

# Q2 2019 Presentation

Oslo – 14 August 2019

Hallvard Muri, CEO

Simon Nyquist Martinsen, CFO



# Agenda

 Highlights

 Financial performance

 Outlook

 Q&A

BIOLOGY



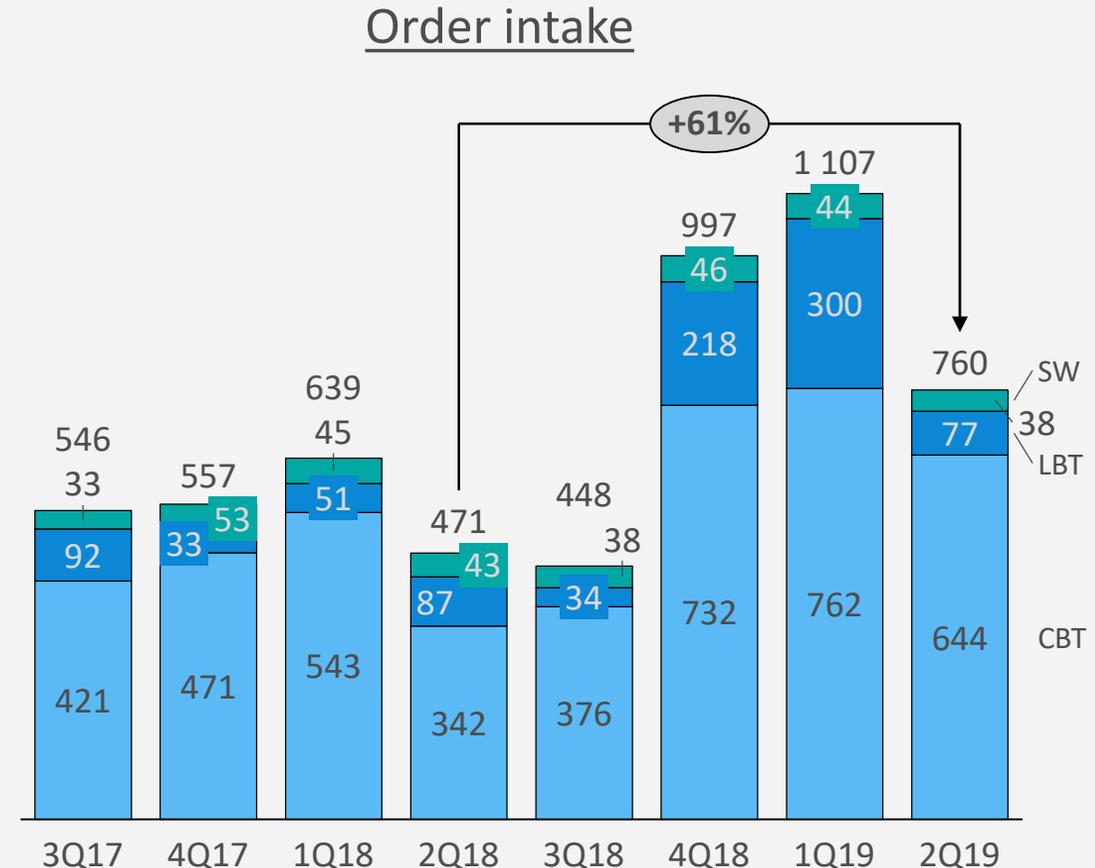
TECHNOLOGY



 **Highlights Q2 2019 – by CEO Hallvard Muri**

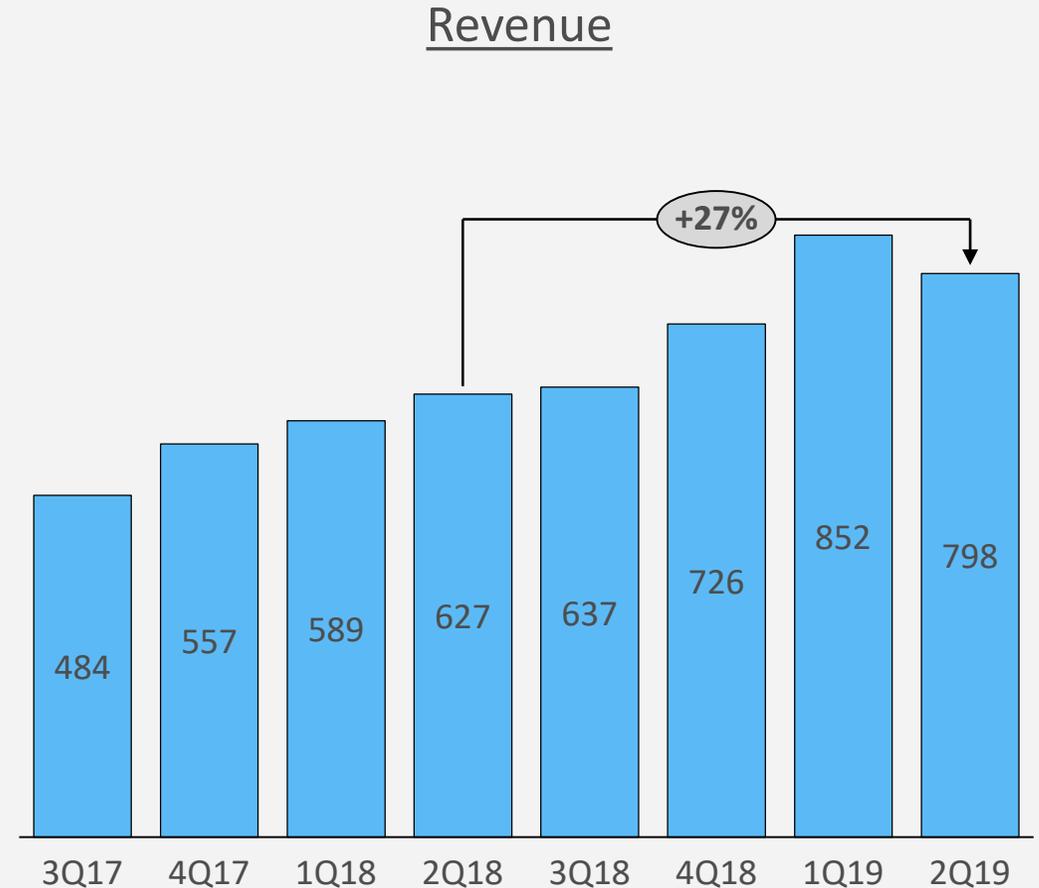
# Strong financial performance

- Order intake of 760 MNOK
- Strong contributions from all segment and regions in the quarter
- Significant land based tender won with Russian Sea of 11.9 MEUR, expected signing in Q3/Q4, not yet included in order backlog
- Barge Supply and Sales Contract signed with Grieg NL Seafarms Ltd in Q3 2018, not included in order backlog
- Co-operation agreement signed with Cooke Aquaculture in August, with potential for delivery of several larger land based smolt projects, which the first is expected to be signed in Q3
- Last twelve months order intake of 3,312 MNOK, compared to 2,555 MNOK full year 2018



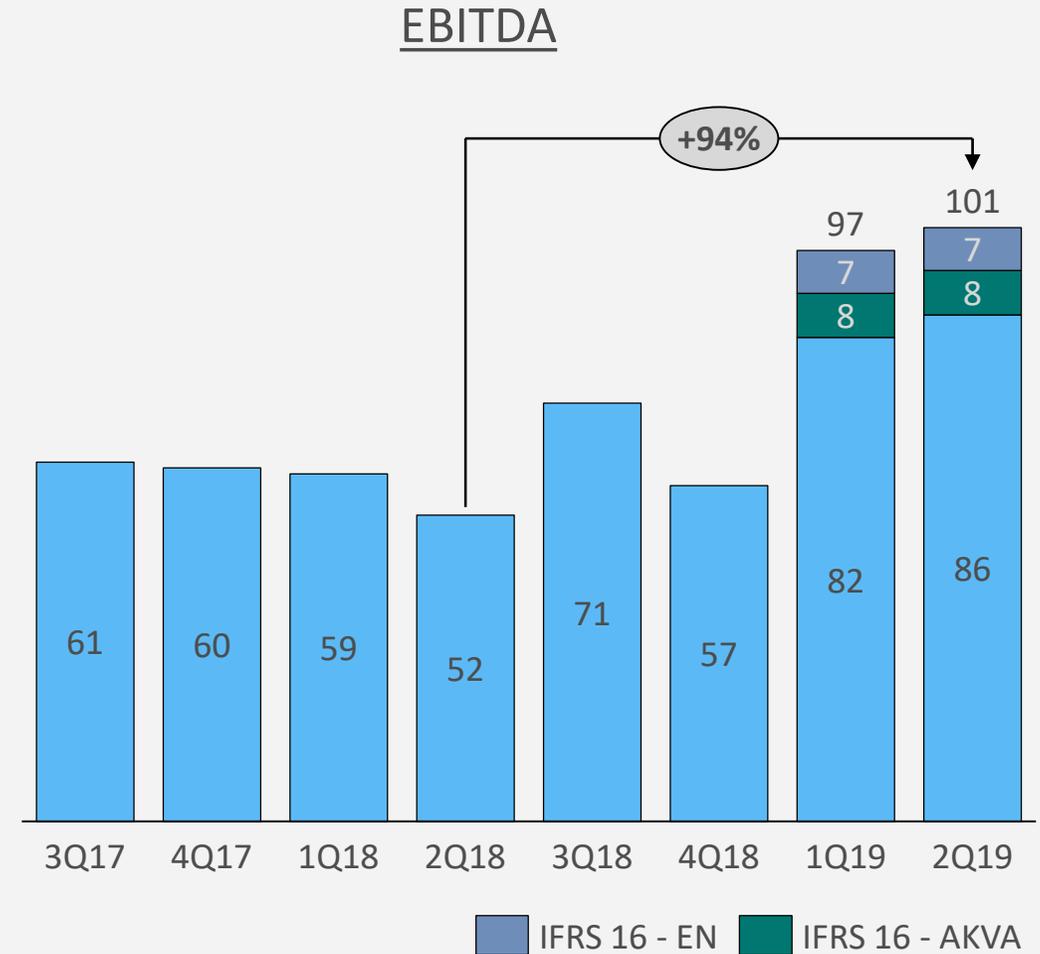
# High activity in all regions

- **27% increase in revenue compared to Q2 2018**
- Egersund Net group of companies included from September 1<sup>st</sup> 2018
- Americas another positive quarter with revenue of 136 MNOK, up from 125 MNOK in Q2 2018
- Positive order intake development in Nordic CBT, driving revenue, increase of 12 % compared to YTD last year
- Good development in both net sales and net service after integration of AKVA / Egersund net organizations



# EBITDA development

- EBITDA of 101 MNOK in the quarter, including 15 MNOK in effect of reclassification due to IFRS 16 (leases)
- Americas continued positive development with an EBITDA of 12 MNOK compared to 10 MNOK in Q2 2018, driven first and foremost by improved margins
- Nordic CBT segment 6 % increase in EBITDA YoY, with strong contributions by AKVA Marine Services and Sperre
- EBITDA in the Land Based segment on same level as in 2018 with 12 MNOK, on lower revenue
- The effect of IFRS 16 is 15 MNOK in the quarter, mainly related to property rental agreements. YTD effect of 29 MNOK

