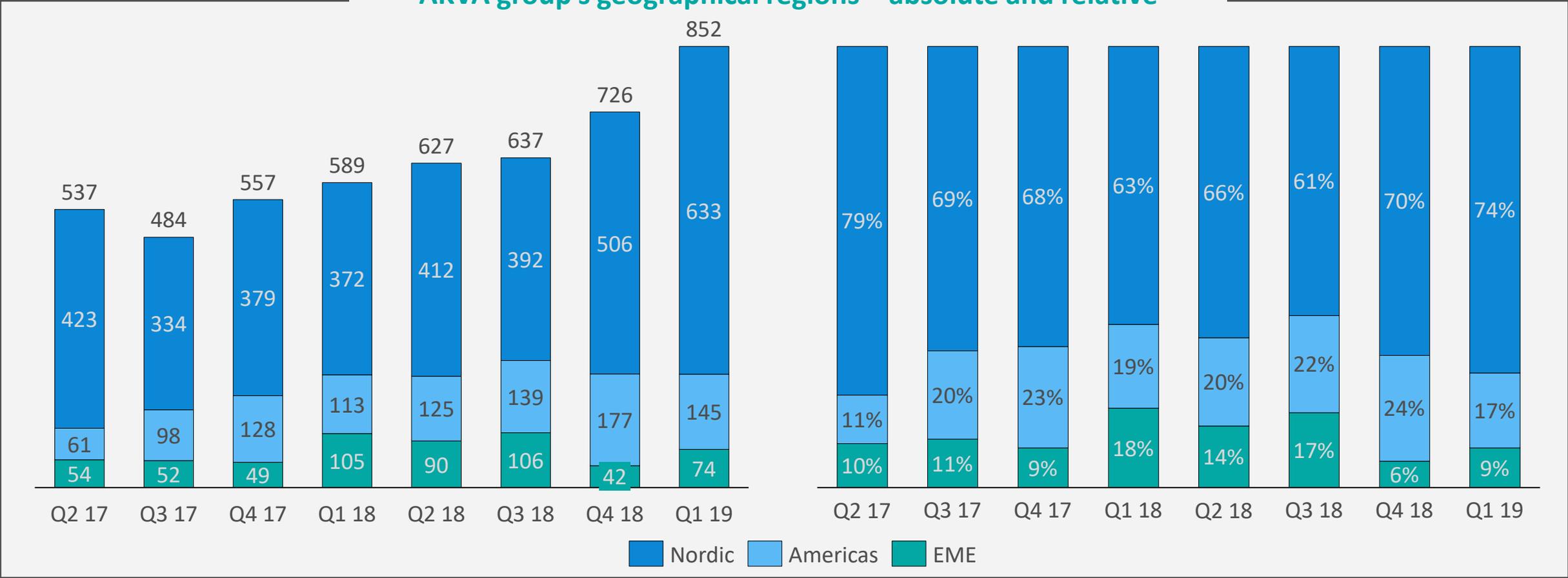


● AKVA group

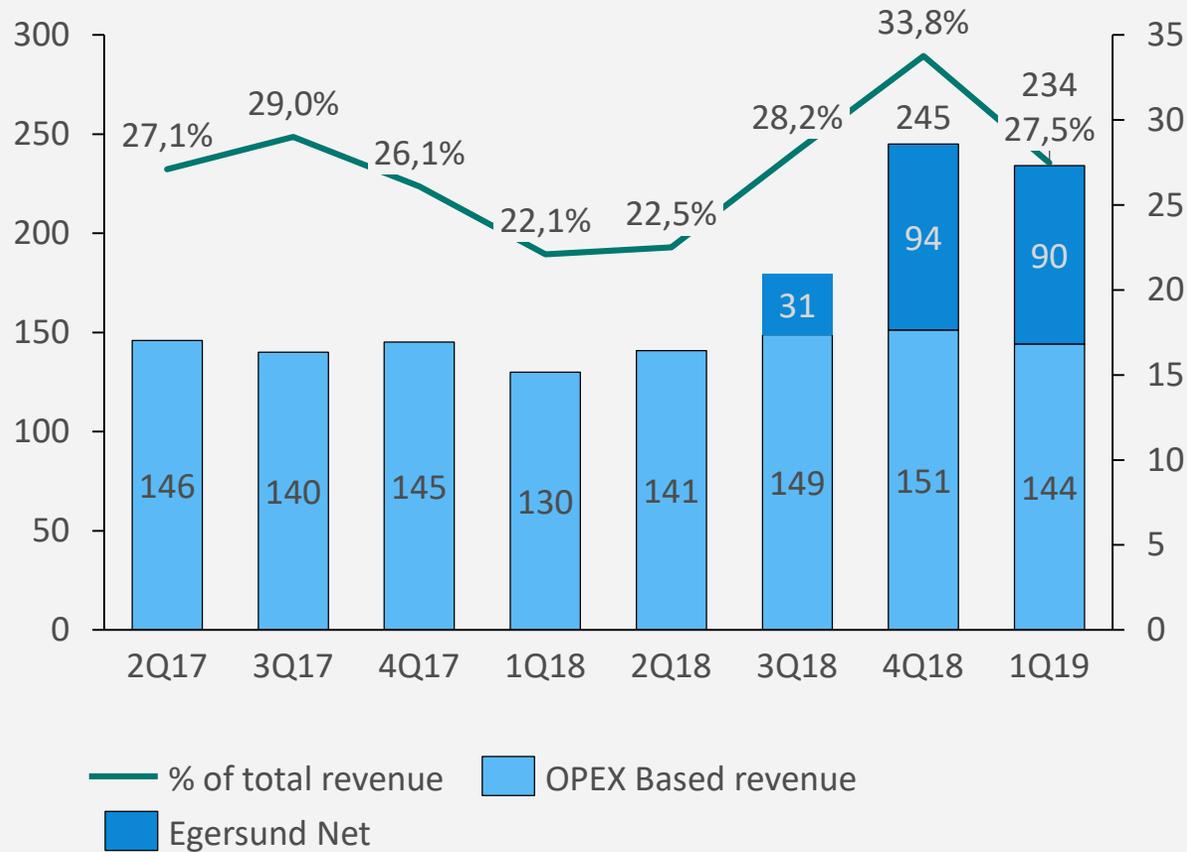
● Agents and distributors

# Revenue in geographical regions

AKVA group's geographical regions – absolute and relative



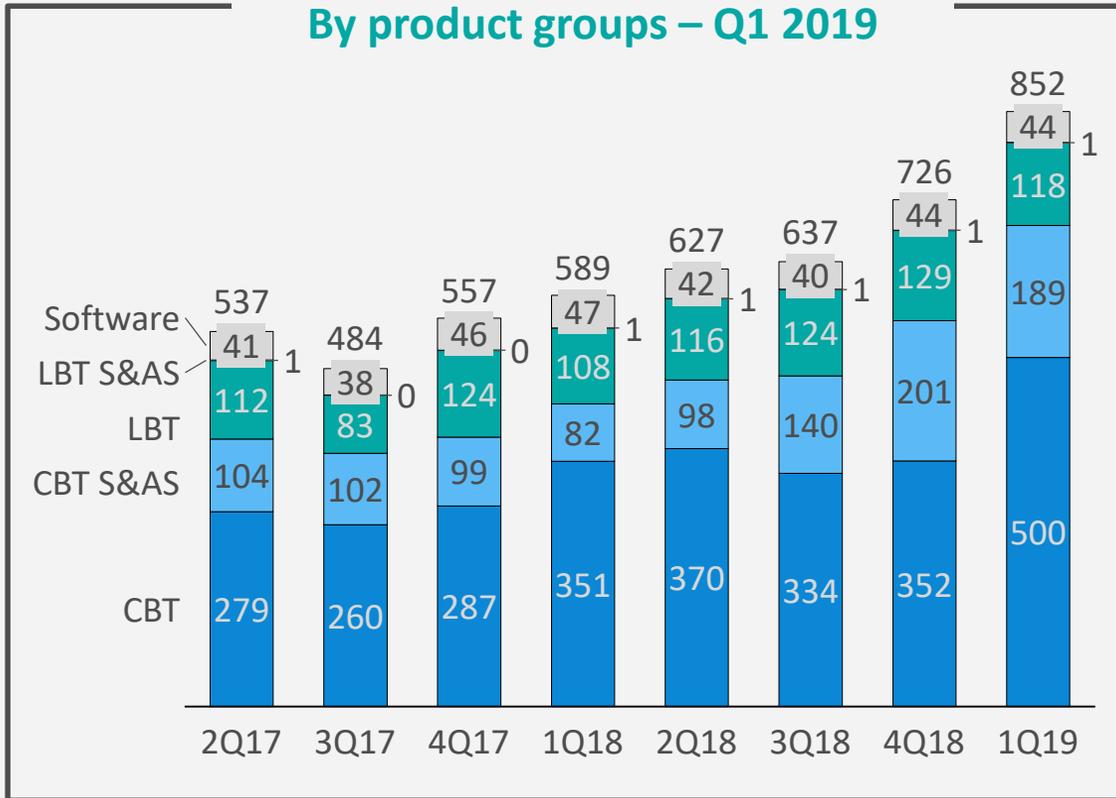
# Development in OPEX based revenue



- Egersund Net contributing with 90 MNOK in the quarter
- Stable development for the rental business (Scotland and Norway) in 2019.
- Service in ASA Nordic started the year with higher revenue and margins compared to Q1 2018 following a strong end to last year
- Stable revenue from the Software business, 44 MNOK in Q1 2019, compared to 47 MNOK in Q1 2018
- Higher activity level in the Norwegian marine service business in Q1 2019 compared to Q1 2018, and with healthy order backlog

