

# Q4 2018 Presentation

Oslo – February 15<sup>th</sup> 2019

Hallvard Muri, CEO

Simon Nyquist Martinsen, CFO



# Agenda

 Highlights

 Financial performance

 Outlook

 Q&A

BIOLOGY



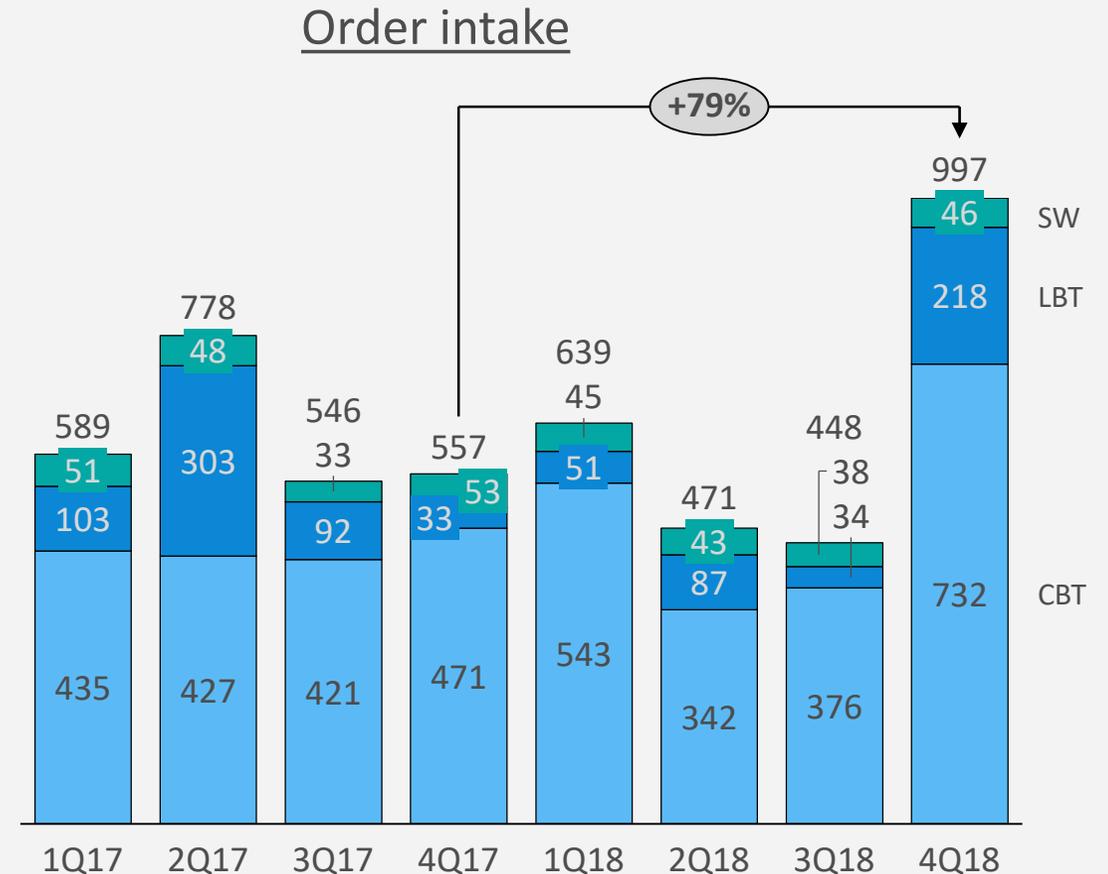
TECHNOLOGY



 Highlights Q4 2018 – by CEO Hallvard Muri

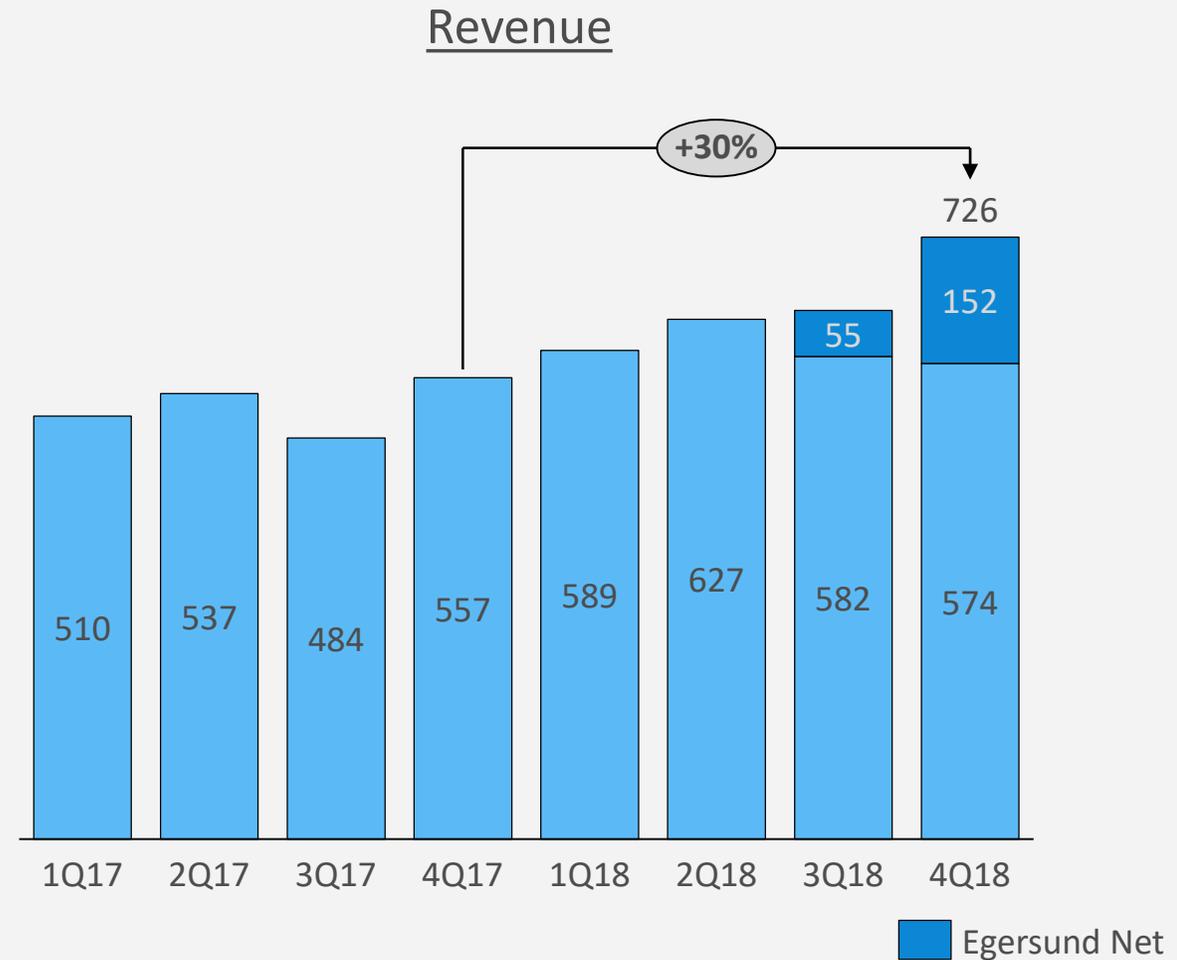
# Record high order intake – 1 billion NOK

- Both including and excluding the effect of the acquisition of Egersund Net (198 MNOK), the 1 billion NOK order intake in the quarter is the best ever