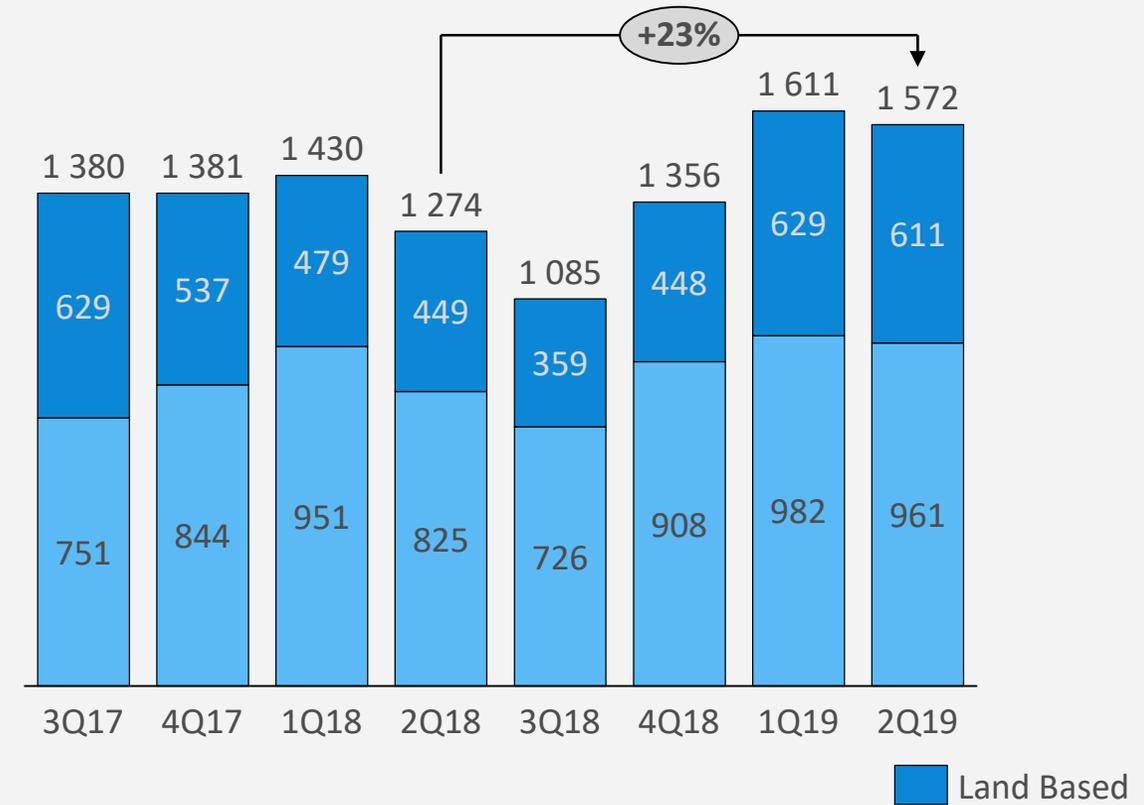


# Continued strong order backlog

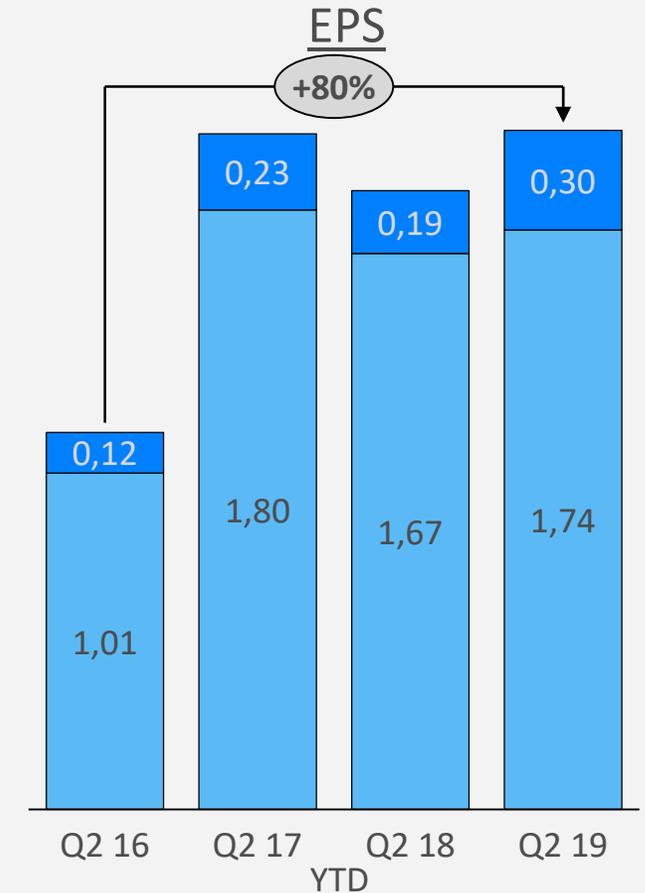
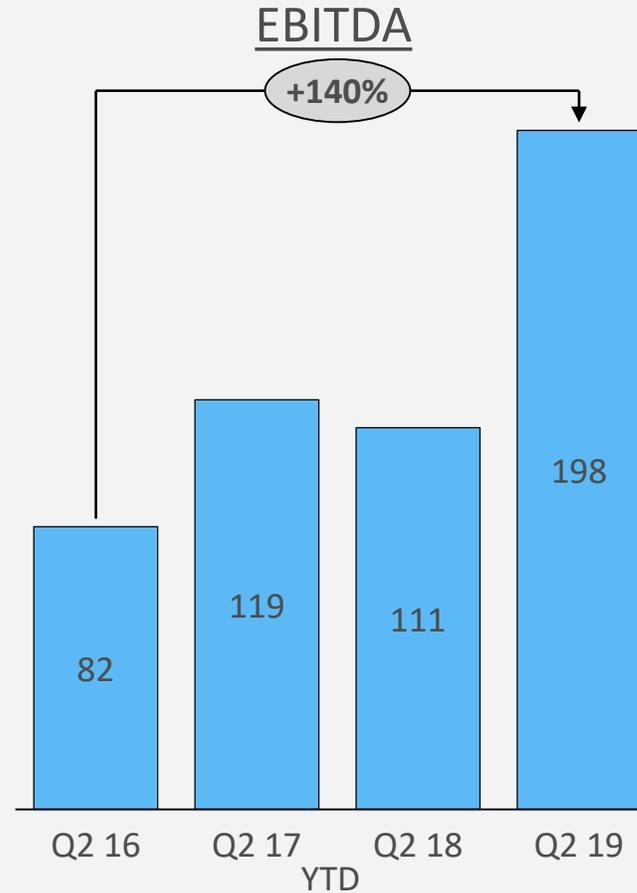
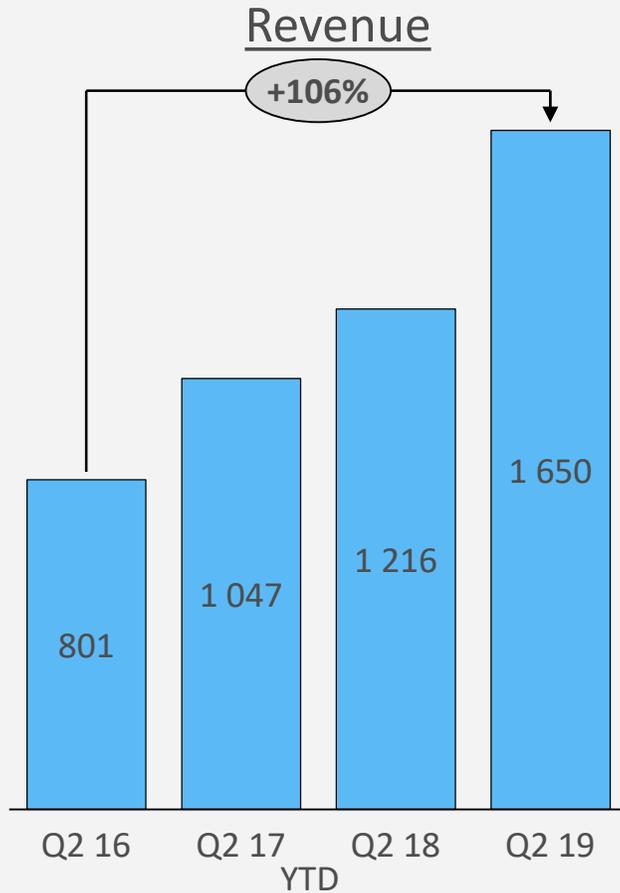
- **Second quarter 2019 – Highlights**

- Order backlog at end of June of 1.6 BNOK
- Signed another barge to Russian Sea in June of 37 MNOK
- Awarded Land Based agreement with Russian Sea of 11.9 MEUR, not in backlog yet
- Acquisition of remaining shares in AKVA Marine Services
- Integration of Egersund Net as planned and development in net sales and service strong
- Termination of agreement to divest Wise lausnir ehf