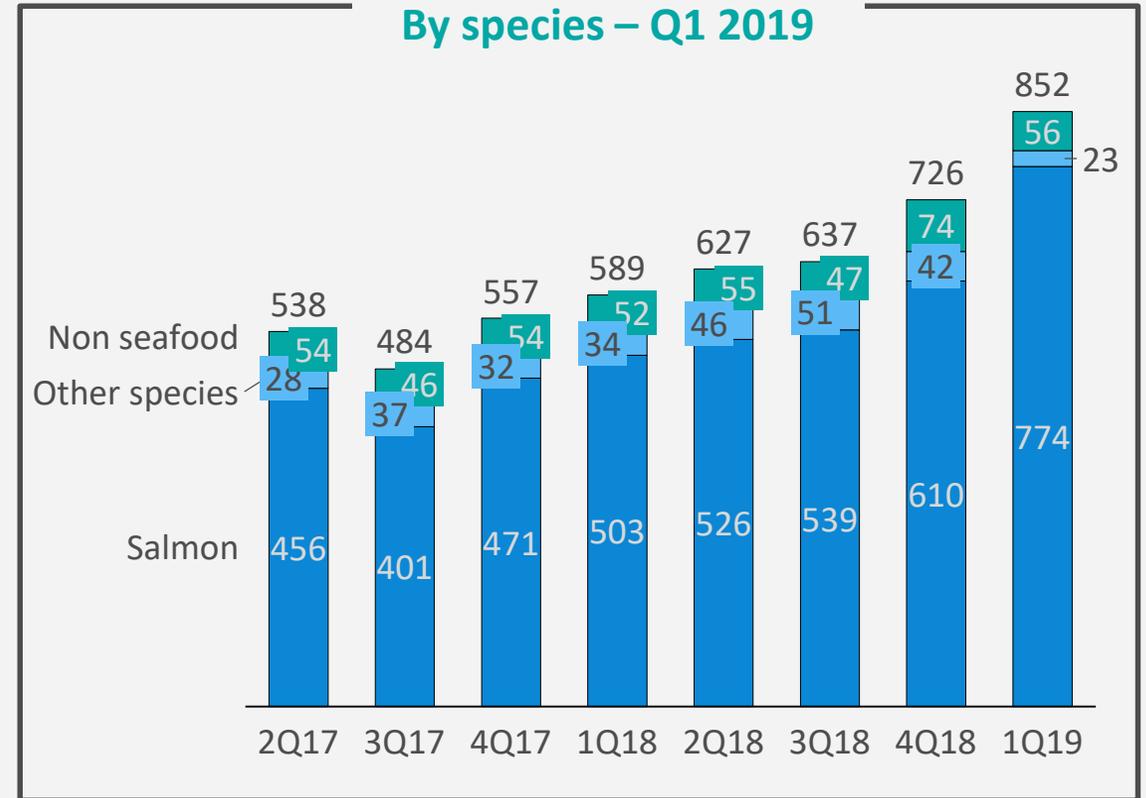
# Revenue by product group and species

By product groups – Q1 2019



**Cage Based Technology** = Cages, barges, feed systems and other operational systems for cage based aquaculture  
**S&AS Cage Based** = Service and after sales for cage based aquaculture  
**Software** = Software and software systems  
**Land Based Technology** = Recirculation systems and technologies for land based aquaculture  
**S&AS Land Based** = Service and after sales for land based aquaculture

By species – Q1 2019



**Salmon** = Revenue from technology and services sold to production of salmon  
**Other species** = Revenue from technology and services sold to production of other species than salmon  
**Non Seafood** = Revenue from technology and services sold to non seafood customers

# Q1 – Operational Highlights

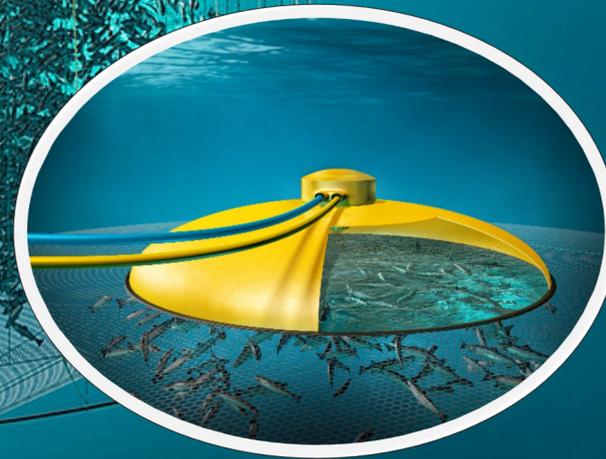
- Significant improvement at Helgeland Plast but still a way to go to achieve full effect of investments
- Norwegian feed barge business – strong competition and limitations in supply (suppliers/yards)
- Continued positive market sentiment in Chile and increasing margins following improvement programs
- Secured new larger Land Based orders in Norway
- Revisited strategy within Software and control systems in the works
- Plans for establishing foothold in New Foundland developing well
- Egersund Net integration – sales success of “total solutions”
- Senior Mng. Team strengthened; new (interim) CDO and new CTO

Risk management

Underwater feeding

Fish health operations

Daily operations (dead fish removal, surveillance, cleaning, etc)



Air to the salmon  
Artificial air space

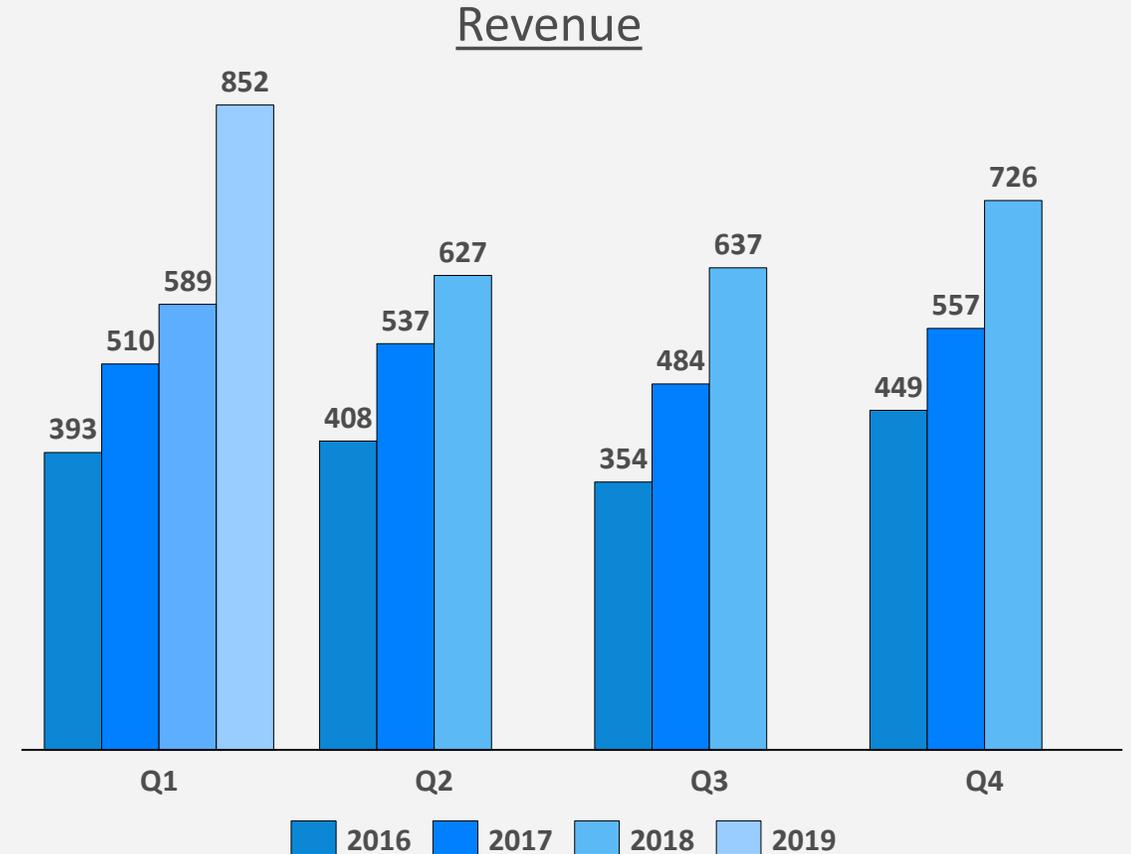
1. Atlantis Subsea Farming AS applied for 6 development licenses the 29th of January 2016
2. The Norwegian Directorate of Fisheries have informed the company that the company's concept has progressed another step further in the process to get awarded development licenses.
3. The Directorate will go ahead with processing the application limited to 2 licenses, but have rejected the application in terms of the other 4 permits applied for.
4. On May 9th 2017 the company appealed the decision of rejecting the 4 permits.
5. On June 16th 2017 the Directorate forwarded the appeal to the Norwegian Ministry of Trade, Industry and Fisheries, for their final decision.
6. On December 18<sup>th</sup> 2017 The Ministry rejected the appeal. The decision is final and cannot be appealed.
7. On February 22<sup>nd</sup> 2018, The Directorate announced that the Company has been granted one license.
8. Atlantis Subsea Farming AS is now in a technology testing phase with regards to execution of the project.



 **Financial performance Q1 2019 – by CFO Simon Nyquist Martinsen**

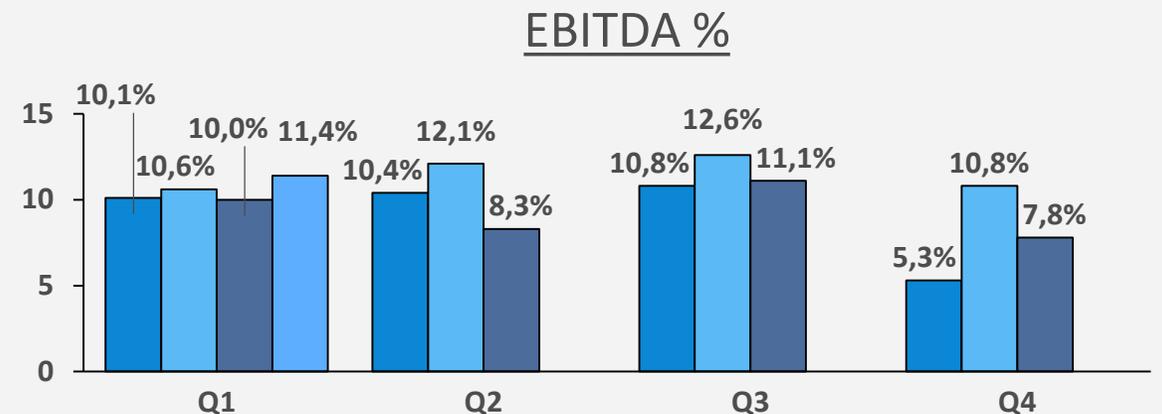
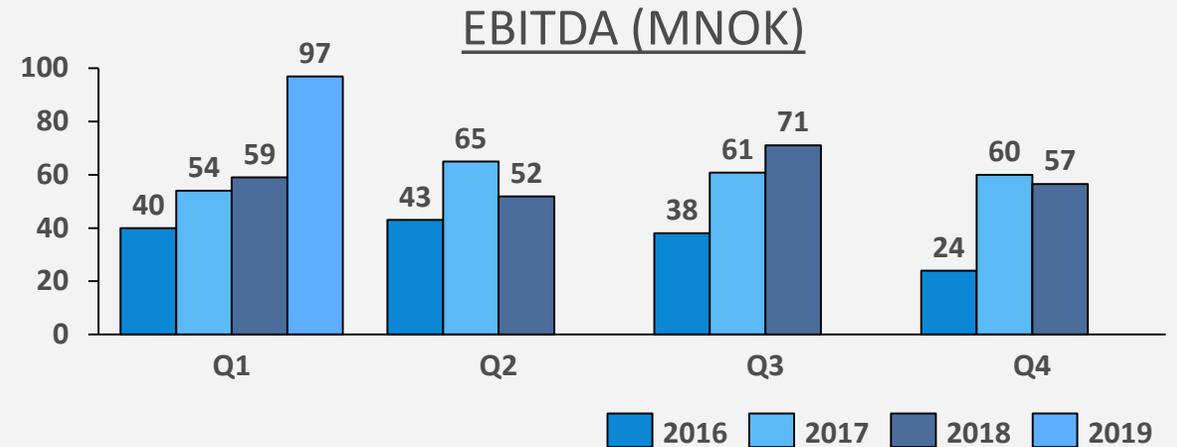
# Q1 2019 – Financial highlights