- Significant order intake in the Cage Based segment in Q4 2018, driven by the Nordic CBT segment, Egersund Net and AKVA group Chile (including 3 MEUR Land Based contract)
- Major land based contract signed with Ænes Inkubator AS of 15.6 MEUR
- 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 2,555 MNOK, compared to 2,471 MNOK full year 2017



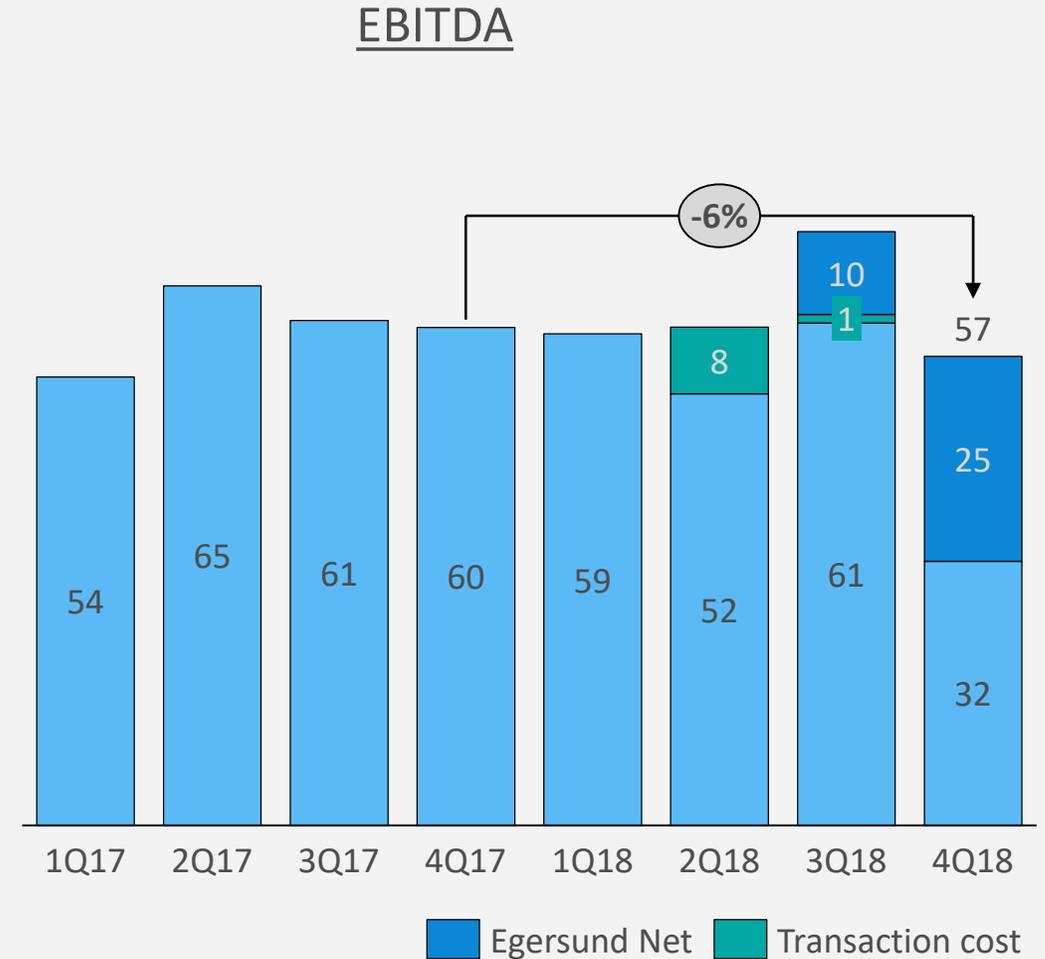
# Revenue up 30% - driven by acquisition of Egersund Net