Order backlog



# Key financial metrics



Amortization from intangible assets related to acquisitions

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

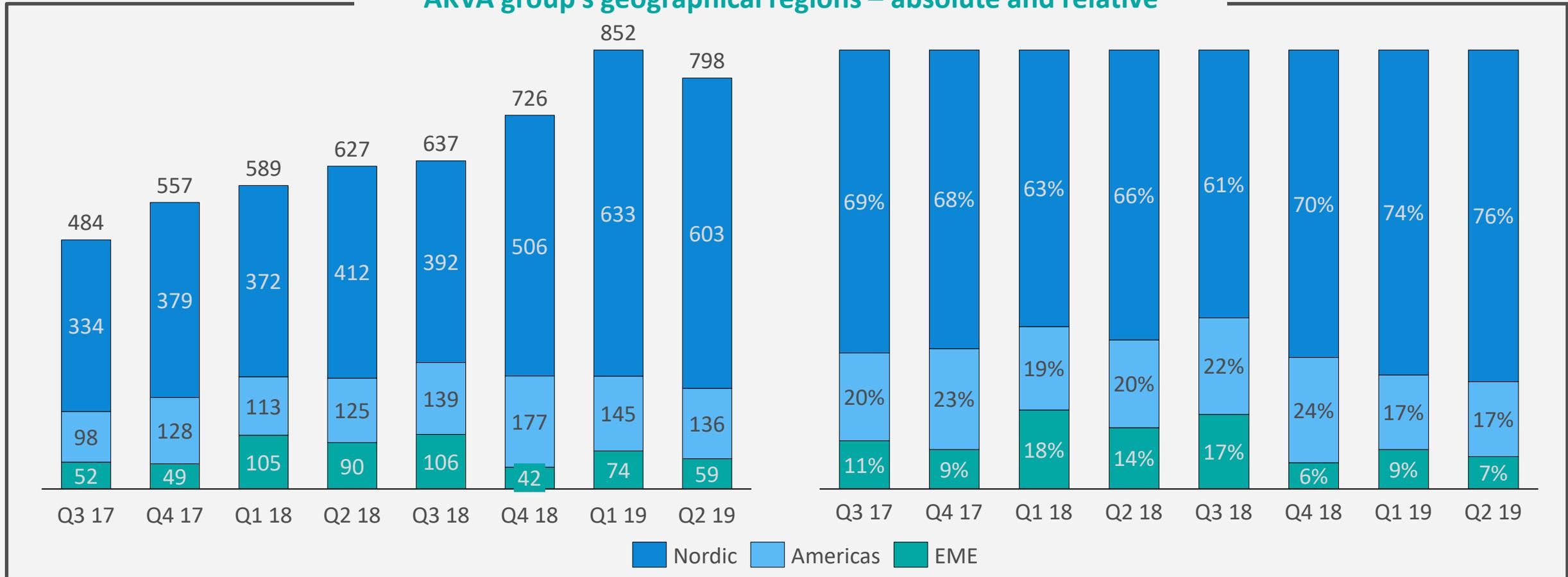
# Our presence



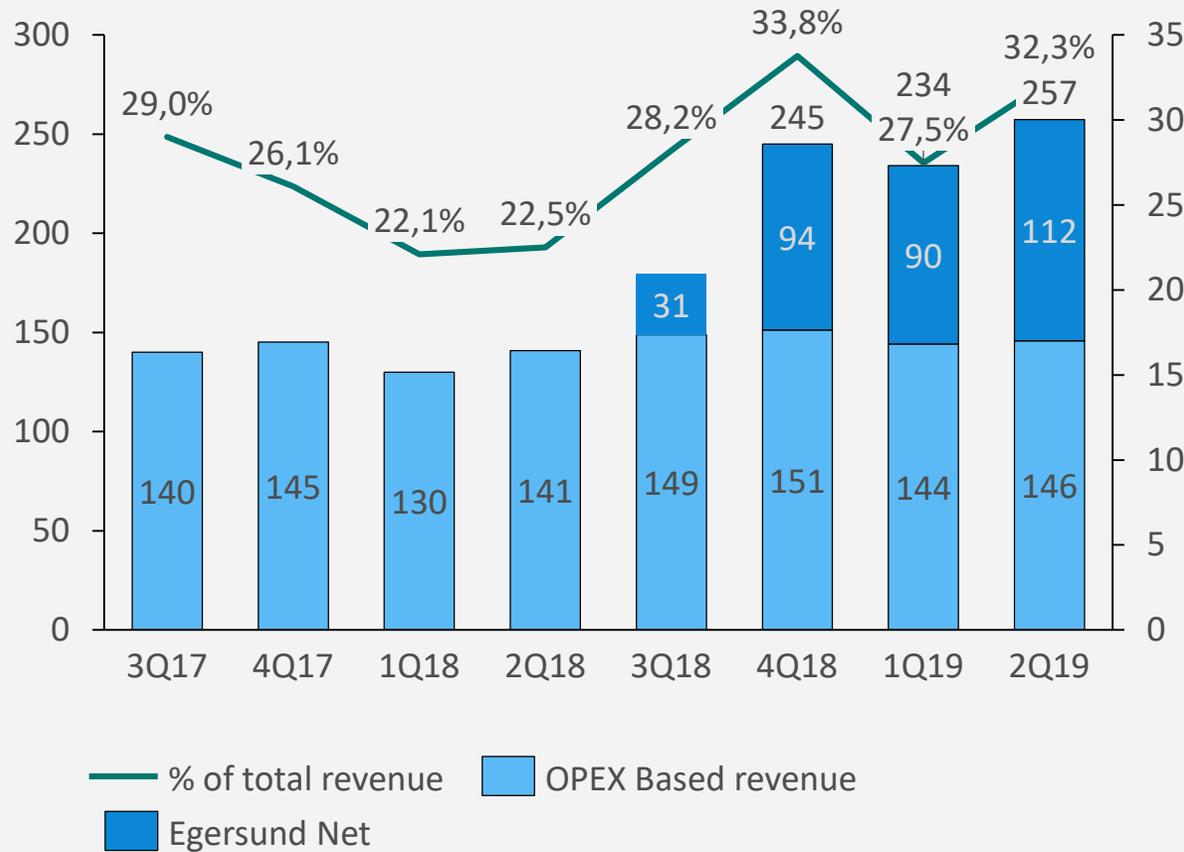
- AKVA group
- Agents and distributors

# Revenue in geographical regions

AKVA group's geographical regions – absolute and relative



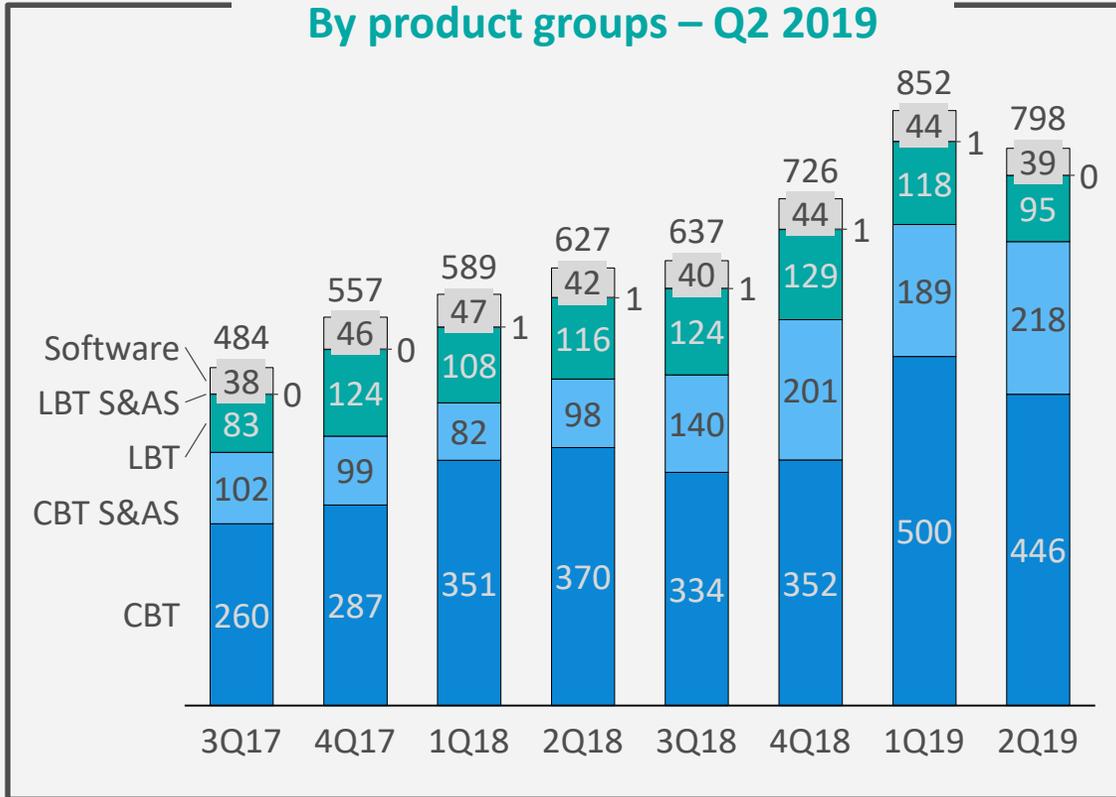
# Development in OPEX based revenue



- Egersund Net contributing 112 MNOK in the quarter
- Stable development for the rental business (Scotland and Norway) in 2019
- Service in ASA Nordic with higher revenue and margins compared to Q2 2018
- Stable revenue from the Software business, 39 MNOK in Q2 2019, compared to 42 MNOK in Q2 2018
- Higher activity level in the Norwegian marine service business in Q2 2019 compared to Q2 2018, and with healthy order backlog. Well positioned for high season in Q3

# Revenue by product group and species

By product groups – Q2 2019



**Cage Based Technology** = Cages, barges, feed systems and other operational systems for cage based aquaculture

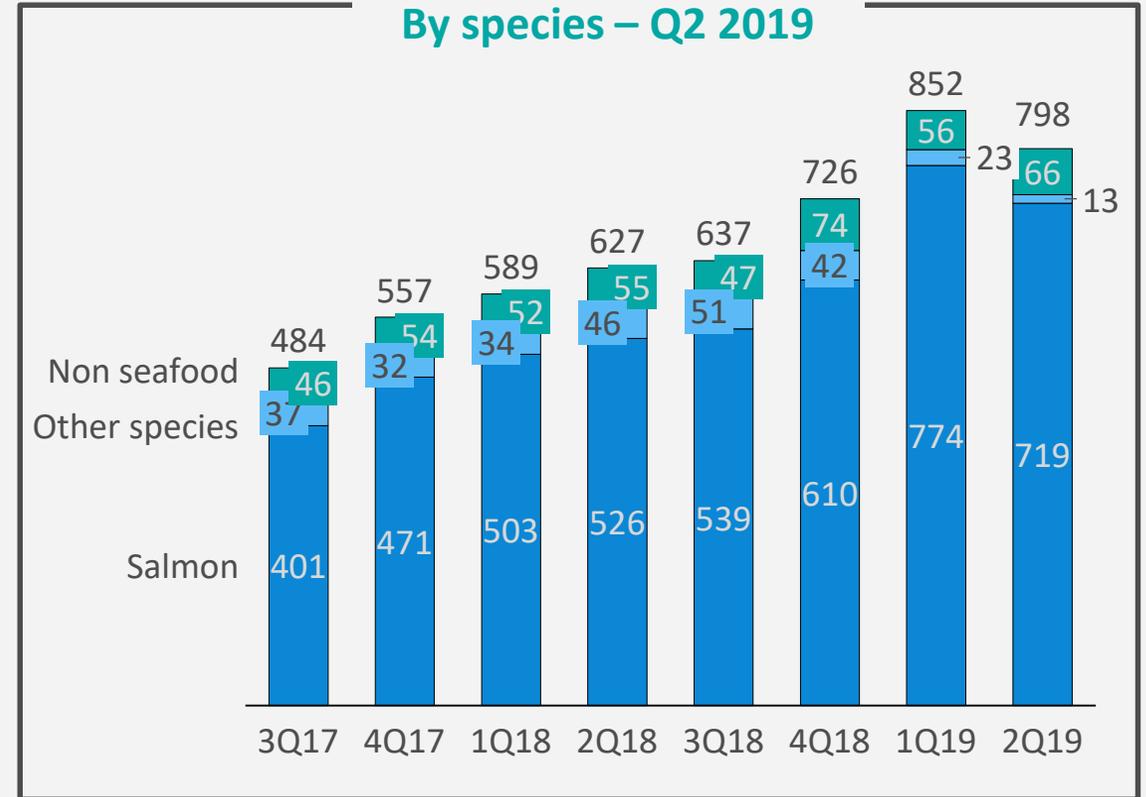
**S&AS Cage Based** = Service and after sales for cage based aquaculture

**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 – Q2 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

# Q2 – Operational Highlights

- Improved and stable operations at pipe manufacturing
- Continued strong pipeline of land based projects, co-operation agreement signed with Cooke in August
- Continued good demand in Chile and stable margins as a result of improvement programs
- Strong performance in the acquired net and net service business, Egersund Net
- Good progress made in renewal of Fishtalk and AKVAconnect software platforms, and AI (intelligent feeding program) co-operation with Observe starting to materialize in contracts
- Initiated market research to investigate broadening product and service offering in Chile
- Good progress made to establish foothold in New Foundland, Loi signed with local partner for joint venture
- Continued strong competition in Norwegian barge business, operational improvement program initiated
- First barges delivered out of new partner in Vietnam
- New product/offerings made ready for presentation at AquaNor, including new cage concept and waterborne feeding

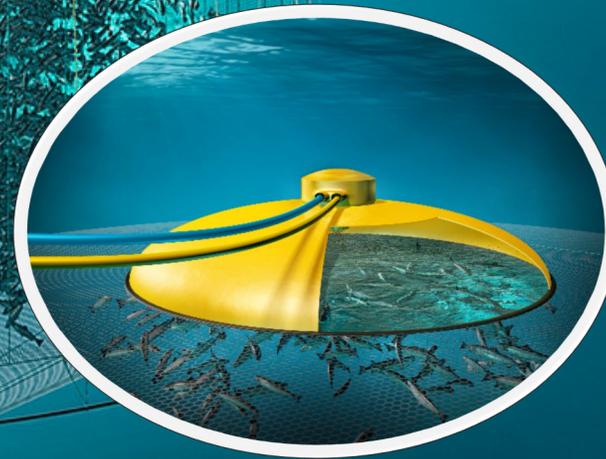
Risk management

Underwater feeding

Fish health operations

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

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.