- Last twelve months order intake and revenue now at 3,023 MNOK and 2,842 MNOK respectively
- The order book has increased to 1,611 MNOK at the end of Q1 2019, which is a 255 MNOK increase in the quarter
- Several periods of strong order intake in Norway are now flowing through to revenue
- The sales teams of Egersund Net and AKVA have joined forces, sales of new nets and net services are developing as expected

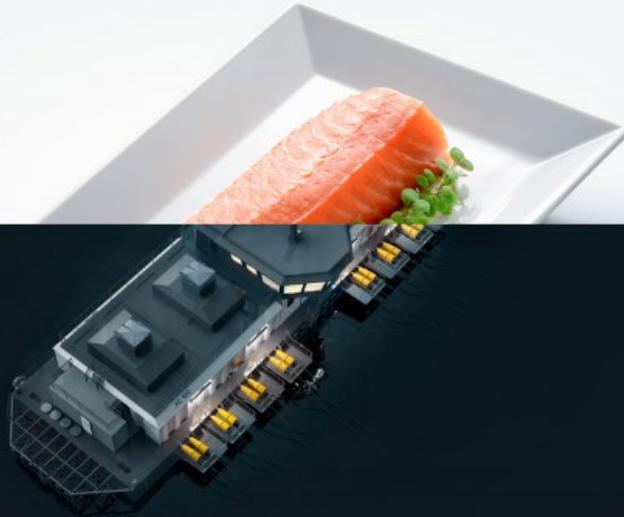


# Q1 2019 – Financial highlights

- Strong contribution from Americas as well as inclusion of Egersund Net when comparing to the same quarter last year
- The pipe factory in Mo i Rana experienced a strong quarter with high and efficient production
- EBITDA positively affected by 15 MNOK due to implementation of IFRS 16
- The margins in the Land Based segment continue to improve with an EBITDA margin of 10,1% compared to 8,5% in Q1 2018



## BIOLOGY



## TECHNOLOGY

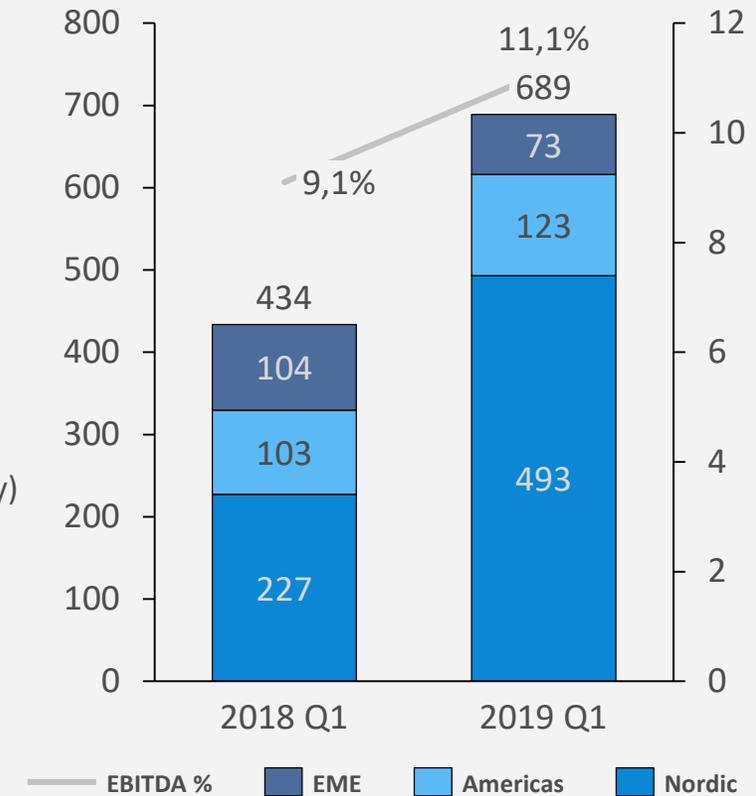
By developing technology focused on solving the biological challenges we contribute to the continued development of a sustainable industry with fish welfare as the most important success criteria. Good fish health is paramount in achieving good results and investing in our technology will help deliver both.

# Cage Based Technology

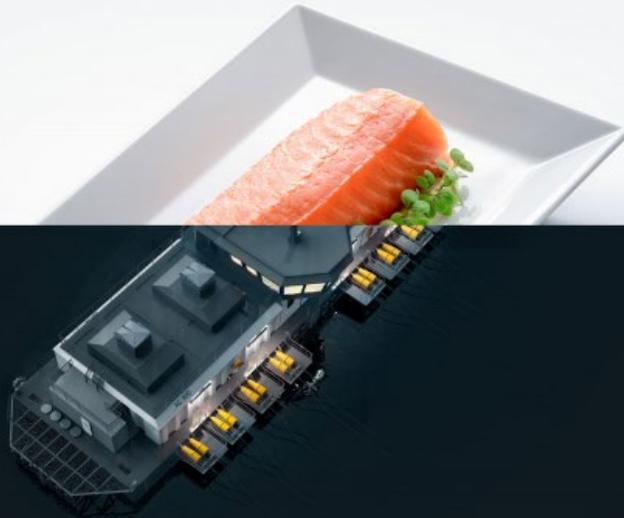
## Nordic

- The margins in the Norwegian barge business are significantly better than the last half of 2018, still an untapped potential in project execution
- The pipe factory in Mo i Rana experienced a strong quarter with high and efficient production
- The activity in the Marine Services is increasing and we have higher revenue and EBITDA than last year
- Egersund Net, Egersund Trading, UAB Egersund Net and Grading System fully consolidated
- Emel Balik (Turkey) and NOFI Oppdrettservice (Skjervøy) is accounted for using the equity method due to ownership of 50% and not controlled by AKVA group

## Revenue and EBITDA %



## BIOLOGY



## TECHNOLOGY

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# Cage Based Technology

## Americas

- Americas have significantly grown revenue by 29% compared to the same quarter last year, on top of a strong order backlog of 218 MNOK at the end of the quarter
- Americas region has grown in EBITDA by 143 % compared to Q1 2018, mainly driven by the operation in Chile

## EME

- After some larger deliveries in the EME region in 2018, the revenue in the quarter has decreased to 74 MNOK compared to 105 MNOK the same quarter last year
- The operations in Greece, Spain and Middle East are well positioned for growth in the area
- Our operation in Turkey is well positioned when the downturn in the Turkish market picks up again

## Revenue and EBITDA %



## BIOLOGY



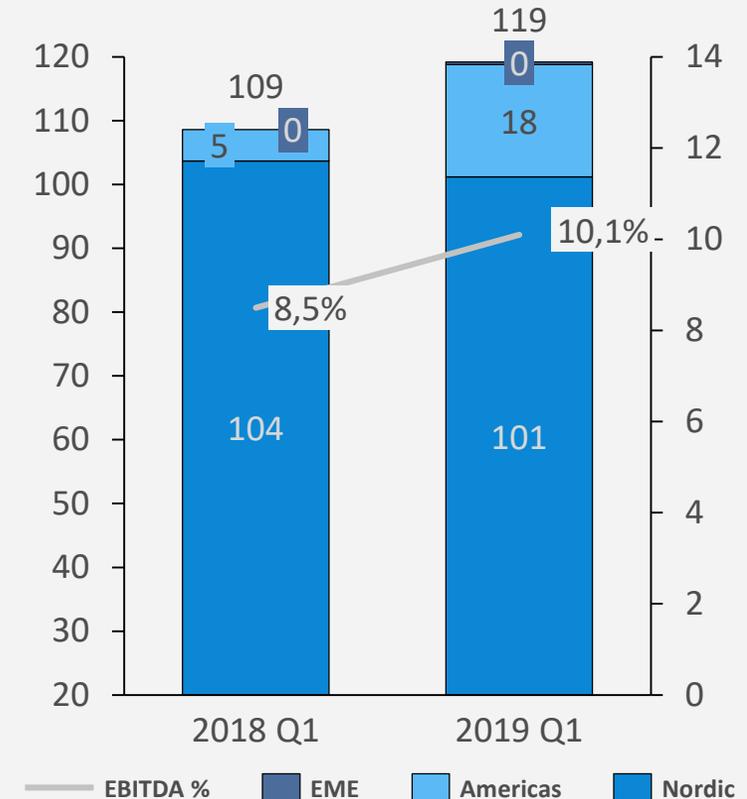
## TECHNOLOGY

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# Land Based Technology

- Major land based contract awarded by Svaberget Smolt AS of approximately 300 MNOK in the quarter
- Pipeline of projects continue to be good
- Increase in revenue from 109 MNOK in Q1 2018 to 119 MNOK in Q1 2019, a growth of 10% YoY
- Margins are improving quarter by quarter and stronger than full year 2018 of 9,9%
- Strong order backlog of 629 MNOK by the end of Q1, although current visibility of phasing suggest revenues for Q2 will be down compared to Q1