- 3 % organic increase in revenue compared to Q4 2017, 30 % increase including Egersund Net
- Americas has another strong quarter with a revenue of 177 MNOK compared to 127 MNOK in Q4 2017
- Revenue for the Land Based segment is increasing in the quarter as projects are being delivered
- Egersund Net is included in the P&L figures from 01.09.2018, impacting the figures with 152 MNOK in Q4



# EBITDA development

- EBITDA of 57 MNOK in the quarter, including 25 MNOK from Egersund Net
- Americas with another strong quarter with an EBITDA of 19 MNOK, compared to 10 MNOK in Q4 2017
- Weak quarter in the Nordic CBT area, with operational challenges for both Helgeland Plast and barge production
- Software margins are stable quarter by quarter, with a total EBITDA of 9 MNOK in Q4 2018
- The positive development in the Land Based segment continues with an EBITDA of 14 MNOK compared to 13 MNOK in Q4 2017



# Order backlog development / highlights

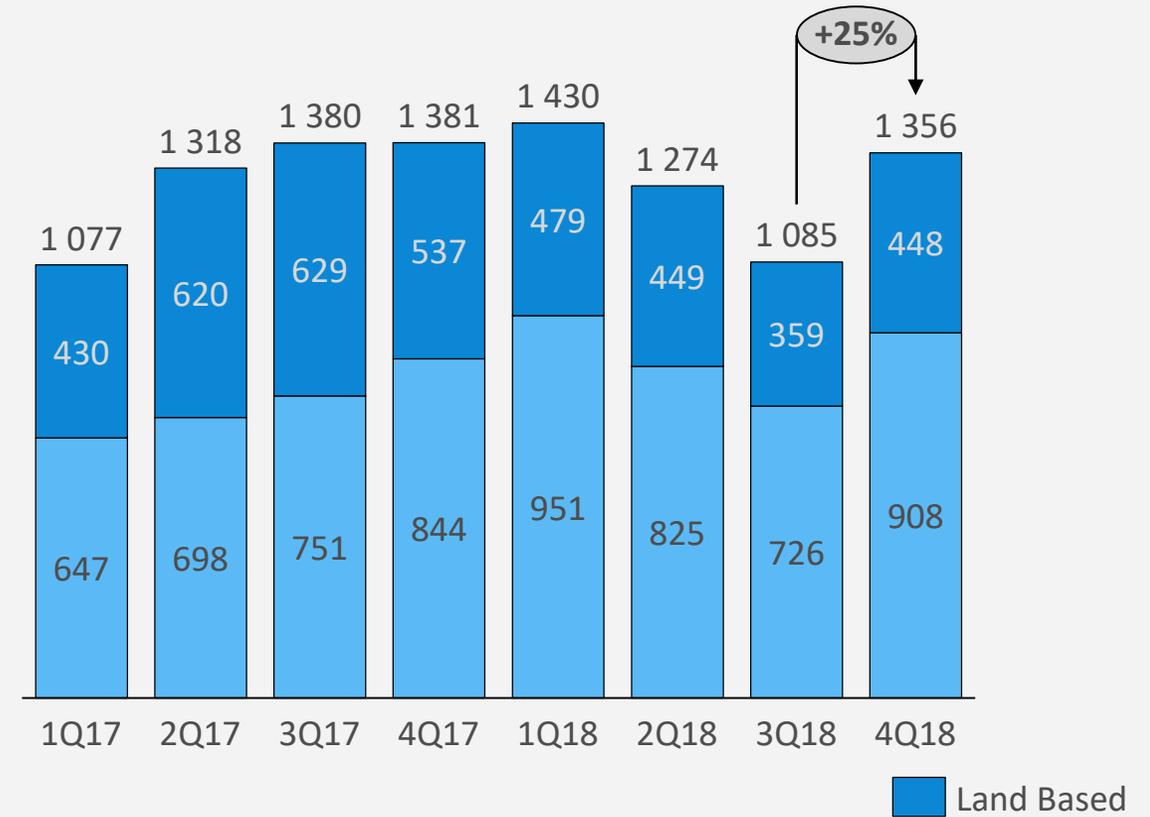
## Order backlog

### Fourth quarter 2018 – Highlights

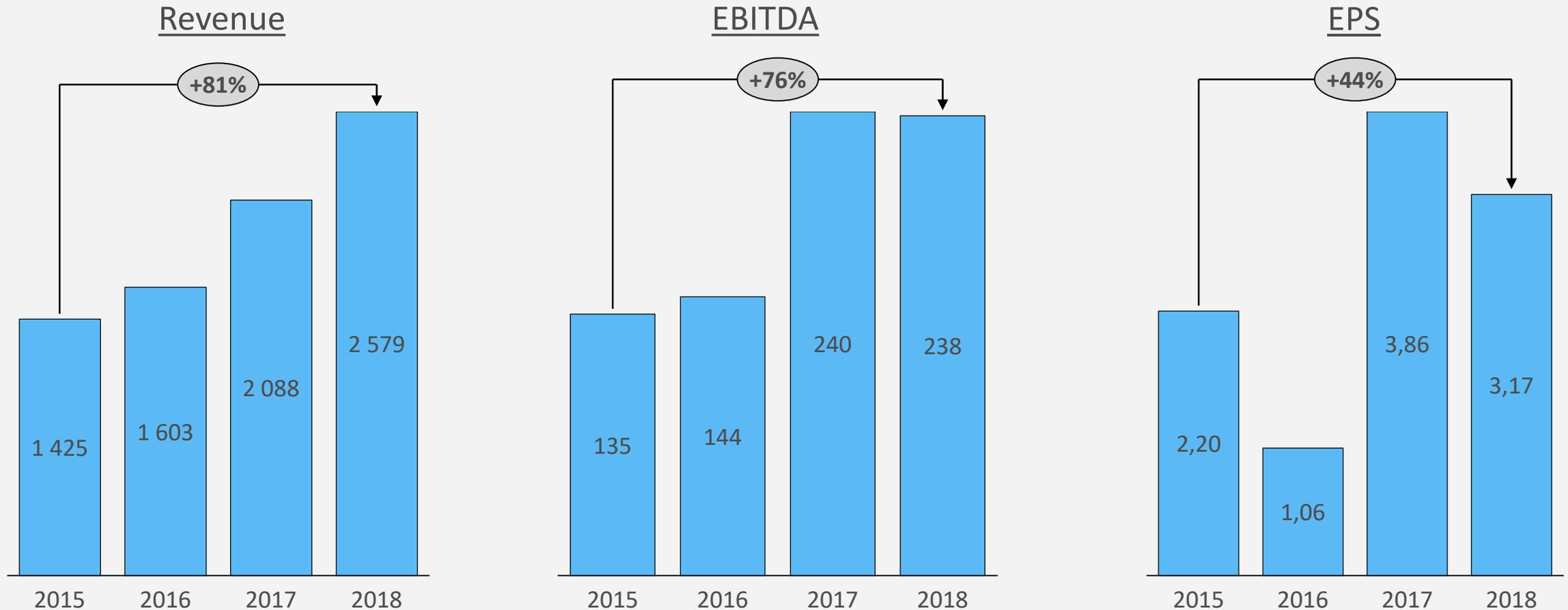
- Strong finish of the year; order backlog end of Dec of 1.4 BNOK
- 1 billion NOK in order intake in Q4
- Strong performance from Egersund Net
- Good platform for further positive development

### 2018 – Highlights

- Order intake/revenue of 2.6 billion MNOK, revenue growth of 24 %
- Total dividend of 1.5 NOK per share paid out in 2018
- Acquisition of Egersund Net
- Entered into an agreement to divest Wise lausnir ehf



# Key financial metrics



Not adjusted for acquisition costs (9 MNOK) related to the Egersund Net transaction