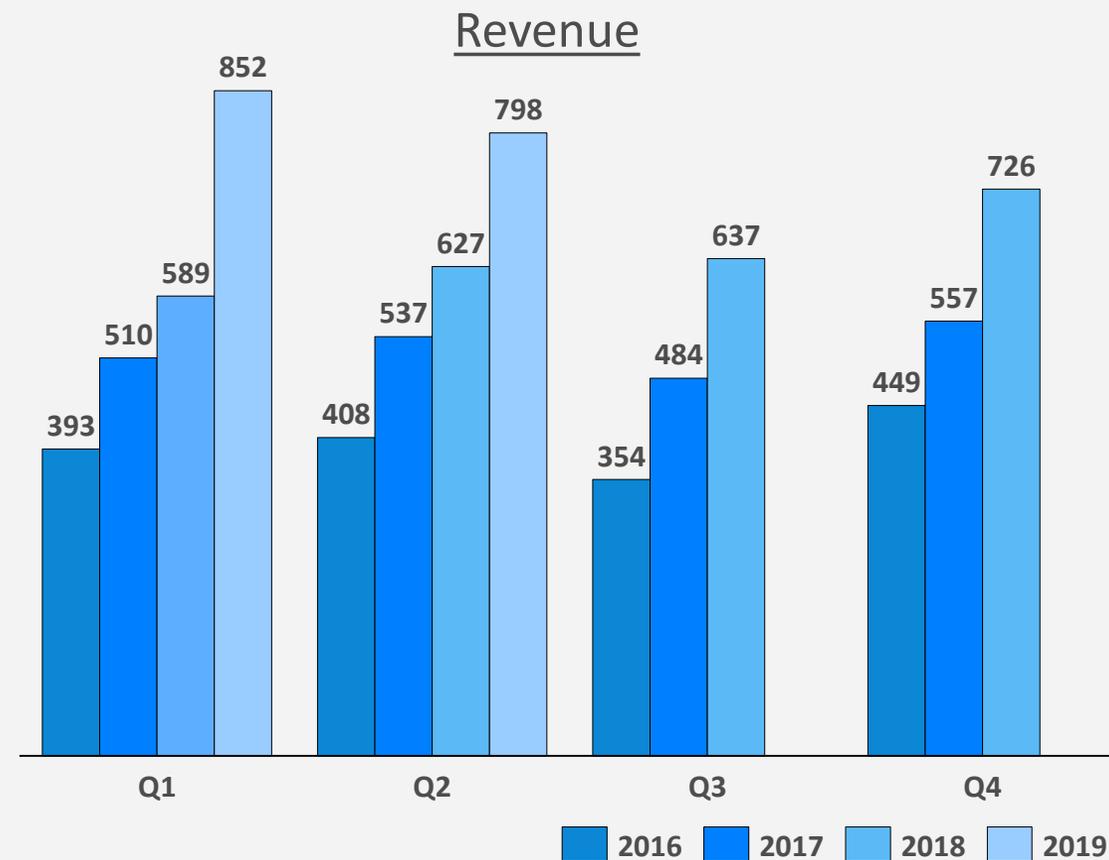
Air to the salmon  
Artificial air space



 Financial performance Q2 2019 – by CFO Simon Nyquist Martinsen

# Q2 2019 – Financial highlights

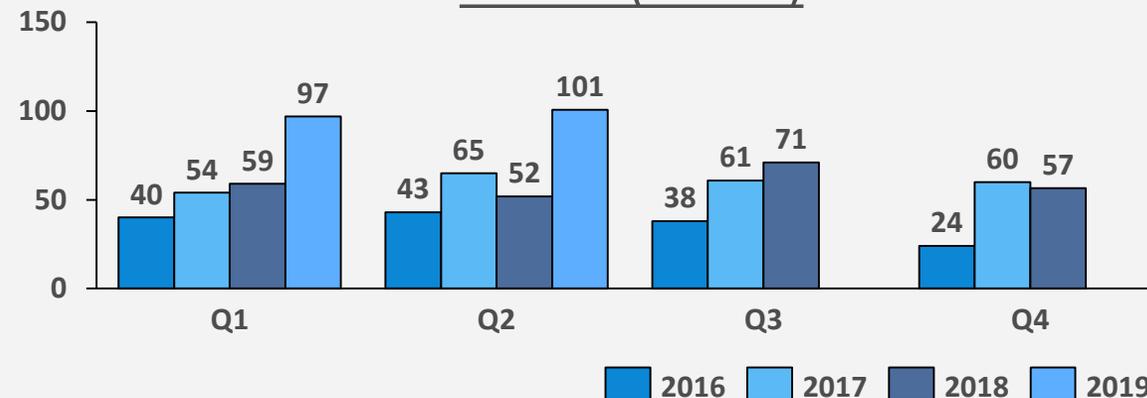
- Last twelve months order intake and revenue now at 3,312 MNOK and 3,013 MNOK respectively
- The order book has decreased to 1,572 MNOK at the end of Q2 2019
- Strong growth in the Nordic region, decline in EME and Land Based (due to phasing of orders)
- Egersund Net integration process working as planned, and both new sales of nets and services is showing good sales growth (pro forma compared to last year)



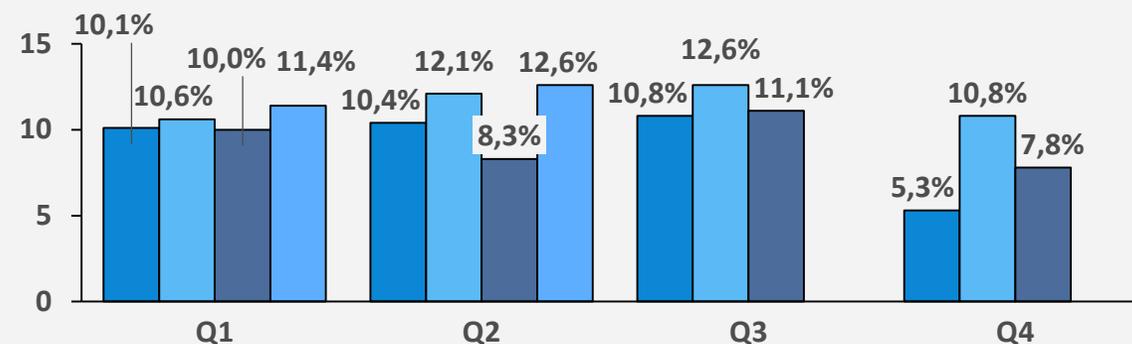
# Q2 2019 – Financial highlights

- As in Q1, strong contributions from Americas, inclusion of Egersund Net when comparing to the same quarter last year
- Strong improvements and contribution in the quarter from net washing in sea and sales of ROV and FNC (net washing equipment)
- EBITDA positively affected by 15 MNOK due to implementation of IFRS 16 in the quarter (29 MNOK YTD)
- Margins have improved YoY and compared to Q1, even if adjusting for the IFRS effect, as well as if adjusted (proforma) for the contribution from Egersund Net
- Margins in the Land Based segment continue to improve with an EBITDA margin of 12,2% compared to 10,5% in Q2 2018 and compared to 10,1% in Q1 2019
- Cost increases/ramp up in T&D and HQ

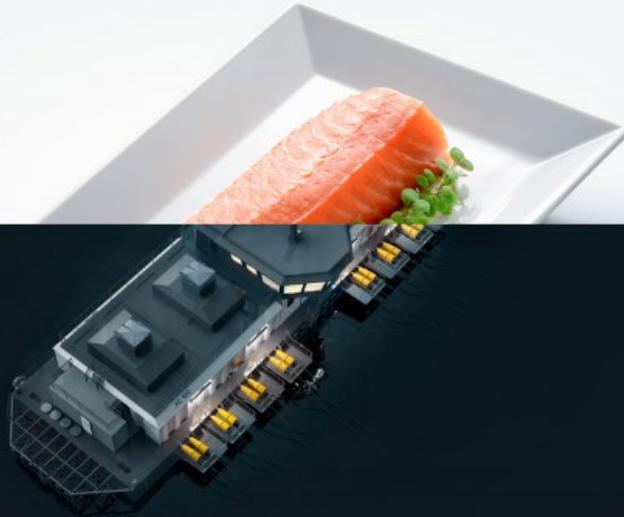
EBITDA (MNOK)



EBITDA %



## 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

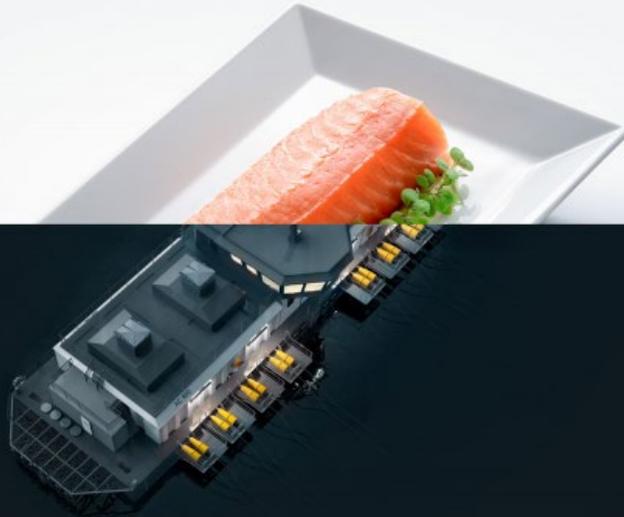
## Nordic

- Improved margins in the Norwegian barge business compared to H2 2018 and Q1 2019, but still fierce competition and operational improvement potential
- Stable operations at Helgeland Plast
- Strong improvement in quarter from Sperre and AKVA Marine Services (sale of ROV's and net washers, and net cleaning in sea)
- Egersund Net, Egersund Trading, UAB Egersund Net and Grading System fully consolidated. Not included in figures in Q2 2018. Pro forma comparison YTD 2019 show solid growth in revenue and earnings compared to 2018
- Emel Balik (Turkey) and NOFI Oppdrettsservice (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

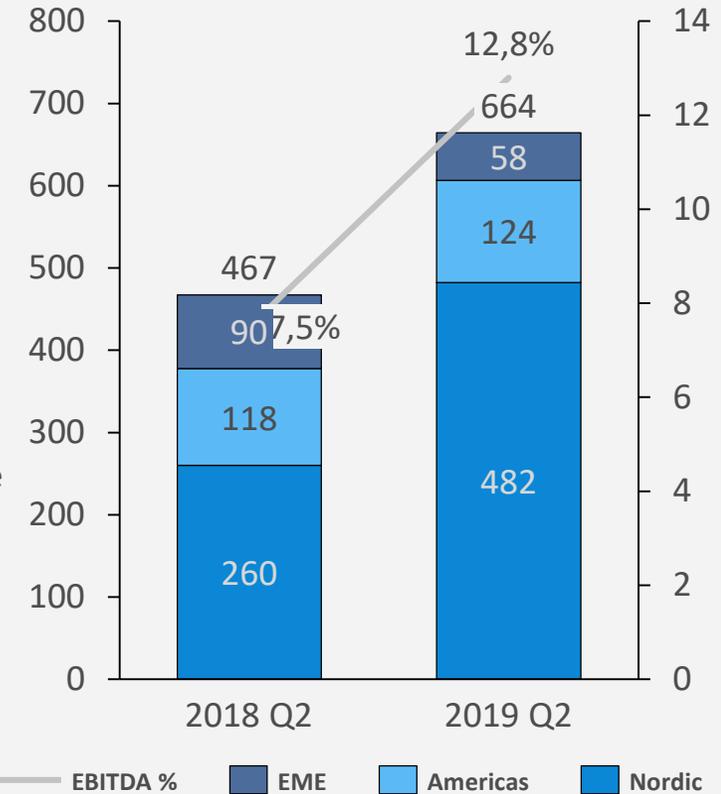
## Americas

- Both order intake and revenue is up compared to last years Q2
- EBITDA margins also improved compared to last years Q2 and to 2018 total
- Americas region has grown in EBITDA by 109 % compared to YTD Q2 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 59 MNOK compared to 90 MNOK the same quarter last year
- Despite this both the export area and Turkey had good order intake in Q2, signing orders for 64 MNOK in total
- The Turkish joint venture Emel Balik is being ramped up to partly serve as capacity back up for our net assembly in Lithuania

## Revenue and EBITDA %



## BIOLOGY



## TECHNOLOGY

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# Land Based Technology

- A tender with Russian Sea of 11,9 MEUR was won in Q2, final contract expected to be signed late Q3 or early Q4, this project is not included in the order backlog
- Co-operation agreement signed with Cooke Aquaculture in August, with potential for delivery of several larger land based smolt projects, which the first is expected to be signed in Q3
- Pipeline of projects continue to be good in several regions
- Margins are improving quarter by quarter and stronger than full year 2018 of 9,9%
- Strong order backlog of 611 MNOK by the end of Q2, but the phasing of these projects indicates decline in revenue for Q3 compared to LY