Revenue and EBITDA %



## BIOLOGY



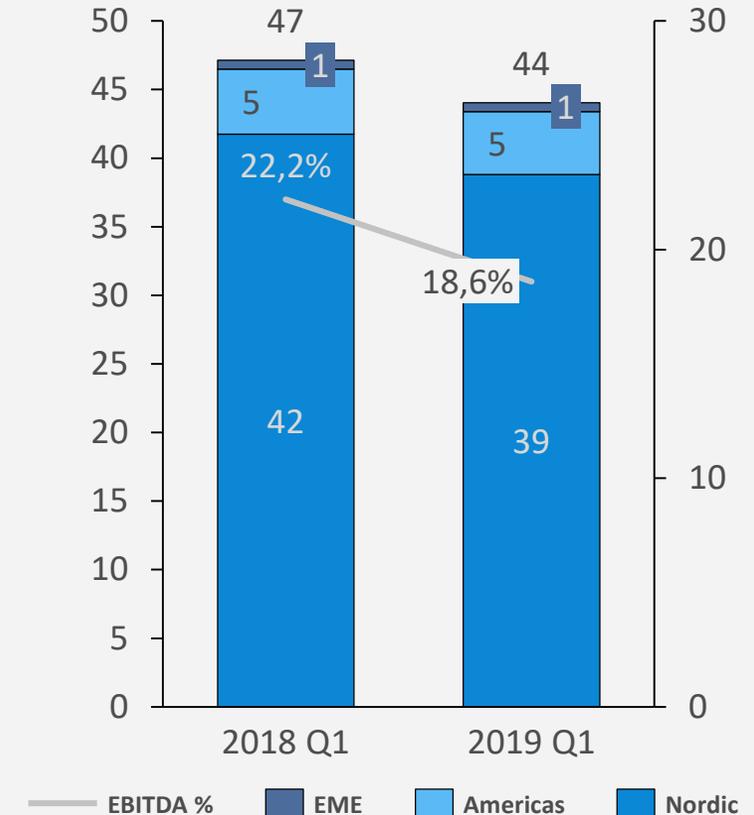
## TECHNOLOGY

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# Software

- Increased integration and cooperation between SW division and development of control systems
- Plans are established for upgrades of technical platform of Fishtalk
- Cooperation agreement entered into with Observe (AI), first module (feeding assistant) already in market.
- As noted in stock notice of 06.09.2018 AKVA group has entered into an agreement to divest Wise lausnir ehf
- Estimated closing, dependent upon clearance from completion authorities is Q2/Q3

## Revenue and EBITDA %



# Financials – Detailed P&L

(MNOK)	2019 Q1	2018 Q1	2019 YTD	2018 YTD	2018 Total
Order backlog	1 611	1 430	1 611	1 430	1 356
Order intake	1 107	639	1 107	639	2 555
<b>P&amp;L</b>					
<b>OPERATING REVENUES</b>	<b>852</b>	<b>589</b>	<b>852</b>	<b>589</b>	<b>2 579</b>
IFRS 16 OPEX*	-15	-	-15	-	-
Operating costs ex depreciations	770	530	770	530	2 342
<b>EBITDA</b>	<b>97</b>	<b>59</b>	<b>97</b>	<b>59</b>	<b>238</b>
Depreciation	23	14	23	14	69
IFRS 16 Depreciation*	14	-	14	-	-
Amortization	12	8	12	8	39
<b>EBIT</b>	<b>49</b>	<b>37</b>	<b>49</b>	<b>37</b>	<b>130</b>
Net interest expense	-5	-3	-5	-3	-14
IFRS 16 Interest expense*	-5	-	-5	-	-
Other financial items	-0	-4	-0	-4	-4
Net financial items	-11	-7	-11	-7	-18
<b>EBT</b>	<b>38</b>	<b>30</b>	<b>38</b>	<b>30</b>	<b>112</b>
Taxes	9	6	9	6	22
<b>NET PROFIT</b>	<b>29</b>	<b>24</b>	<b>29</b>	<b>24</b>	<b>89</b>
<b>Net profit (loss) attributable to:</b>					
Non-controlling interests	0,4	-0,0	0,4	-0,0	-0,3
Equity holders of AKVA group ASA	29	24	29	24	90
Number of shares	33 306	25 806	33 306	25 806	28 306
Revenue growth	44,6 %	15,6 %	44,6 %	15,6 %	23,5 %
EBITDA margin	11,4 %	10,0 %	11,4 %	10,0 %	9,2 %
EPS (NOK)	0,87	0,94	0,87	0,94	3,17

Of which Land Based is 629 MNOK

Investment in subsidiaries accounted for by equity method YTD Q1 classified as other operating revenues of 2.5 MNOK

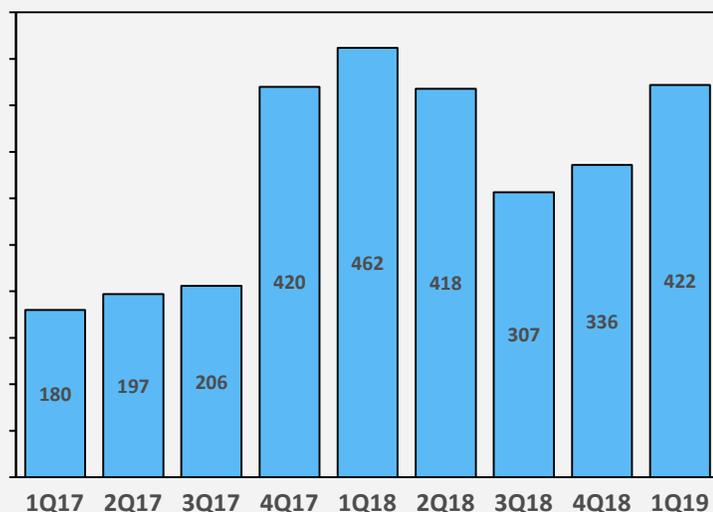
Increased depreciation mainly due to investments in AKVA Marine Services/Helgeland Plast and depreciation/amortization including Egersund Net and subsidiaries (8MNOK in quarter)

\*IFRS 16 changes are affecting the EBITDA positively by 15 MNOK in the quarter, and the Net profit negatively by 4 MNOK

Minority shareholders (49%) in Wise Blue AS and (30%) in Grading Systems Ltd

# Group financial profile – remains strong

## Available cash



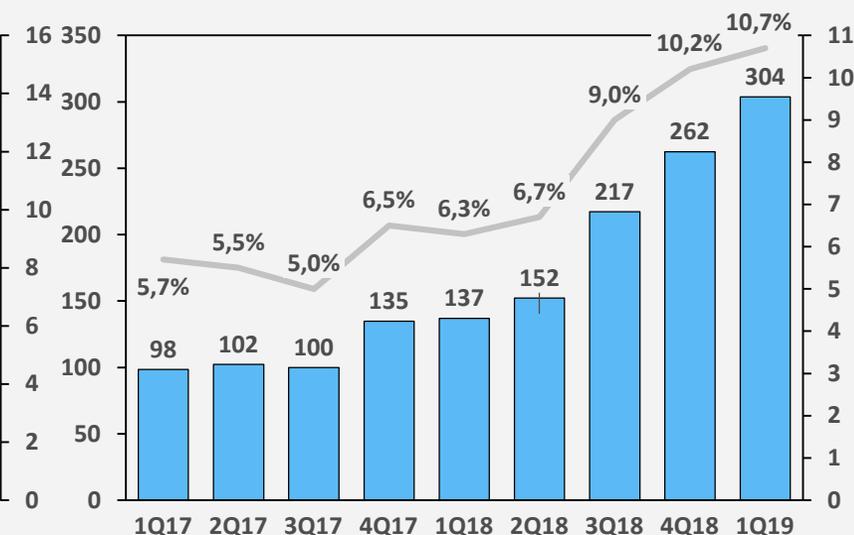
- Including 258 MNOK of a 303 MNOK credit facility in Danske Bank, as of Q1 2019
- Secured additional 100 MNOK of long term loans and established a new 200 MNOK revolving credit facility, in Q2.

## Working capital



- The graph shows absolute working capital and working capital relative to last twelve months revenue
- Seven months of revenue from Egersund Net included in the % graph, while the balance sheet is included in total. With revenue of 12 months included it would be 9%