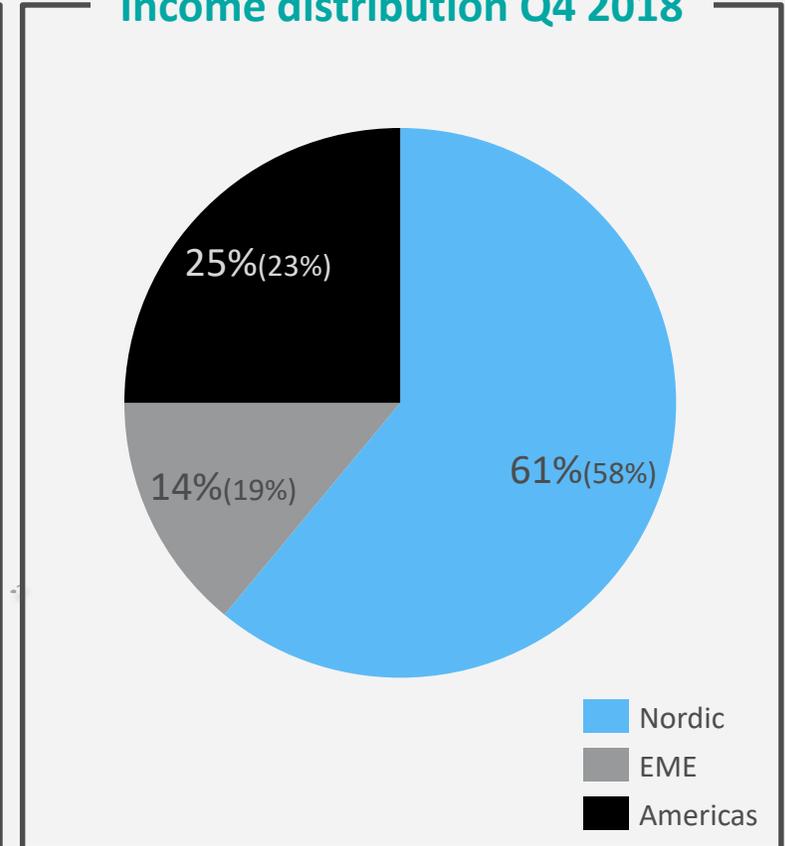
In August 2018, number of shares increased from 25 834 303 to 33 334 303. When calculating the EPS in 2018 the monthly average shares outstanding has been used.