Revenue and EBITDA %



## BIOLOGY



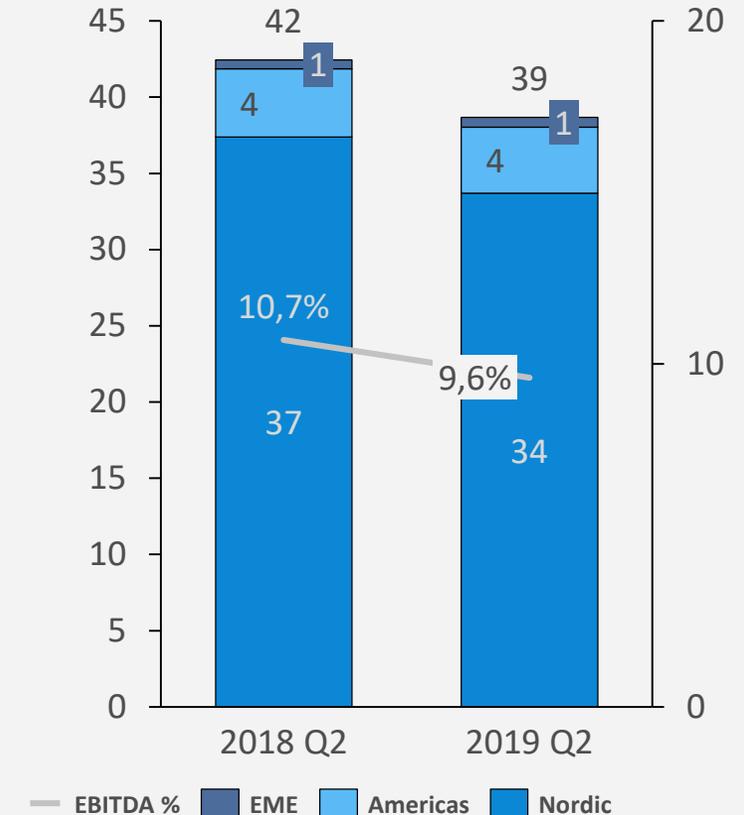
## TECHNOLOGY

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# Software

- Digital solutions in Software integrated with control systems and AI solutions create stronger combined offerings
- First version of modernized Fishtalk delivered, with open, cloud based API and new modern app's
- Brand new control system, AKVAconnect to be launched at Aqua Nor in August
- Successful launch of Observe AI (artificial intelligence), now in use by 15 customers globally
- As noted in stock notice of 18.06.2019 AKVA group has terminated the agreement to divest Wise lausnir ehf and strategic options are under evaluation
- Stable contract revenue in Wise, but less consultancy/services in the second quarter compared to last year

## Revenue and EBITDA %



# Financials – Detailed P&L

(MNOK)	2019 Q2	2018 Q2	2019 YTD	2018 YTD	2018 Total
Order backlog	1 572	1 274	1 572	1 274	1 356
Order intake	760	471	1 867	1 110	2 555
<b>P&amp;L</b>					
<b>OPERATING REVENUES</b>	<b>798</b>	<b>627</b>	<b>1 650</b>	<b>1 216</b>	<b>2 579</b>
IFRS 16 OPEX*	-15	-	-29	-	-
Operating costs ex depreciations	712	575	1 482	1 105	2 342
<b>EBITDA</b>	<b>101</b>	<b>52</b>	<b>198</b>	<b>111</b>	<b>238</b>
Depreciation	22	16	45	30	69
IFRS 16 Depreciation*	14	-	27	-	-
Amortization	12	9	24	17	39
<b>EBIT</b>	<b>53</b>	<b>27</b>	<b>102</b>	<b>64</b>	<b>130</b>
Net interest expense	-5	-3	-10	-6	-14
IFRS 16 Interest expense*	-5	-	-10	-	-
Other financial items	-1	-1	-1	-5	-4
Net financial items	-10	-4	-21	-11	-18
<b>EBT</b>	<b>43</b>	<b>23</b>	<b>80</b>	<b>53</b>	<b>112</b>
Taxes	12	4	21	10	22
<b>NET PROFIT</b>	<b>31</b>	<b>19</b>	<b>60</b>	<b>43</b>	<b>89</b>
<b>Net profit (loss) attributable to:</b>					
Non-controlling interests	1,1	-0,1	1,5	-0,1	-0,3
Equity holders of AKVA group ASA	29	19	58	43	90
Number of shares	33 216	25 806	33 261	25 806	28 306
Revenue growth	27,3 %	16,7 %	35,7 %	16,1 %	23,5 %
EBITDA margin	12,6 %	8,3 %	12,0 %	9,1 %	9,2 %
EPS (NOK)	0,88	0,73	1,74	1,67	3,17

Of which Land Based is 611 MNOK

Investment in subsidiaries accounted for by equity method YTD Q2 classified as other operating revenues of 1.8 MNOK

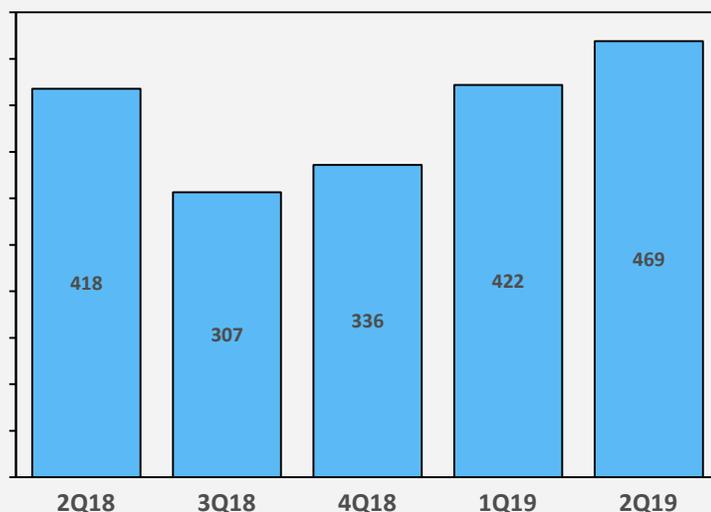
Increased depreciation mainly due to investments in AKVA Marine Services/Helgeland Plast and depreciation/amortization including Egersund Net and subsidiaries (8 MNOK in quarter)

\*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

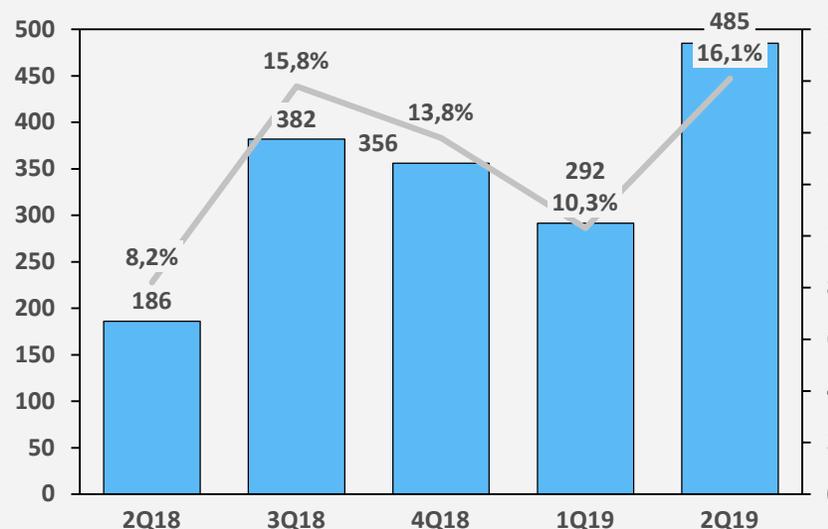
# Group financial profile – remains strong

## Available cash



- Including 88 MNOK of a 303 MNOK credit facility in Danske Bank, as of Q2 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
- Ten 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 15,6%

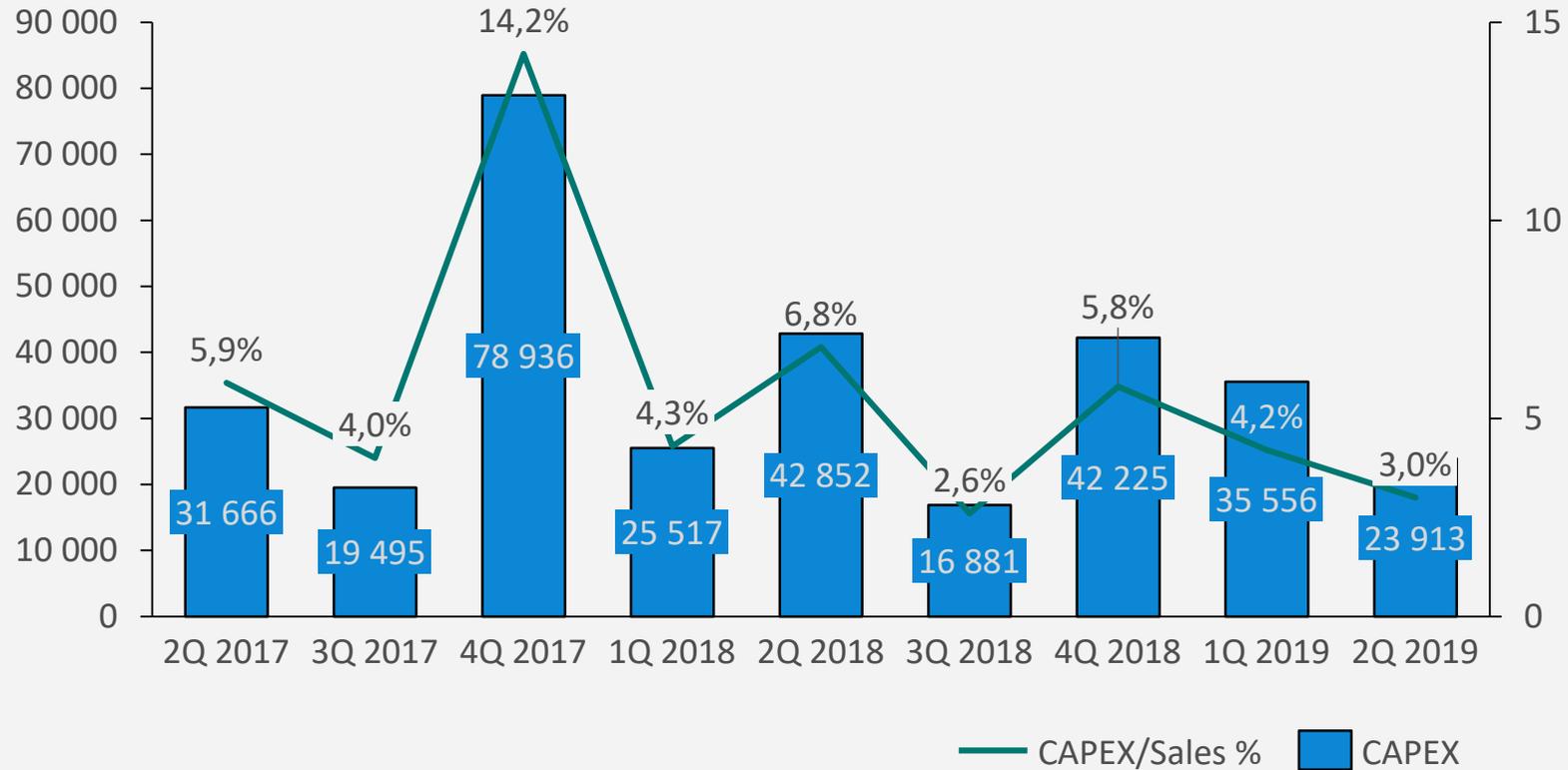
## Average working capital



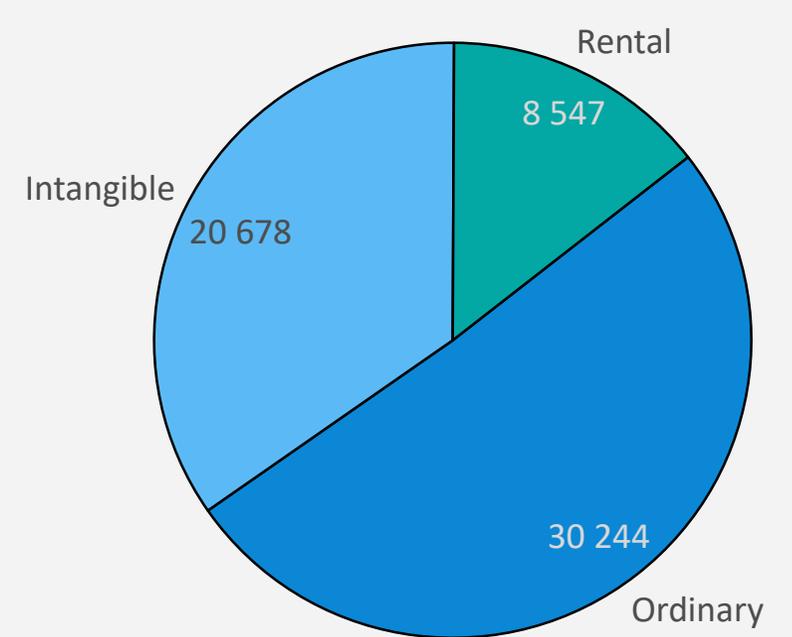
- The graph shows 12 months average working capital and average working capital relative to last twelve months revenue
- With revenue of 12 months of Egersund Net it would be 12,2%