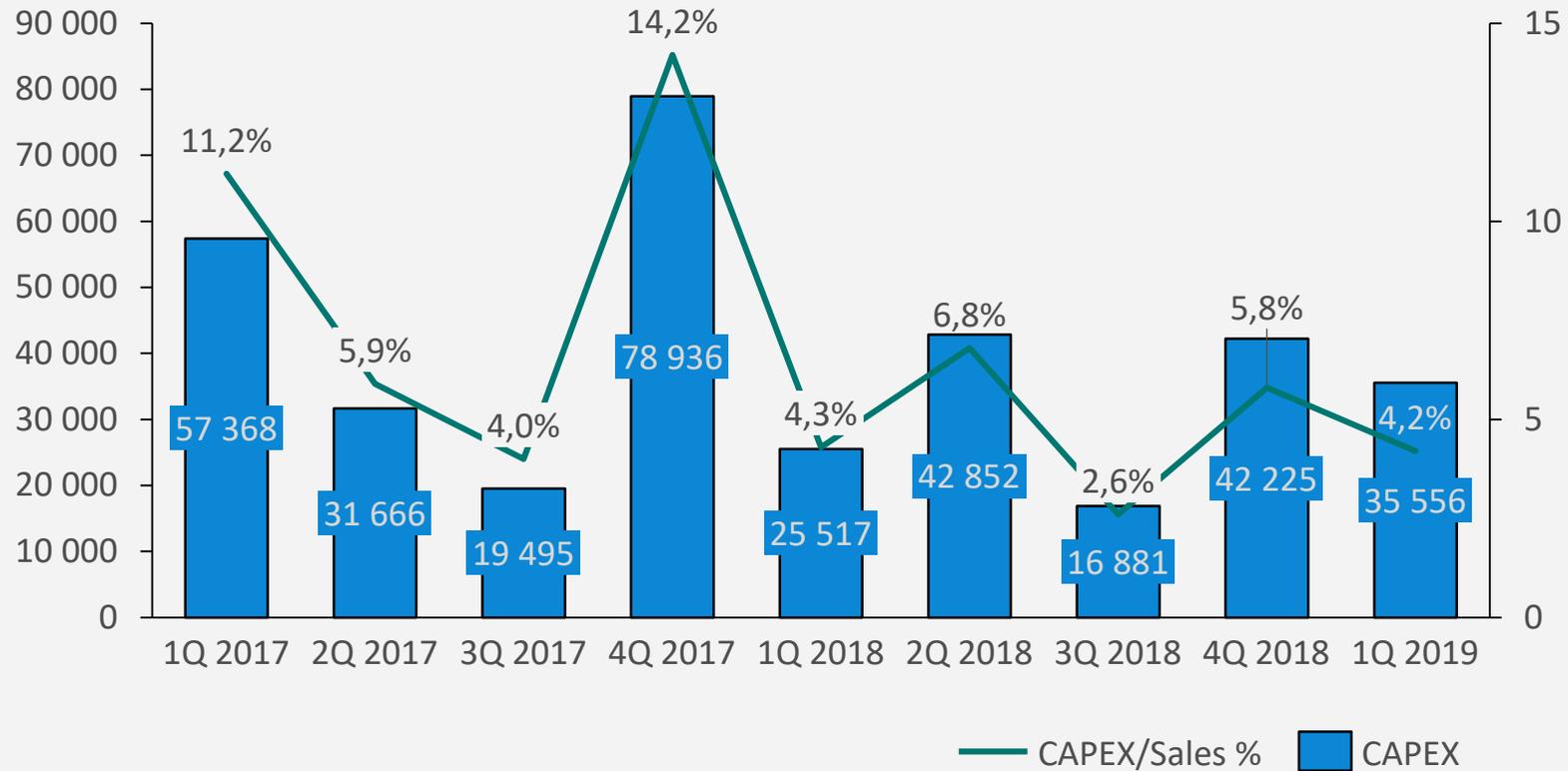
## Average working capital



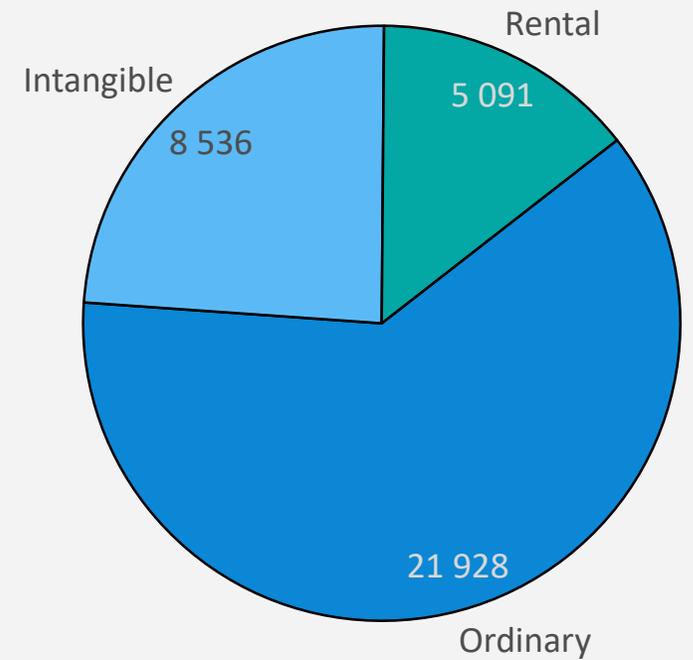
- The graph shows 12 months average working capital and average working capital relative to last twelve months revenue
- With revenue of 12 months of Egersund Net it would be 10,9%

# CAPEX

(TNOK) CAPEX and CAPEX/Sales %

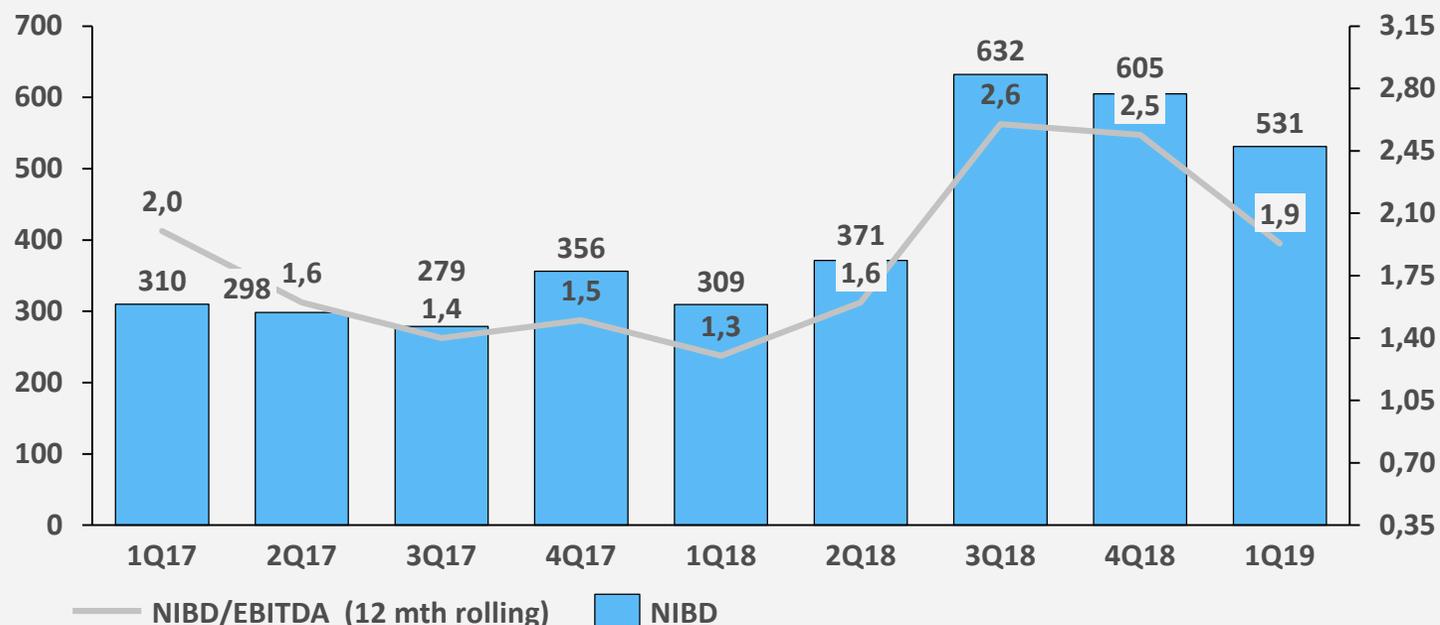


CAPEX breakdown 2019



# Net interest bearing debt/EBITDA of 1.9

## Net interest bearing debt (MNOK) and net debt/EBITDA



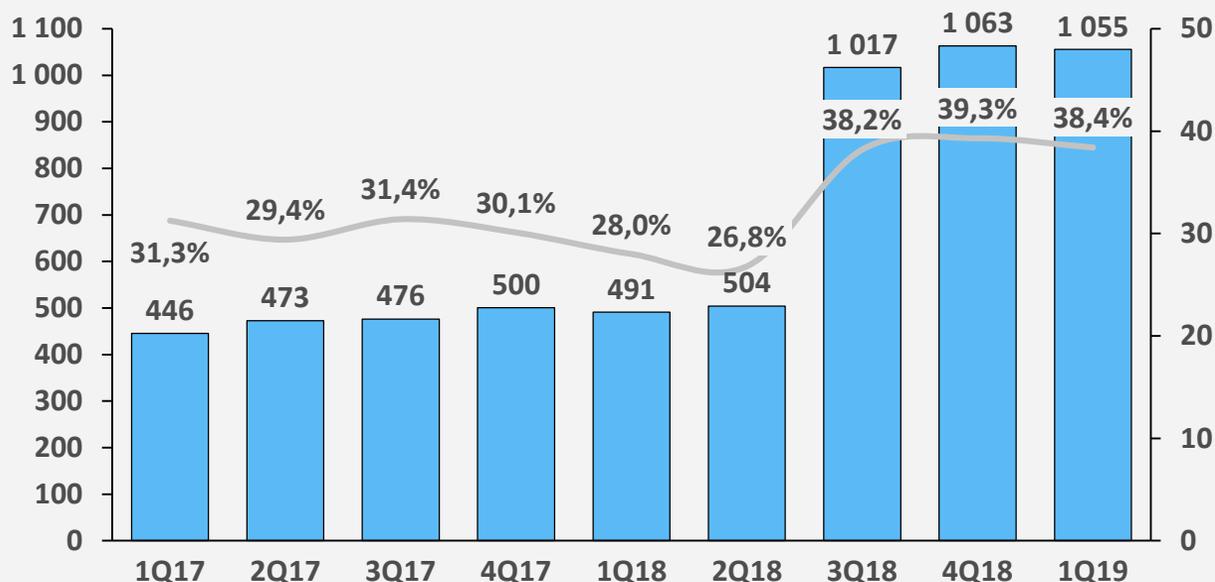
- NIBD/EBITDA of 1,7 with inclusion of full year Egersund Net EBITDA (7 months included in the ratio)
- Excluding IFRS 16 liabilities

## Change in net interest bearing debt (TNOK)

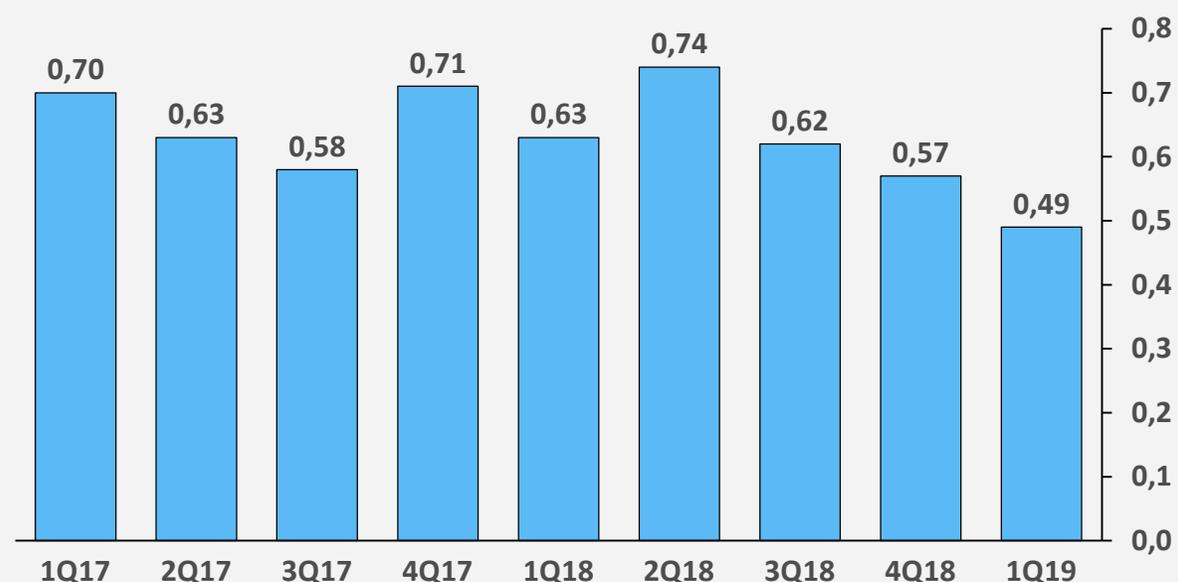
<b>Net interest bearing debt 31.12.2018</b>	<b>604 547</b>
EBITDA	-96 928
Income taxes paid	7 401
Net interest paid	10 205
Capex	35 556
Acquisitions / Divestments	-
Paid dividend	24 980
Sale of fixed assets	-104
Currency effects	2 560
Other changes in working capital	<b>-57 145</b>
<i>Net change</i>	-73 475
<b>Net interest bearing debt 31.03.2019</b>	<b>531 071</b>