# Where do we deliver

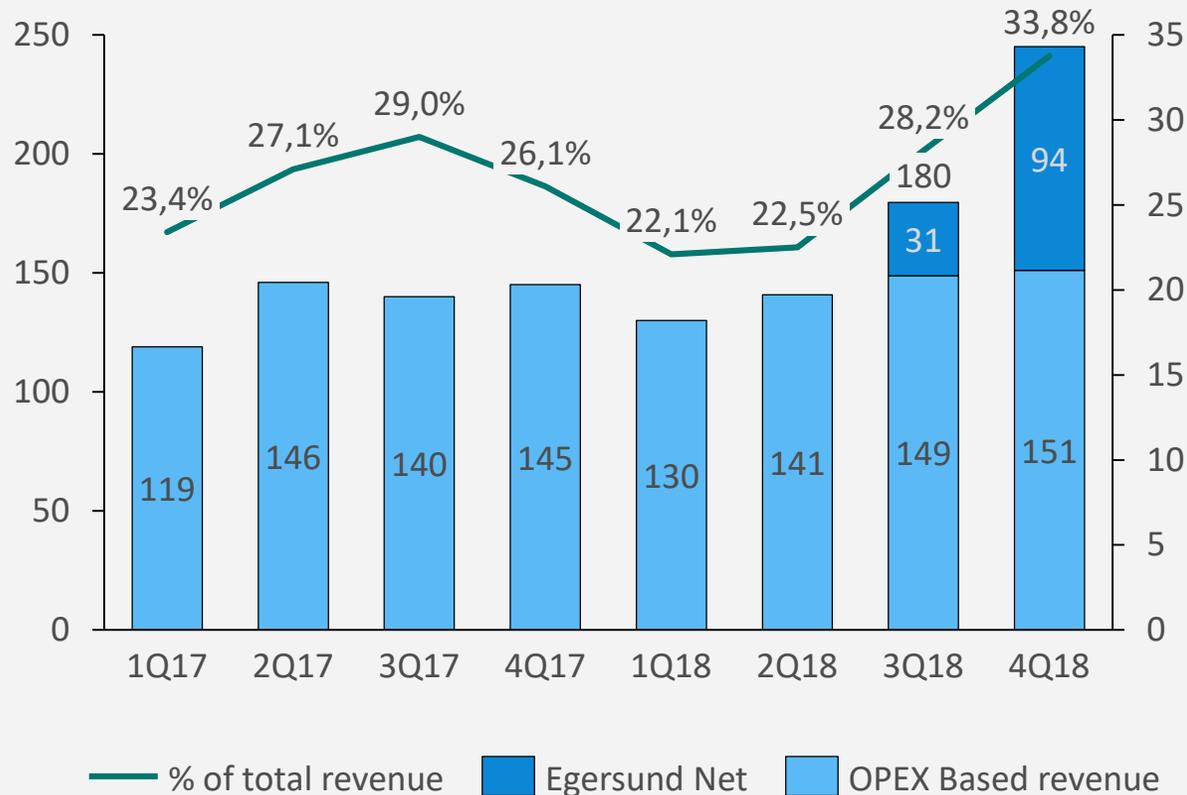
AKVA group's geographical regions