# CAPEX

(TNOK) CAPEX and CAPEX/Sales %

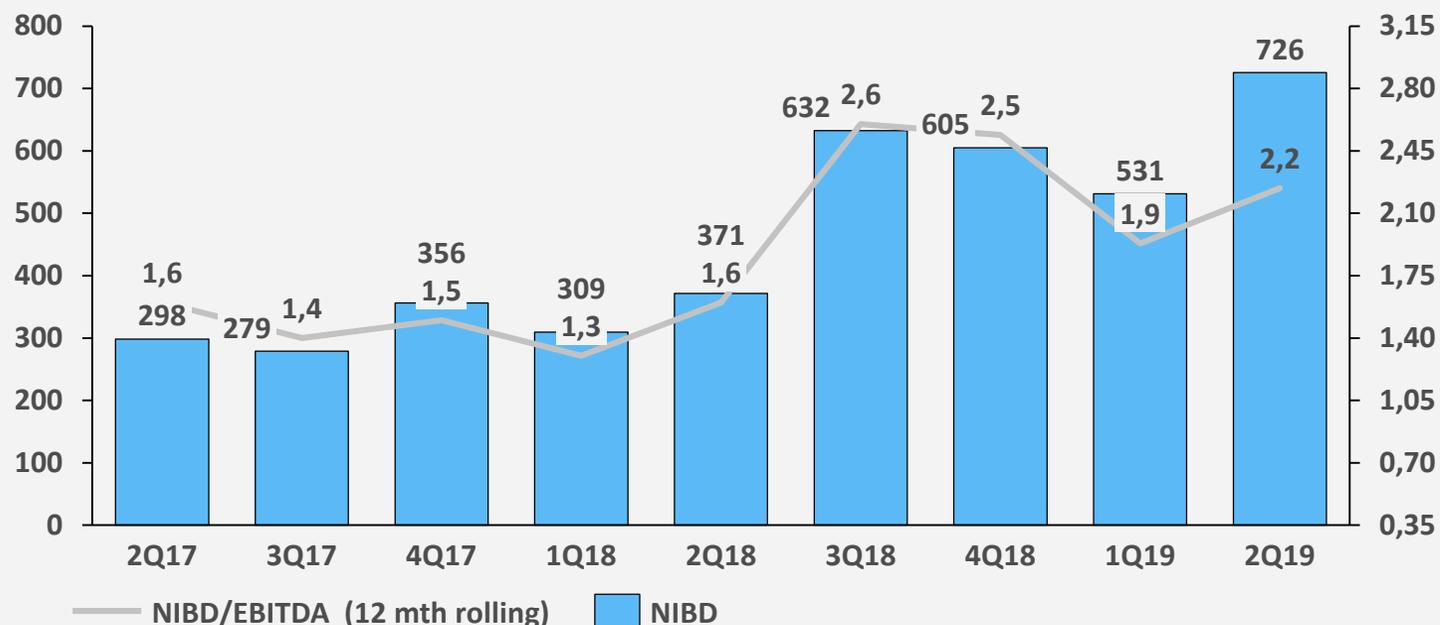


CAPEX breakdown 2019



# Net interest bearing debt/EBITDA of 2.2

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



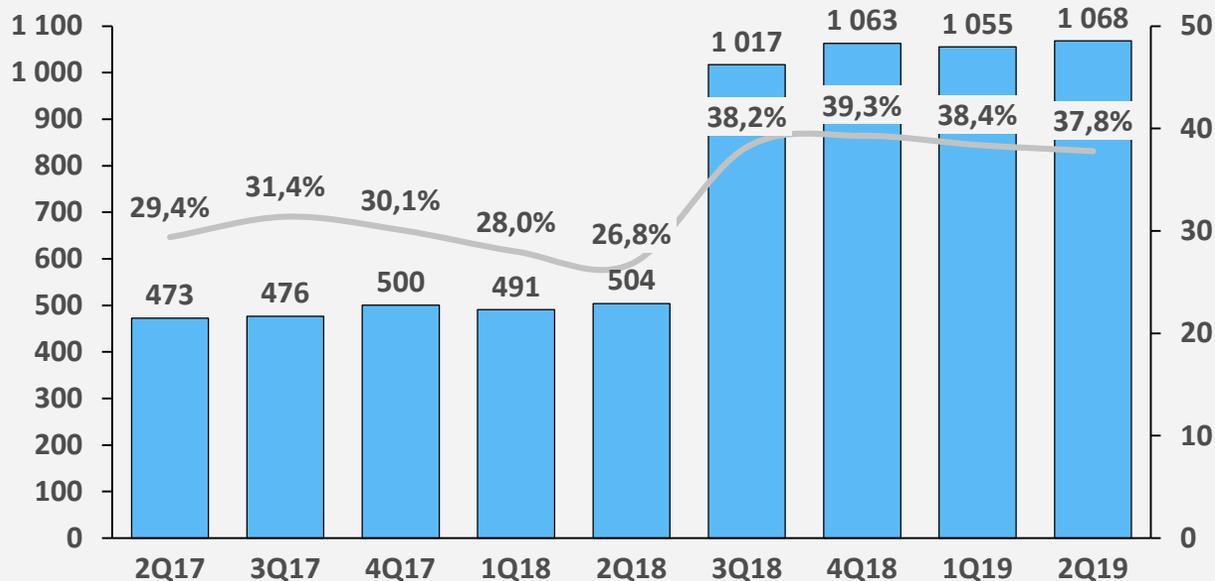
- NIBD/EBITDA of 2,15 with inclusion of full year Egersund Net EBITDA (10 months included in the ratio)
- Excluding IFRS 16 liabilities

## Change in net interest bearing debt (TNOK)

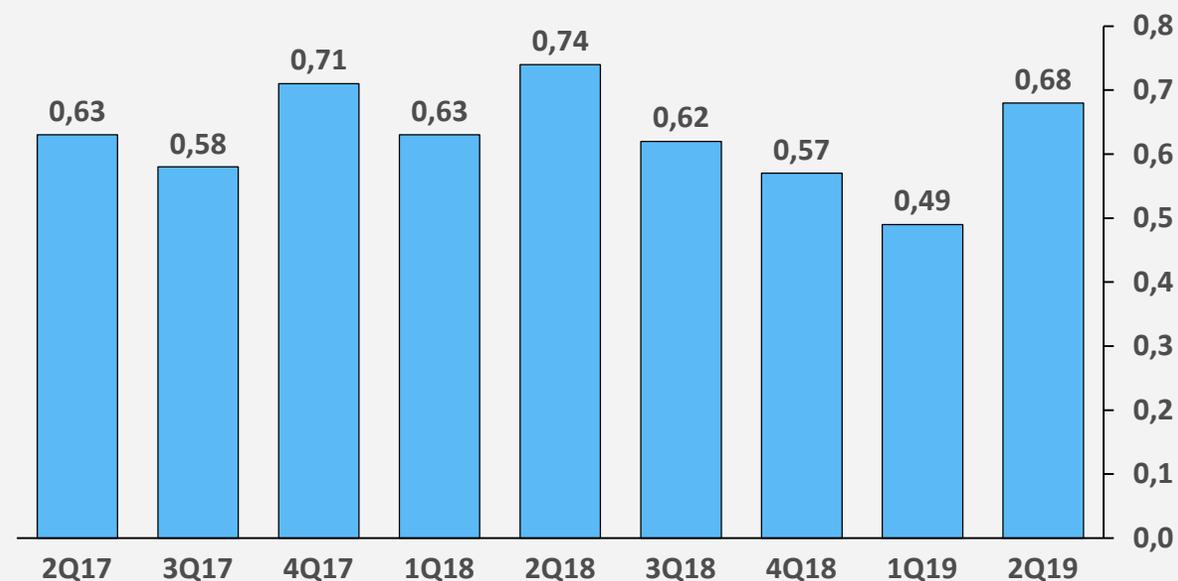
<b>Net interest bearing debt 31.03.2019</b>	<b>531 071</b>
EBITDA	-100 618
Income taxes paid	15 639
Net interest paid	10 384
Capex	23 913
Acquisitions / Divestments	39 121
Buyback own shares	14 899
Equity issue	-
Sale of fixed assets	-312
Currency effects	1 719
Other changes in working capital	189 702
<b>Net change</b>	<b>194 446</b>
<b>Net interest bearing debt 30.06.2019</b>	<b>725 517</b>

# Group financial profile – remains strong, continued

## Equity and Equity / Total Balance



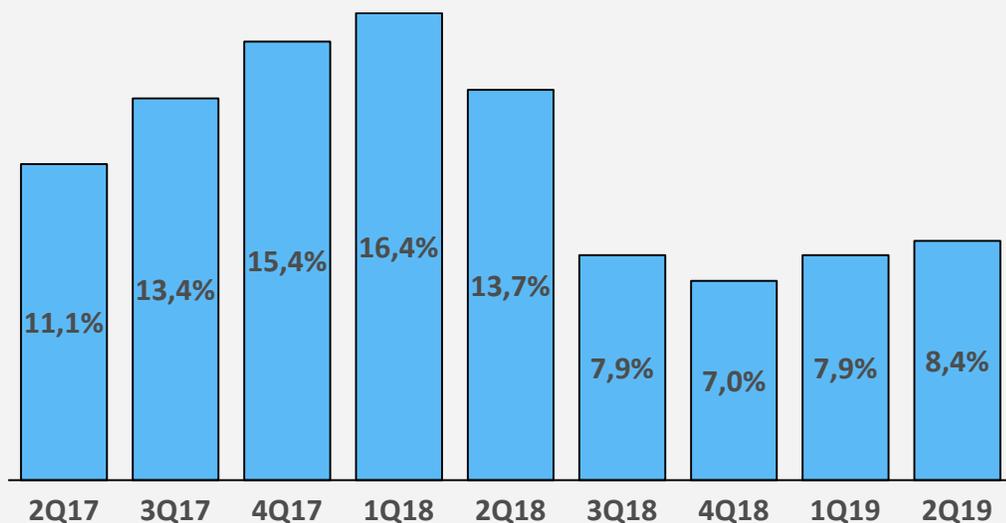
## NIBD / Equity



- Total effect of IFRS 16 on the balance sheet end of June 2019 is 435 MNOK, negatively affecting the equity ratio when comparing to previous quarters. Not included in graph above
- Equity ratio would be 32,8% including IFRS 16 liabilities