# Group financial profile – remains strong, continued

## Equity and Equity / Total Balance



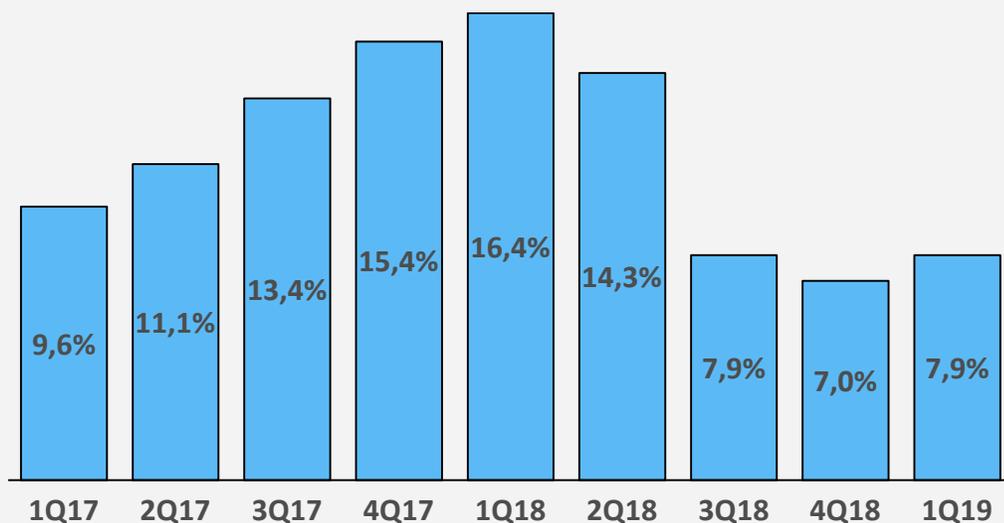
## NIBD / Equity



- Total effect of IFRS 16 on the balance sheet end of March 2019 is 446 MNOK, negatively affecting the equity ratio when comparing to previous quarters
- Equity ratio would be 31,6% including IFRS 16 liabilities

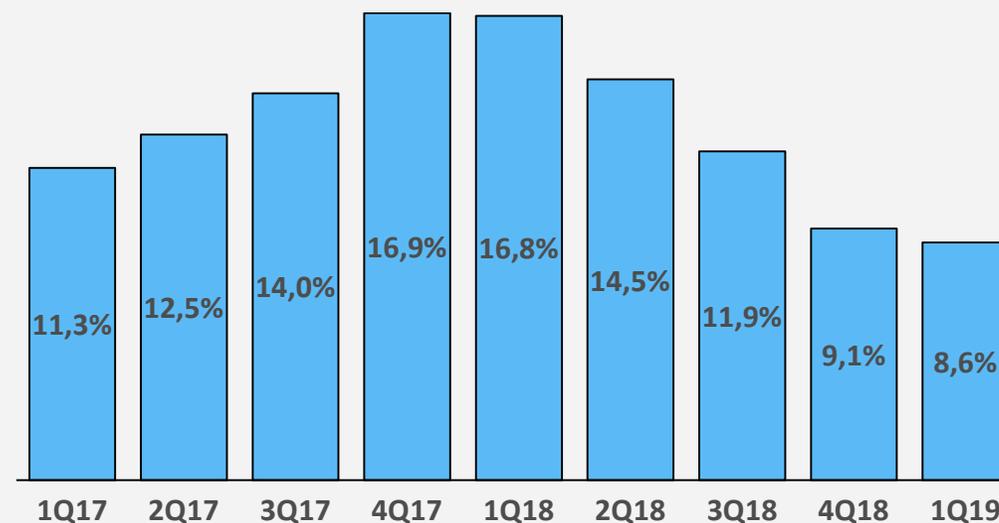
# Group financial profile – remains strong, continued

## ROCE



- Including seven months of EBIT from Egersund Net
  - 8,5% based on full year EBIT inclusion of Egersund Net
- Graphs shows actual effect based on full balance sheet, and consolidated P&L figures of Egersund Net from 01.09.2018
- ROCE is calculated ex balance sheet items of IFRS 16

## ROACE



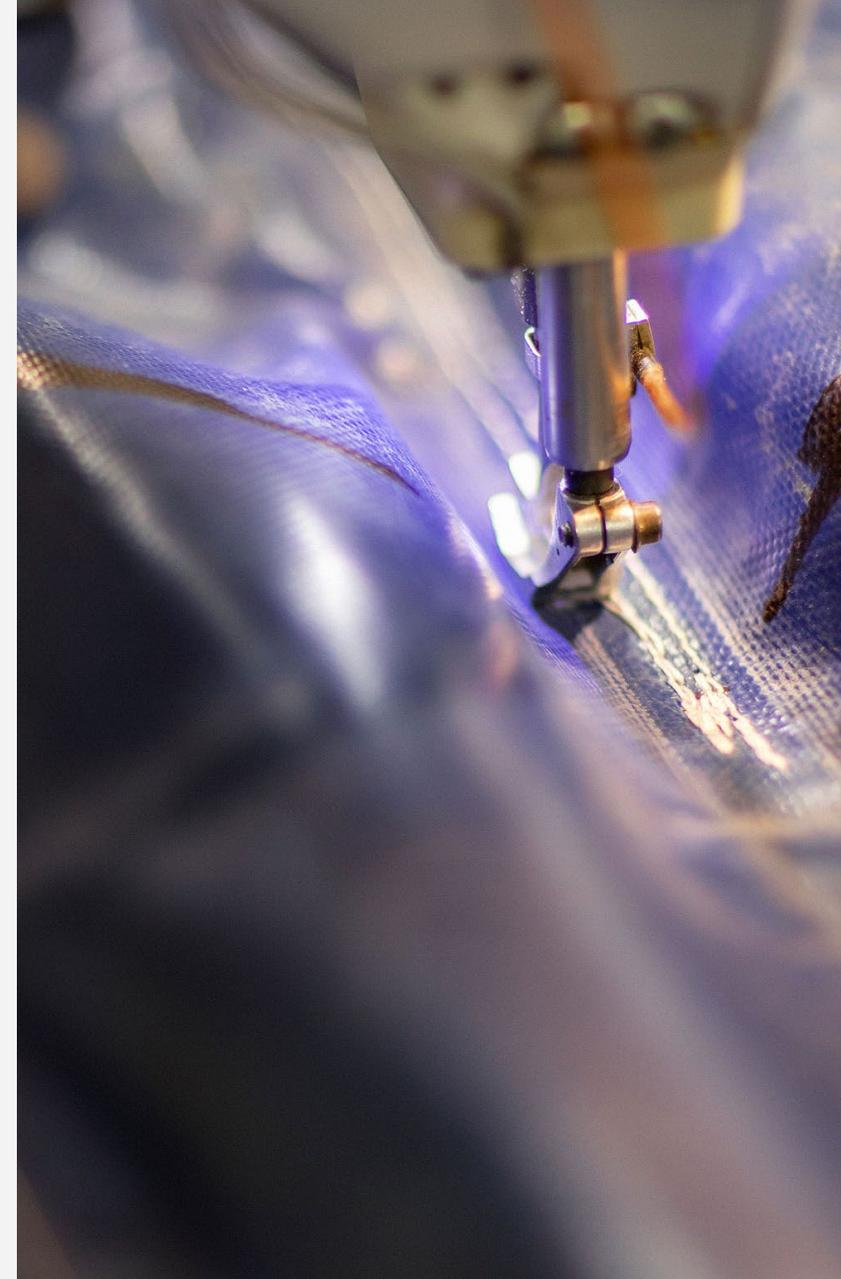
- Including seven months of EBIT from Egersund Net
  - 11,3% based on full year EBIT inclusion of Egersund Net
- ROACE is calculated with the average balance sheet items last four quarters
- ROACE is calculated ex balance sheet items of IFRS 16

# Cash flow statement

<b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW</b> (NOK 1 000)	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>Q1</b>	<b>Q1</b>	<b>YTD</b>	<b>YTD</b>	<b>Total</b>
Net cash flow from operations	78 950	46 664	78 950	46 664	204 735
Net cash flow from change in working capital	57 145	45 596	57 145	45 596	-50 821
Net cash flow from operational activities	136 095	92 260	136 095	92 260	153 913
Net cash flow from investment activities	-22 695	-23 355	-22 695	-23 355	-270 673
Net cash flow from financial activities	-102 347	-56 013	-102 347	-56 013	158 880
Net change in cash and cash equivalents	11 053	12 892	11 053	12 892	42 121
Net foreign exchange differences	-3 329	-2 841	-3 329	-2 841	-2 227
Cash and cash equivalents at the beginning of the period	156 862	116 969	156 862	116 969	116 969
Cash and cash equivalents at the end of the period	164 587	127 020	164 587	127 020	156 862

# Balance sheet

<b>BALANCE SHEET</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
<b>(MNOK)</b>	<b>31.03</b>	<b>31.03</b>	<b>31.12</b>
<b>ASSETS</b>	<b>3 196</b>	<b>1 755</b>	<b>2 703</b>
Intangible non-current assets	1 077	580	1 085
Tangible non-current assets	336	250	332
Financial non-current assets	72	5	73
IFRS 16 - RoU Asset	443	-	-
Inventory	455	247	462
Receivables	625	518	571
Cash and cash equivalents	135	105	133
Assets held for sale	53	49	47
<b>LIABILITIES AND EQUITY</b>	<b>3 196</b>	<b>1 755</b>	<b>2 703</b>
Equity	1 055	491	1 062
Minority interest	1	1	0
Long-term interest bearing debt	579	346	360
Short-term interest bearing debt	117	91	401
IFRS 16 - Lease Liability	446	-	-
Non-interest bearing liabilities	970	797	855
Liabilities held for sale	29	30	24