Income distribution Q4 2018

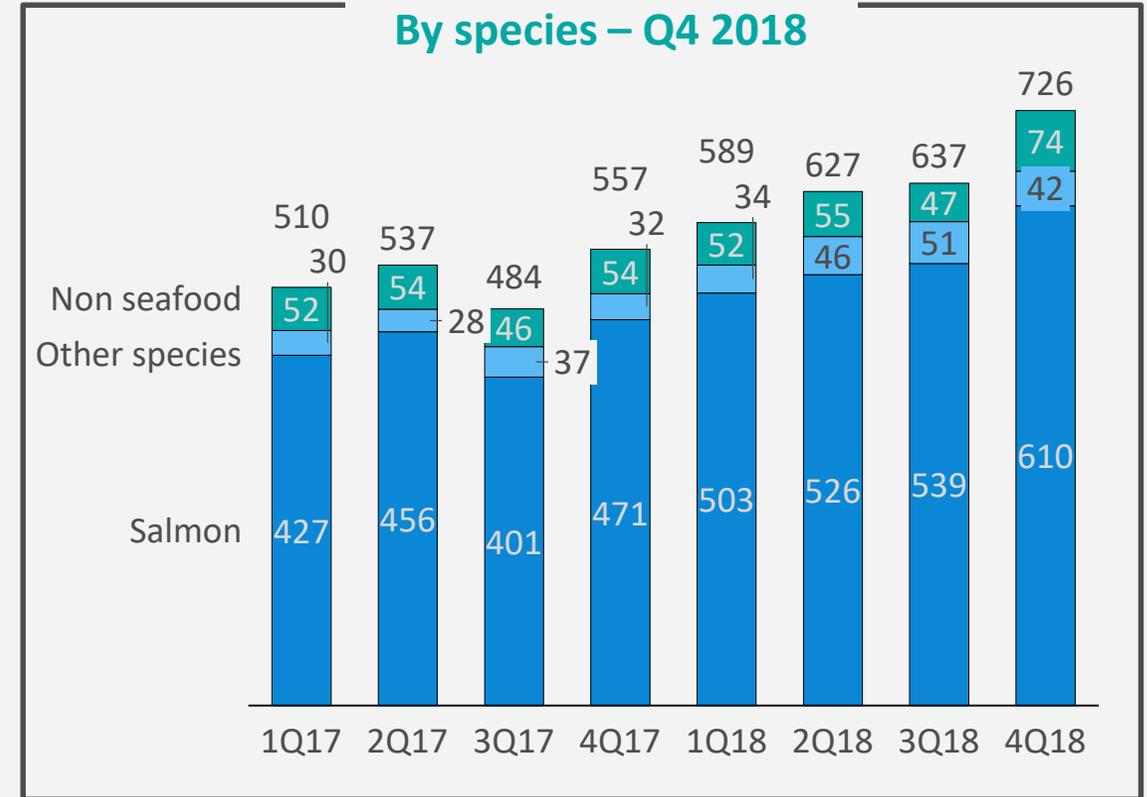
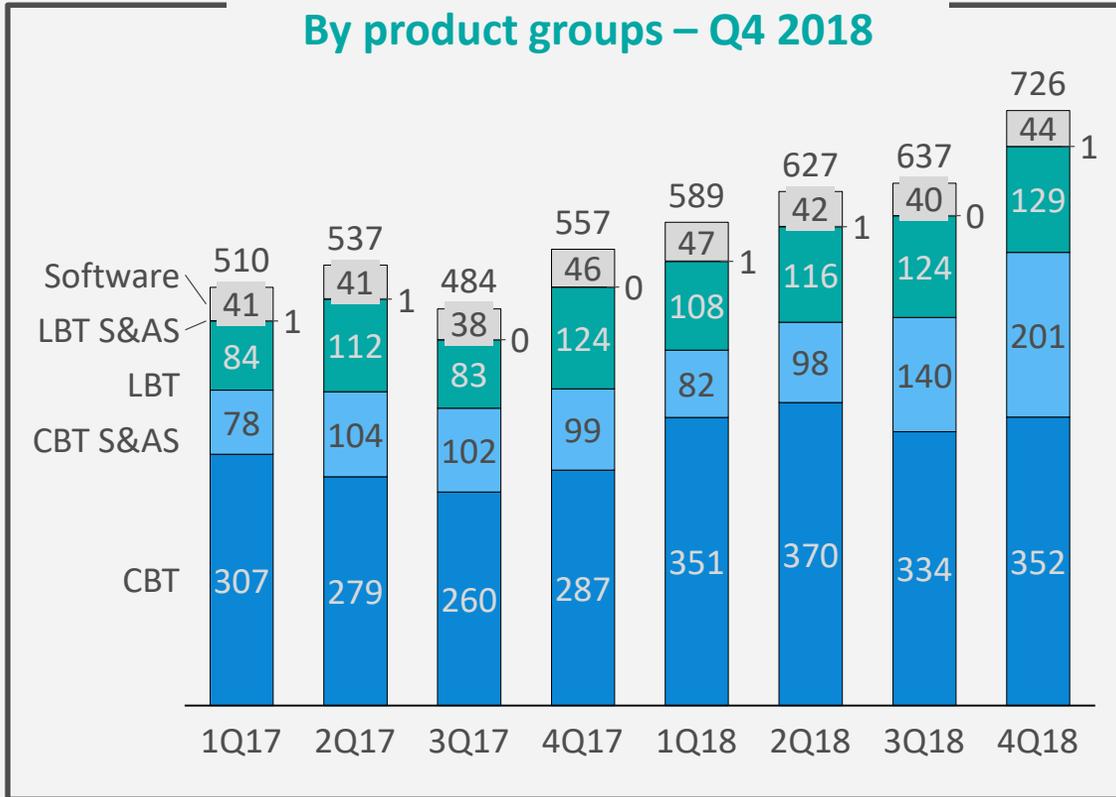