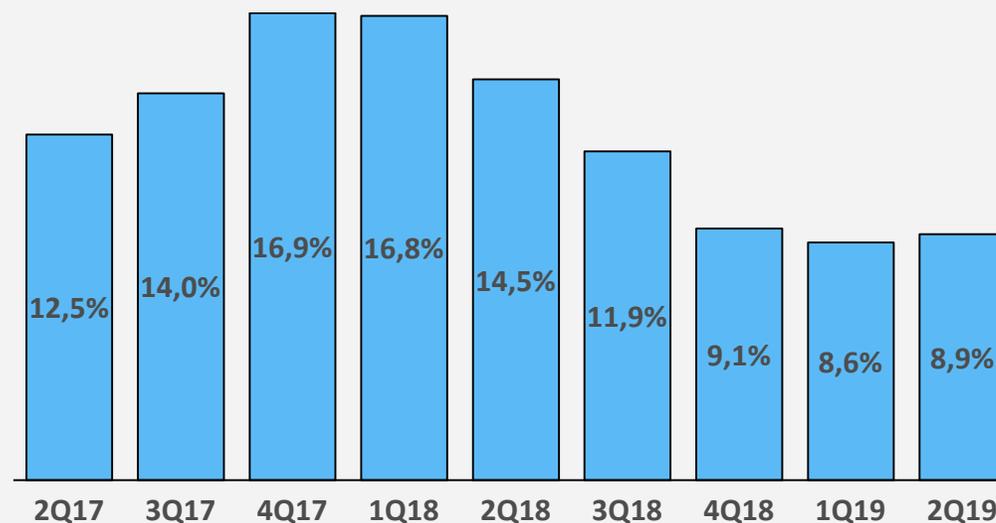
# Group financial profile – remains strong, continued

## ROCE



- Including ten months of EBIT from Egersund Net
  - 9,2% 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 ten months of EBIT from Egersund Net
  - 9,7% 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>Q2</b>	<b>Q2</b>	<b>YTD</b>	<b>YTD</b>	<b>Total</b>
Net cash flow from operations	74 090	43 846	153 039	90 510	204 735
Net cash flow from change in working capital	-189 702	-59 554	-132 556	-13 959	-50 821
Net cash flow from operational activities	-115 612	-15 709	20 483	76 551	153 913
Net cash flow from investment activities	-63 330	-26 382	-86 025	-49 737	-270 673
Net cash flow from financial activities	195 795	73 618	93 448	17 605	158 880
Net change in cash and cash equivalents	16 853	31 527	27 906	44 419	42 121
Net foreign exchange differences	-959	-1 675	-4 288	-4 516	-2 227
Cash and cash equivalents at the beginning of the period	164 587	127 020	156 862	116 969	116 969
Cash and cash equivalents at the end of the period	180 481	156 872	180 481	156 872	156 862

# Balance sheet

<b>BALANCE SHEET</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
<b>(MNOK)</b>	<b>30.06</b>	<b>30.06</b>	<b>31.12</b>

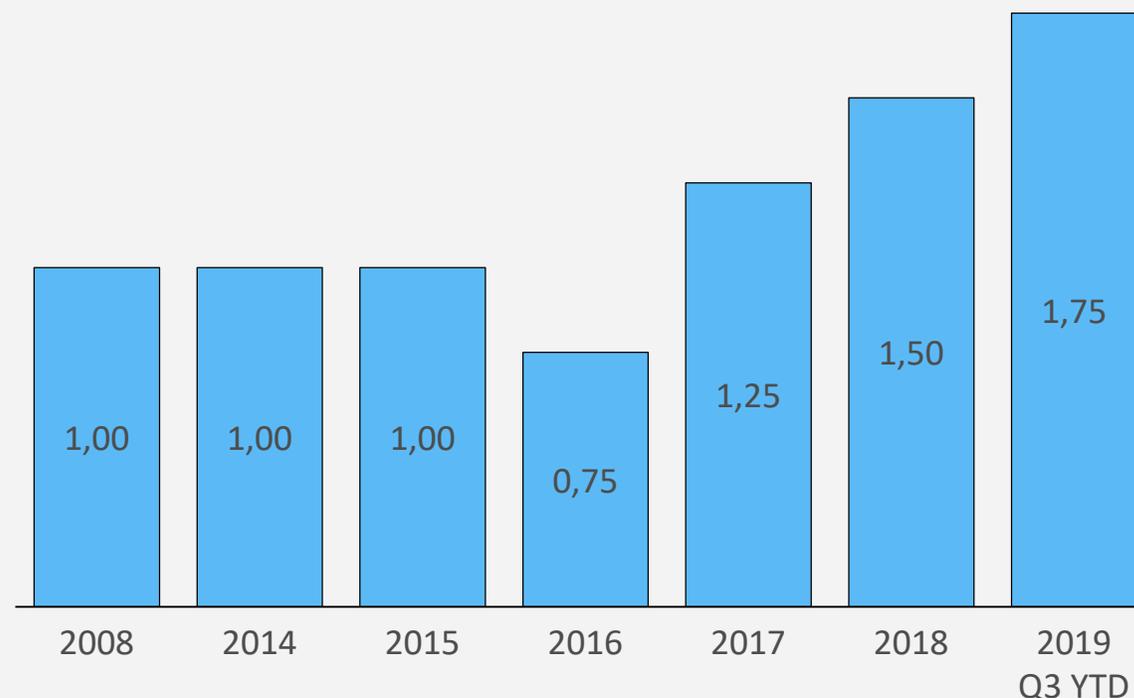
<b>ASSETS</b>	<b>3 260</b>	<b>1 881</b>	<b>2 703</b>
Intangible non-current assets	1 080	574	1 085
Tangible non-current assets	324	267	332
Financial non-current assets	68	8	73
IFRS 16 - RoU Asset	430	-	-
Inventory	434	257	462
Receivables	719	597	571
Cash and cash equivalents	155	135	133
Assets held for sale	47	44	47
<b>LIABILITIES AND EQUITY</b>	<b>3 260</b>	<b>1 881</b>	<b>2 703</b>
Equity	1 066	498	1 062
Minority interest	2	0	0
Long-term interest bearing debt	833	535	360
Short-term interest bearing debt	242	168	401
IFRS 16 - Lease Liability	435	-	-
Non-interest bearing liabilities	657	655	855
Liabilities held for sale	25	25	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 1.00 per share will be paid in September 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
993 242	3,0 %	SIX SIS AG	Nominee	CHE
825 932	2,5 %	VERDIPAPIRFONDET ALFRED BERG GAMBA		NOR
665 414	2,0 %	VERDIPAPIRFONDET NORDEA KAPITAL		NOR
550 123	1,7 %	VERDIPAPIRFONDET NORDEA AVKASTNING		NOR
493 000	1,5 %	Norron Sicav - Select		LUX
400 994	1,2 %	STATOIL PENSJON		NOR
360 640	1,1 %	VERDIPAPIRFONDET NORDEA NORGE PLUS		NOR
356 300	1,1 %	MP PENSJON PK		NOR
329 950	1,0 %	J.P. Morgan Bank Luxembourg S.A.	Nominee	LUX
300 000	0,9 %	NORDEA NORDIC SM CAP FD		FIN
205 278	0,6 %	AKVA GROUP ASA		NOR
157 999	0,5 %	VERDIPAPIRFONDET DNB SMB		NOR
150 000	0,4 %	BJØRN DAHLE		NOR
125 894	0,4 %	HANDELSBANKEN Nordiska Smabolag		SWE
109 610	0,3 %	METZLER EURO SMALL + MICRO CAP		IRL
100 000	0,3 %	UBS Europe SE	Nominee	LUX
100 000	0,3 %	ASKVIG AS		NOR
100 000	0,3 %	BERGEN KOMMUNALE PENSJONSKASSE		NOR
<b>30 927 481</b>	<b>92,8 %</b>	<b>20 largest shareholders</b>		
2 406 822	7,2 %	Other		
<b>33 334 303</b>	<b>100,0 %</b>	<b>Total number of shares as per 30.06.2019</b>		

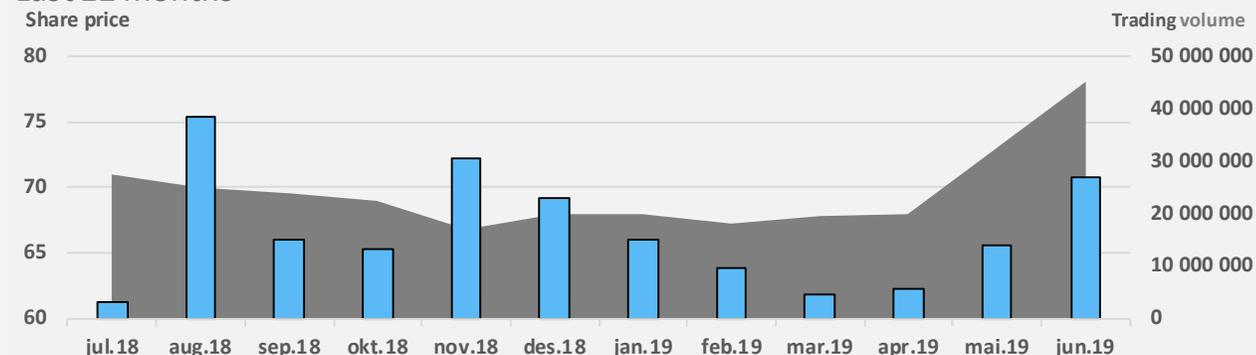
## Origin of shareholders, 5 largest countries

No of shares	%	Origin	No of shareholders
26 134 381	78,4 %	Norway	741
3 952 585	11,9 %	Great Britain	21
1 071 407	3,2 %	Switzerland	5
980 800	2,9 %	Luxembourg	5
390 358	1,2 %	Finland	5
804 772	2,4 %	Other	108

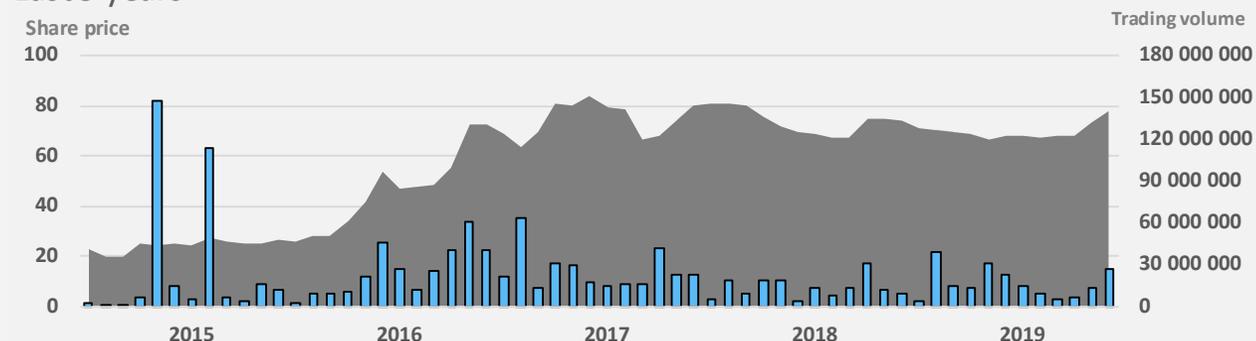
Total number of shareholders: 885 - from 26 different countries