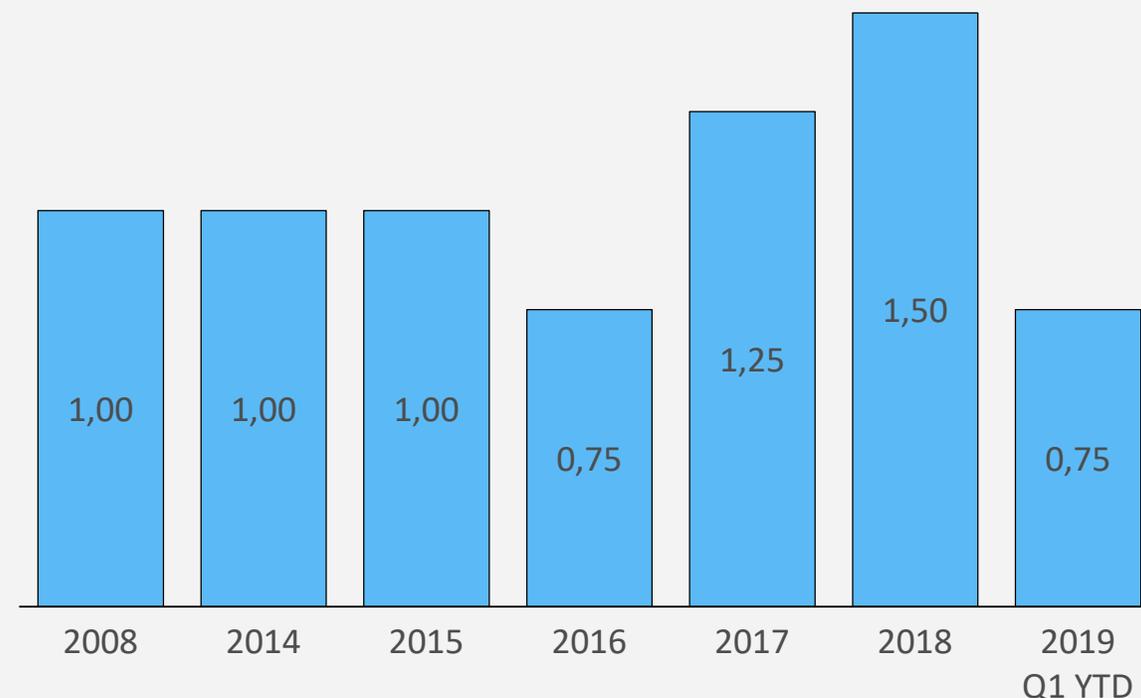
# Dividend and dividend policy

## *Dividend Policy*

- The company is aiming to give the shareholders a competitive return on investment by a combination of cash dividend and share price increase
- The company's dividend policy shall be stable and predictable
- When deciding the dividend the Board will take into consideration expected cash flow, capital expenditure plans, financing requirements/compliance, appropriate financial flexibility, and the level of net interest bearing debt
- The company needs to be in compliance with all legal requirements to pay dividend
- The company will target to pay dividend twice a year

- 
- A dividend of NOK 0.75 per share was paid in March 2019

## Cash Dividend



# Largest shareholders

## 20 largest shareholders

No of shares	%	Account name	Type	Citizenship
20 703 105	62,1 %	EGERSUND GROUP AS		NOR
3 900 000	11,7 %	WHEATSHEAF INVESTMENTS LIMITED		GBP
983 242	2,9 %	SIX SIS AG	Nominee	CHE
825 932	2,5 %	VERDIPAPIRFONDET ALFRED BERG GAMBAK		NOR
657 432	2,0 %	VERDIPAPIRFONDET NORDEA KAPITAL		NOR
545 123	1,6 %	VERDIPAPIRFONDET NORDEA AVKASTNING		NOR
516 500	1,5 %	Norron Sicav - Select		LUX
405 488	1,2 %	STATOIL PENSJON		NOR
356 300	1,1 %	MP PENSJON PK		NOR
330 640	1,0 %	VERDIPAPIRFONDET NORDEA NORGE PLUS		NOR
327 453	1,0 %	NORDEA 1 SICAV		LUX
300 000	0,9 %	JPMBL SA NORDEA NORDIC SM CAP FD		FIN
174 615	0,5 %	VERDIPAPIRFONDET DNB SMB		NOR
163 610	0,5 %	METZLER EURO SMALL + MICRO CAP		IRL
150 000	0,4 %	BJØRN DAHLE		NOR
148 609	0,4 %	HANDELSBANK NORDISKA SMABOLAGSFOND		SWE
125 000	0,4 %	UBS Europe SE	Nominee	LUX
109 090	0,3 %	STATOIL FORSIKRING A.S		NOR
100 000	0,3 %	ASKVIG AS		NOR
100 000	0,3 %	BERGEN KOMMUNALE PENSJONSKASSE		NOR
<b>30 922 139</b>	<b>92,8 %</b>	<b>20 largest shareholders</b>		
2 412 164	7,2 %	Other		
<b>33 334 303</b>	<b>100,0 %</b>	<b>Total number of shares as per 31.03.2019</b>		

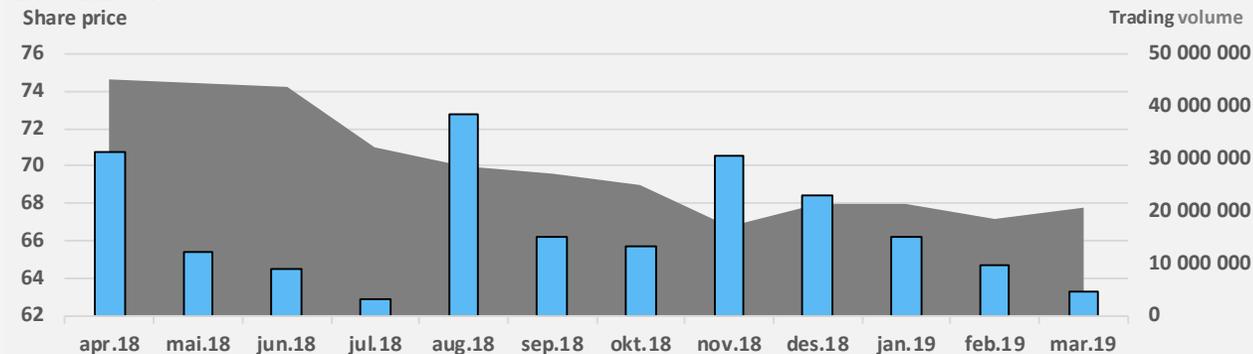
## Origin of shareholders, 5 largest countries

No of shares	%	Origin	No of shareholders
26 164 747	78,5 %	Norway	815
3 923 799	11,8 %	Great Britain	17
1 062 129	3,2 %	Switzerland	5
1 036 300	3,1 %	Luxembourg	5
380 358	1,1 %	Finland	5
766 970	2,3 %	Other	110

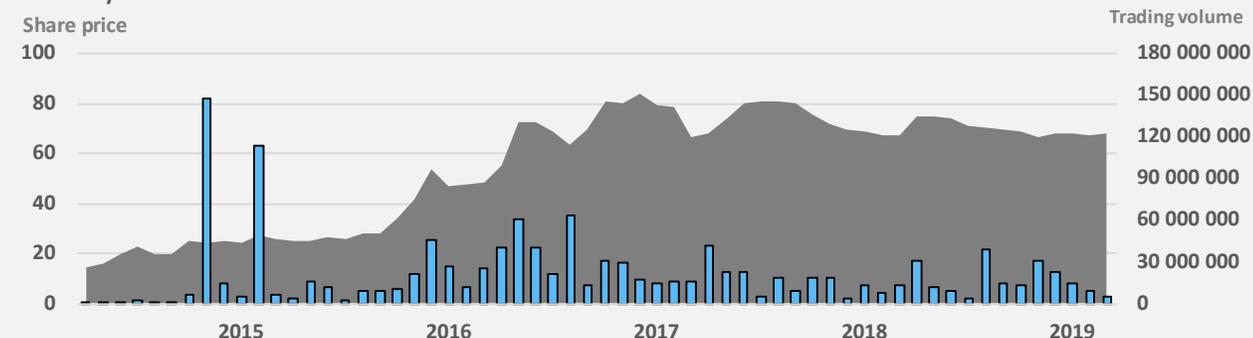
Total number of shareholders: 957 - from 26 different countries

## Share development

### Last 12 months



### Last 5 years



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 Outlook – by CEO Hallvard Muri