# Development in OPEX based revenue



- Egersund Net is contributing with 94 MNOK in the quarter
- Stable development for the rental business (Scotland and Norway) in 2018 and several good opportunities for growth in Norway
- Service in ASA Nordic completed the year with a total revenue of 85 MNOK, compared to 80 MNOK in 2017. The margins are also higher in both the quarter and full year compared to the same periods last year
- Stable revenue from the Software business, 44 MNOK in Q4 2018, compared to 46 MNOK in Q4 2017
- Lower activity level in the Norwegian marine service business in Q4 2018 compared to Q4 2017, though order backlog is healthy going into 2019

# Revenue by product group and species



**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

**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

# Q4 – Operational Highlights

- Continued strong marked in Chile and increasing margins following improvement programs
- Secured new larger Land Based orders in Norway and Chile
- Increased focus within Software / control systems / digitalization
- Building presence in eastern Canada
- Ongoing manufacturing challenges for barges and pipes effecting margins negatively
- Egersund Net integration developing well – sales success of “total solutions”
- Strong new sales of nets and stable service business from Egersund Net
- Launched new version of net cleaner (FNC version 2.0)

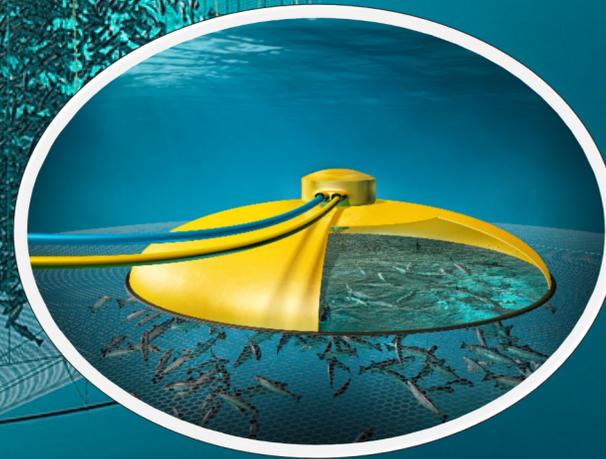
Risk management

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.



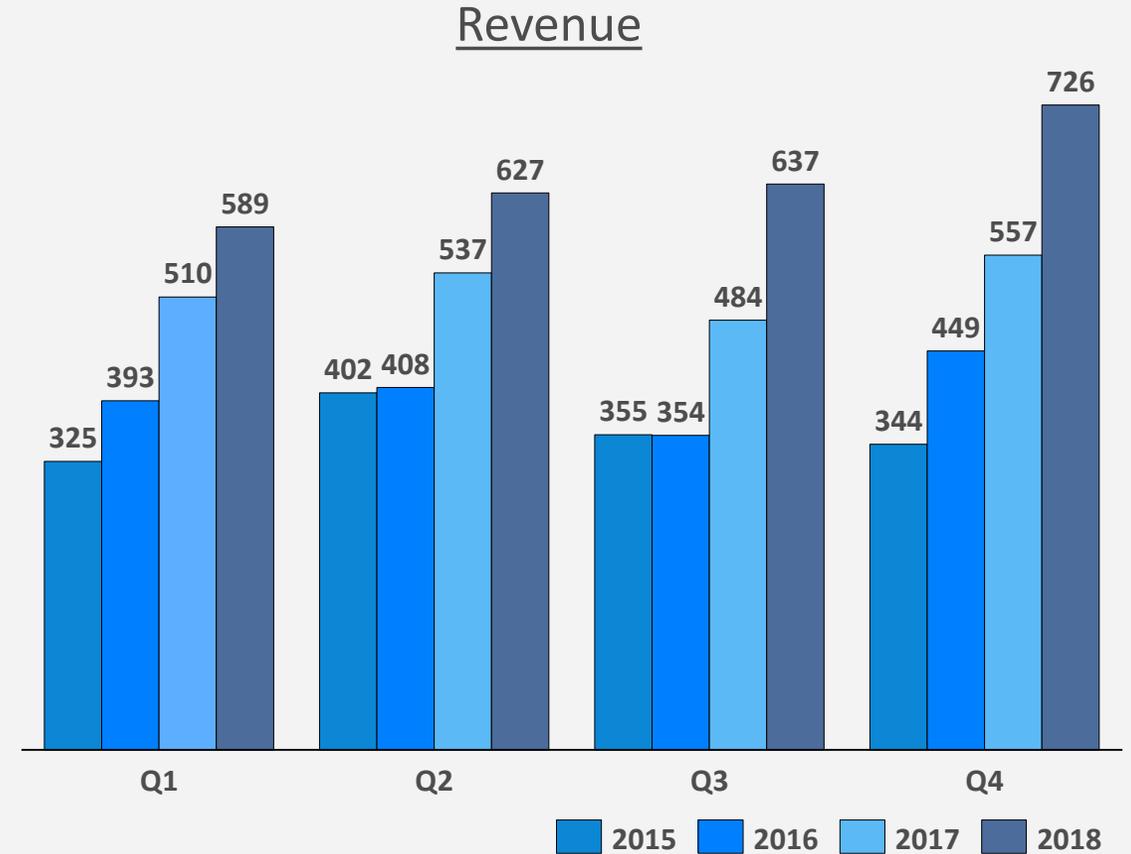
Air to the salmon  
Artificial air space