## 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.  
1 527  
employees

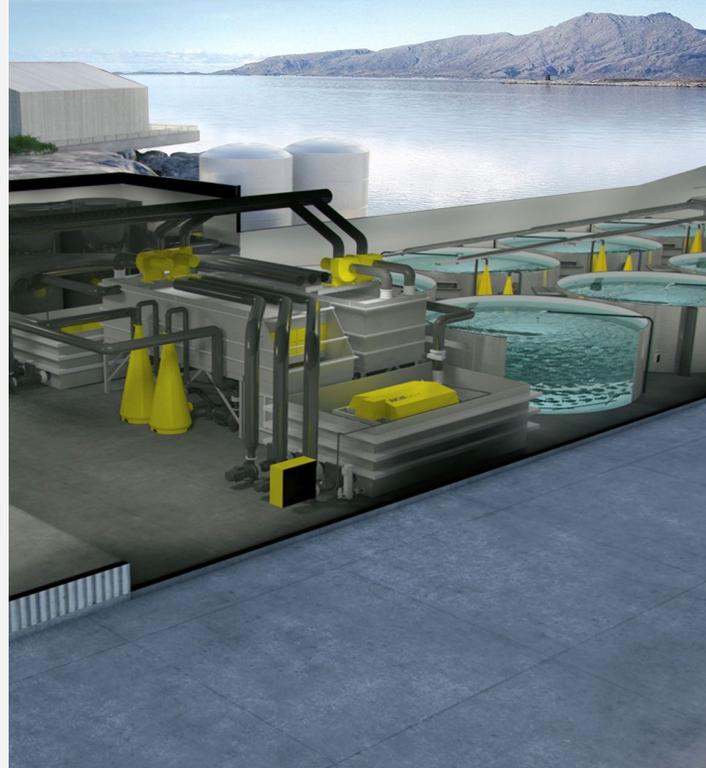


# Solutions

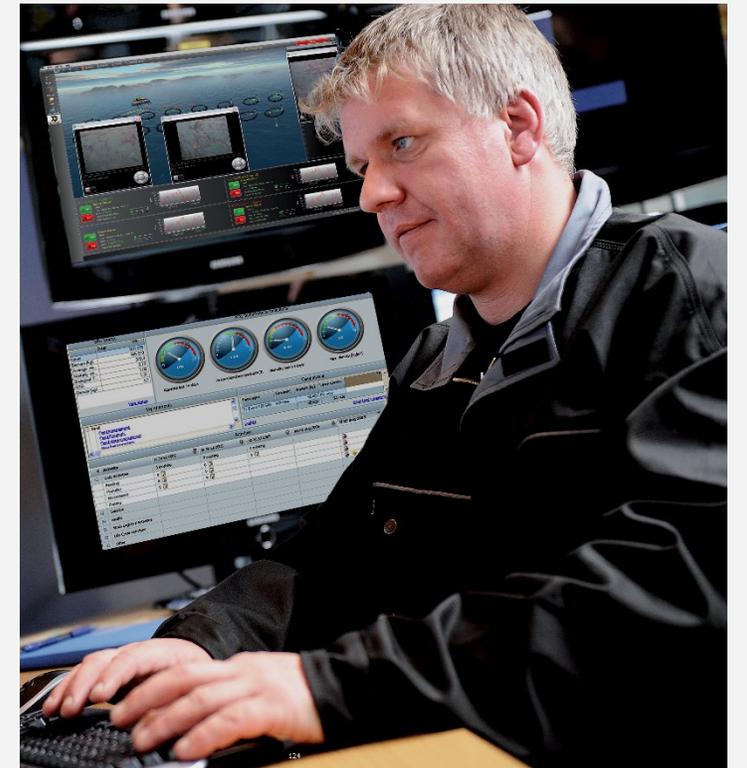
## Cage Based Technology



## Land Based Technology



## Software



CAPEX Based Revenue

CAGE BASED TECHNOLOGY



LAND BASED TECHNOLOGY



**SOFTWARE:** Fishtalk  
AKVAconnect  
Support



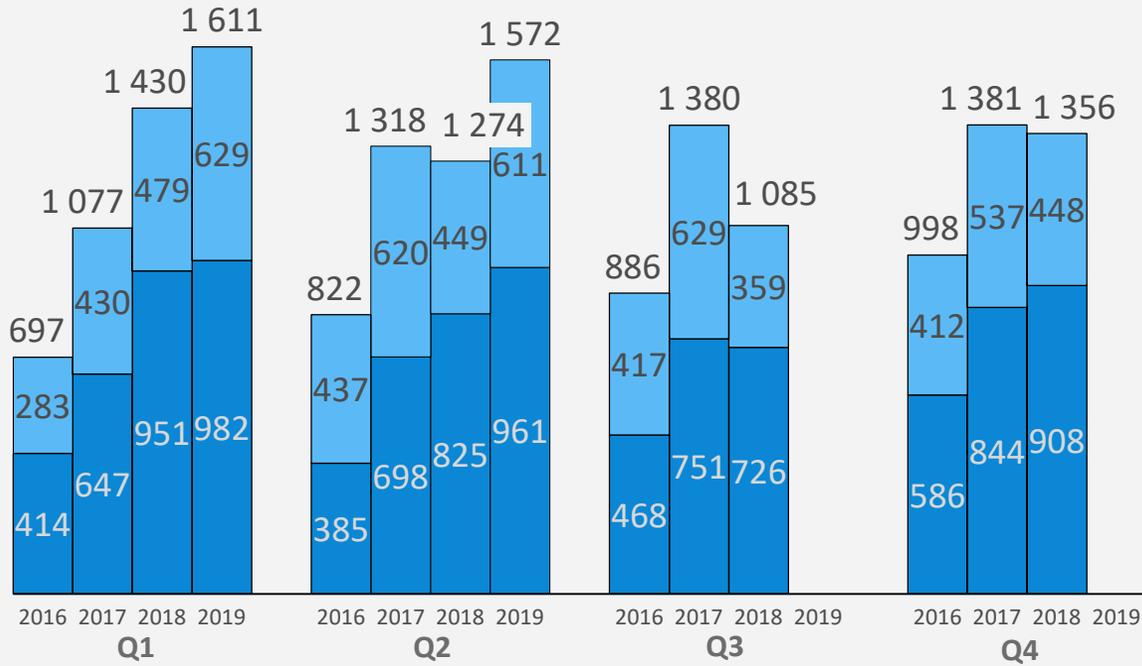
**MARINE SERVICES  
& AFTER SALE  
SERVICE:**

Marine services  
Rentals  
After sale services

OPEX Based Revenue

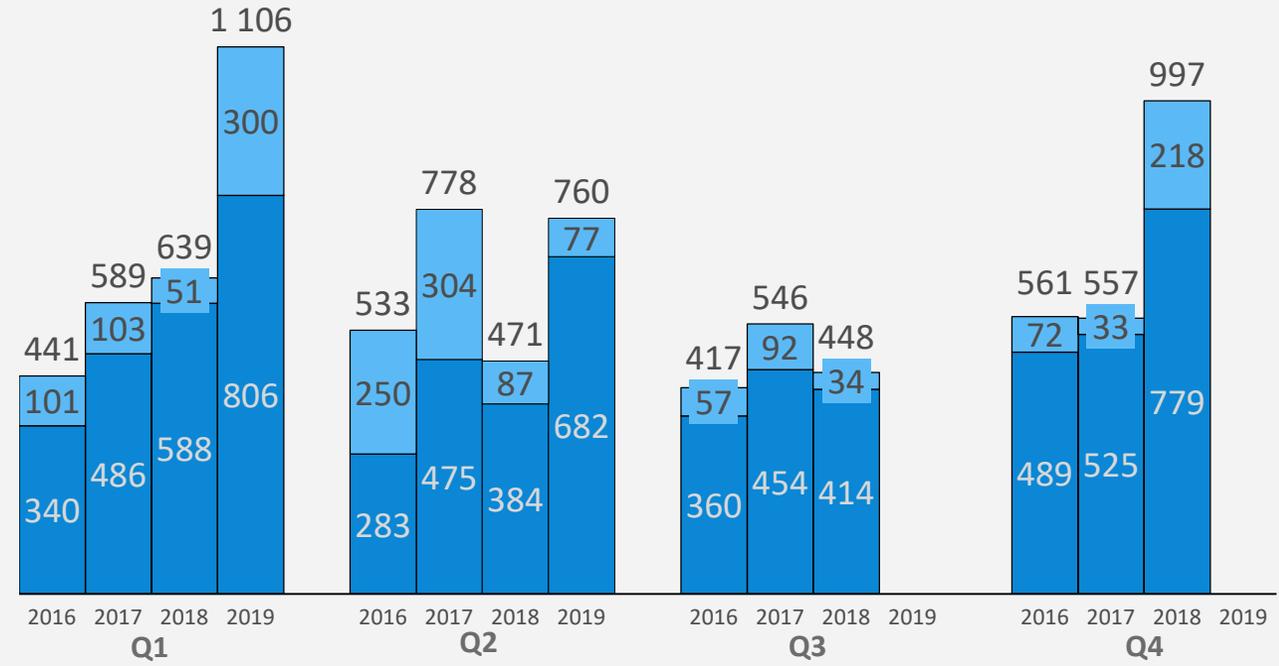
# Order backlog and inflow, 2016 through 2019

## Order backlog



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

## Order intake



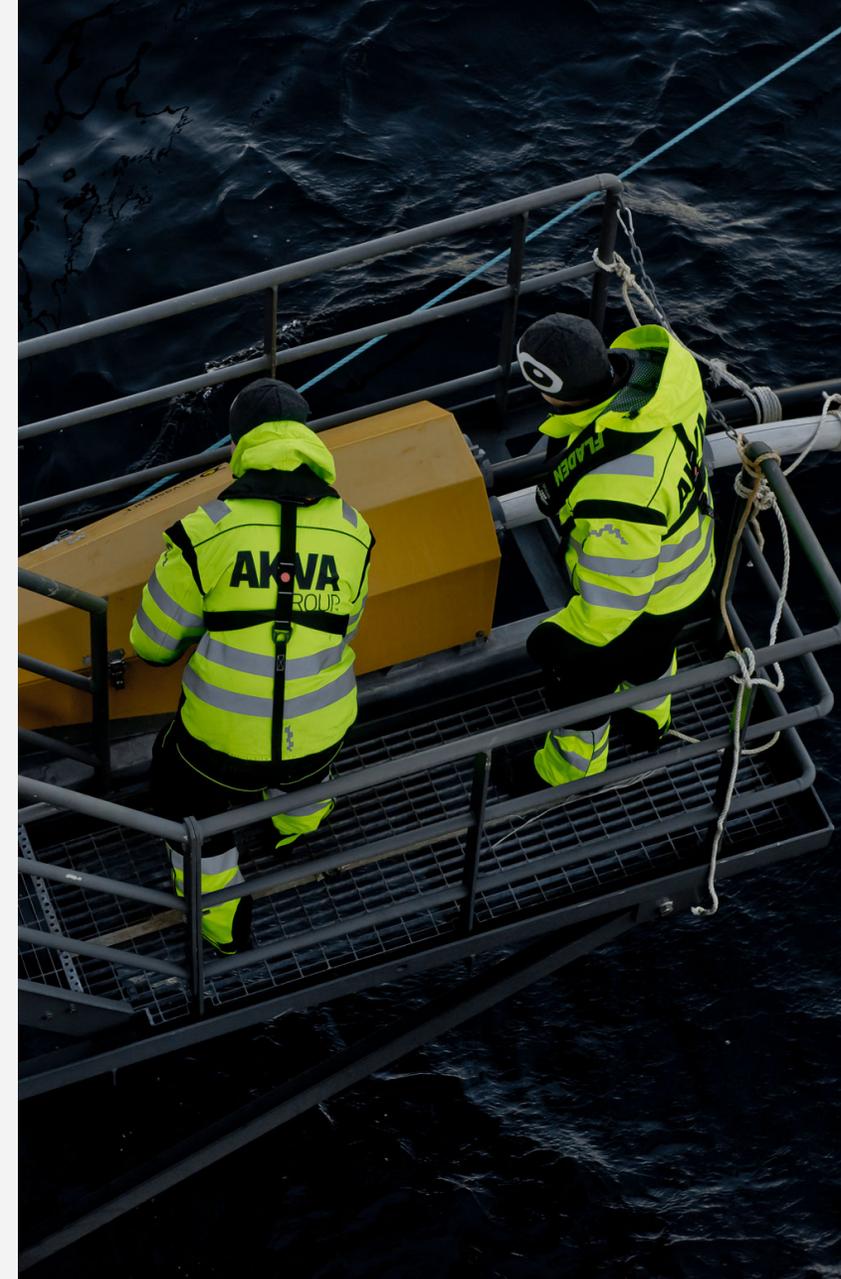
■ Order intake of 760 MNOK in Q2 2019

■ LBT agreement with Russian Sea awarded in Q2 2019 of 11.9 MEUR, not included in order backlog yet

■ Land Based ■ Other

# Outlook – AKVA group

- Digitalization strategy being firmed up, contracts in pipeline for Intelligent Feeding
- Competitive position strengthened by new cage concept and waterborne feeding, to be launched Q3/Q4
- Strong position for net sales and net services, growth potential by increasing manufacturing capacity and plans developed for new service station in North of Norway
- Plans underway to broaden offering in Chile
- Presence in eastern Canada, plans being firmed up for a strong product and service foothold
- Pipeline for Land Based continue to be good
- Atlantis project in execution mode – fish in the sea



**CUSTOMER FOCUS**

**AQUACULTURE**

 **KNOWLEDGE**

**RELIABILITY**

**ENTHUSIASM!**