# AKVA group in brief



Leading  
technology  
and service  
partner



Listed on  
Oslo stock  
exchange  
since 2006



Deliveries  
in 65  
countries  
over 40  
years



Companies  
in 12  
countries.  
1 541  
employees

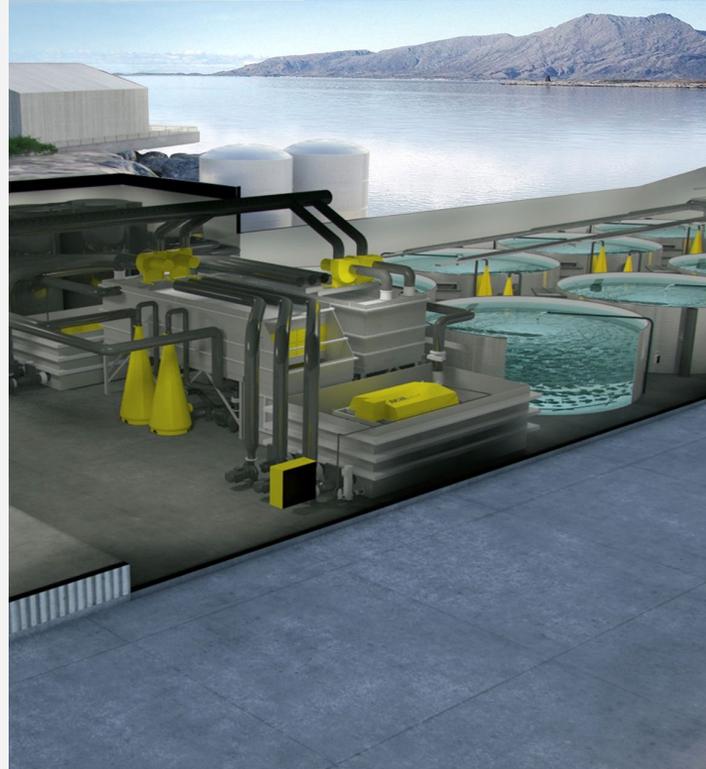


# Solutions

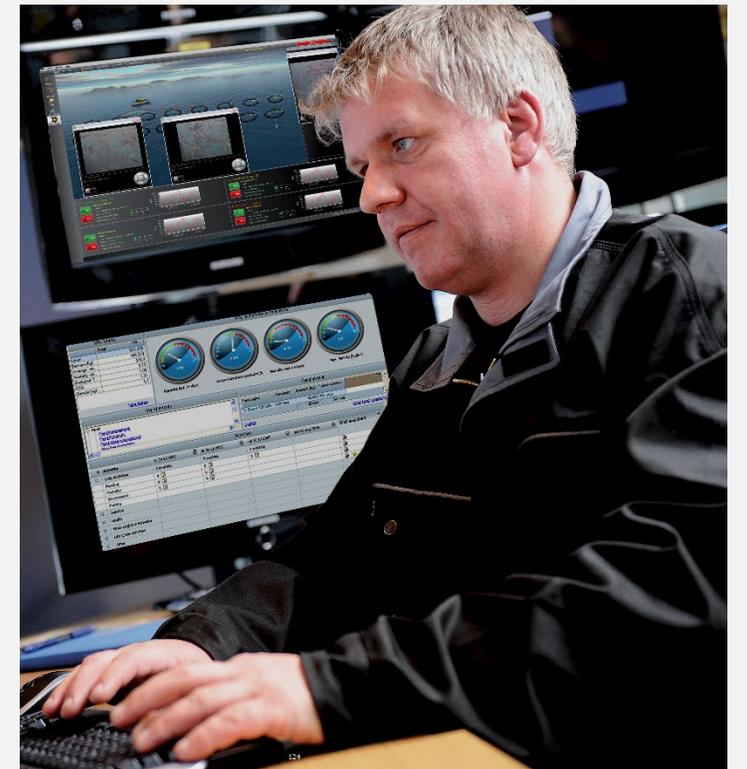
## Cage Based Technology



## Land Based Technology



## Software



CAPEX Based Revenue

CAGE BASED TECHNOLOGY



LAND BASED TECHNOLOGY



**SOFTWARE:** Fishtalk  
AKVAconnect  
Support

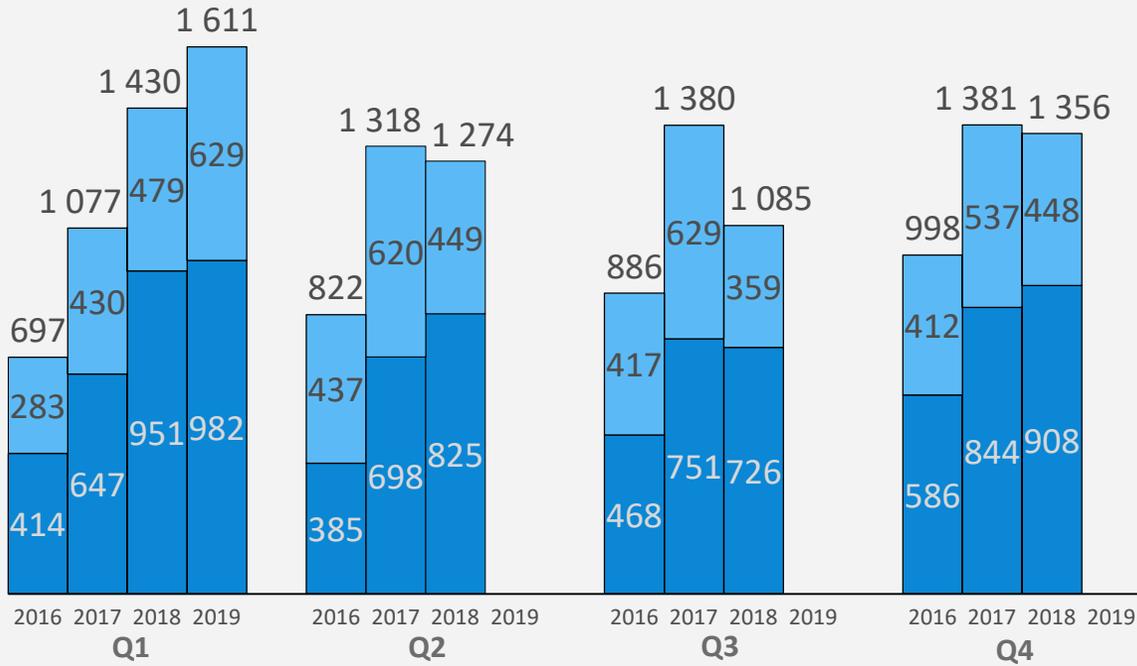


**MARINE SERVICES  
& AFTER SALE  
SERVICE:** Marine services  
Rentals  
After sale services

OPEX Based Revenue

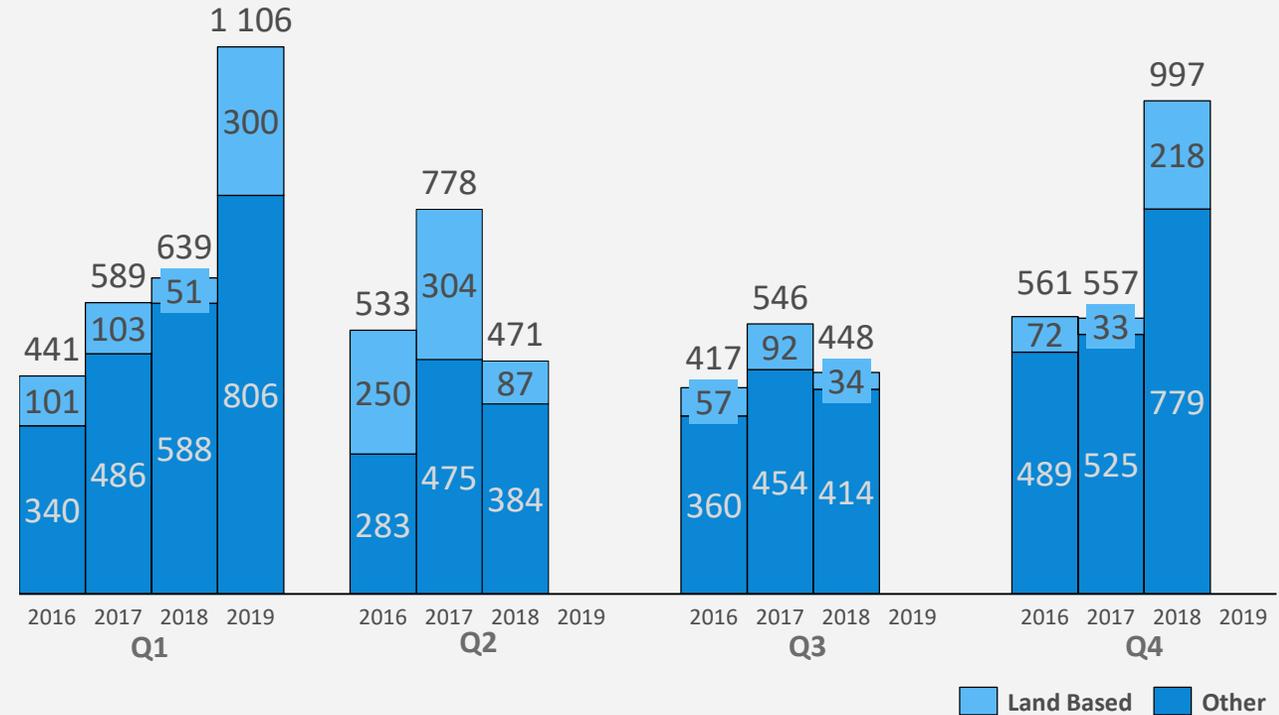
# Order backlog and inflow, 2016 through 2019

## Order backlog



- 39% of total order backlog relates to Land Based Technology (LBT)

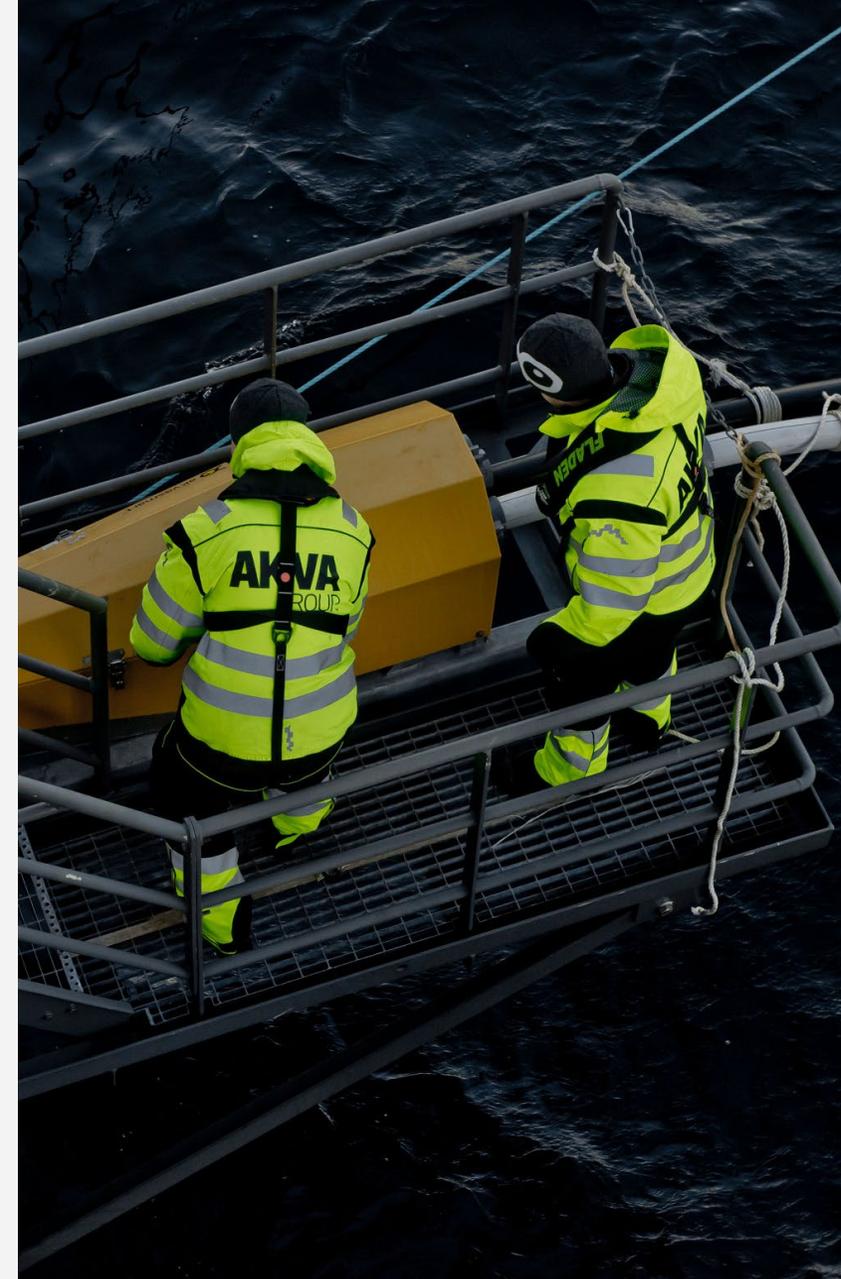
## Order intake



- Order intake of 1 106 MNOK in Q1 2019
- LBT agreement with Svabergget Smolt AS signed in Q1 2019 of approx. 300 MNOK

# Outlook – AKVA group

- Developing digitalization strategy, upgrading software platform and control systems. Interim CDO hired.
- New product development well under way; cage system, and feeding. New CTO hired
- Egersund Net integration continued positive development – cages, nets and mooring (total) solutions sold in the market
- Presence in eastern Canada, plans being firmed up for a strong product and service foothold.
- Pipeline for Land Based still good – although revenue phasing of current backlog is lower for Q2 than Q1
- Atlantis project in execution mode – fish in the sea



**CUSTOMER FOCUS**  
**AQUACULTURE**  
**∞ KNOWLEDGE**  
**RELIABILITY**  
**ENTHUSIASM!**