 **Financial performance Q4 2018 – by CFO Simon Nyquist Martinsen**

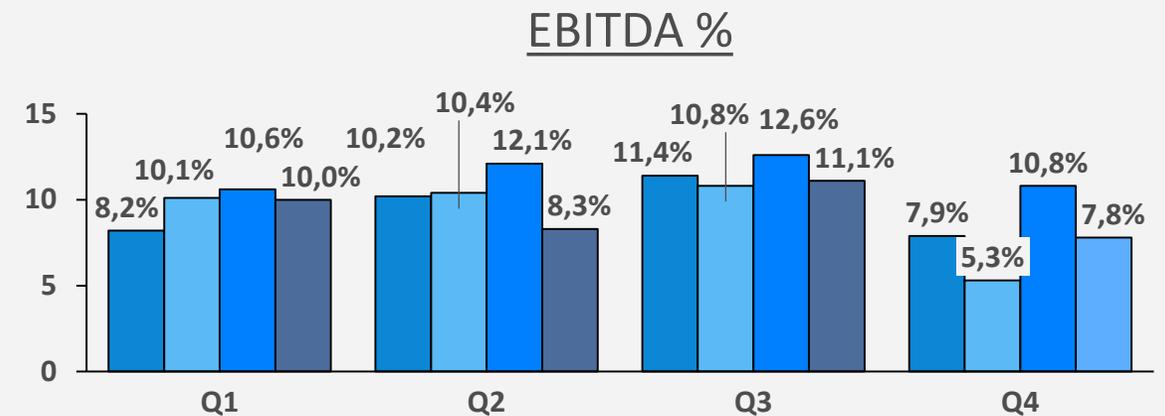
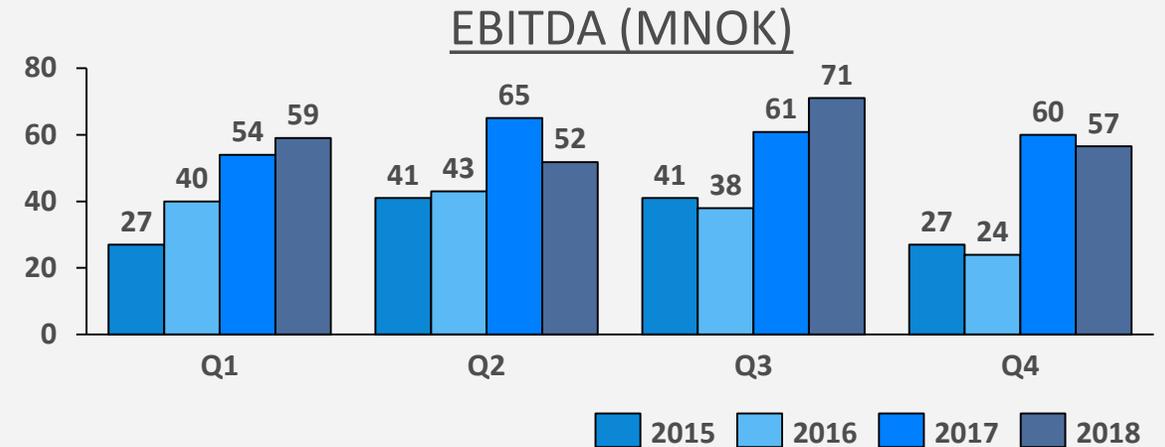
# Q4 2018 – Financial highlights

- 3% organic growth and 27% M&A growth due to the acquisition of Egersund Net when comparing to Q4 2017
- Egersund Net is contributing with 152 MNOK in the quarter
- Last twelve months order intake and revenue now at 2,555 MNOK and 2,579 MNOK respectively
- The order book has increased to 1,356 MNOK at the end of Q4 2018, which is a 271 MNOK increase in the quarter



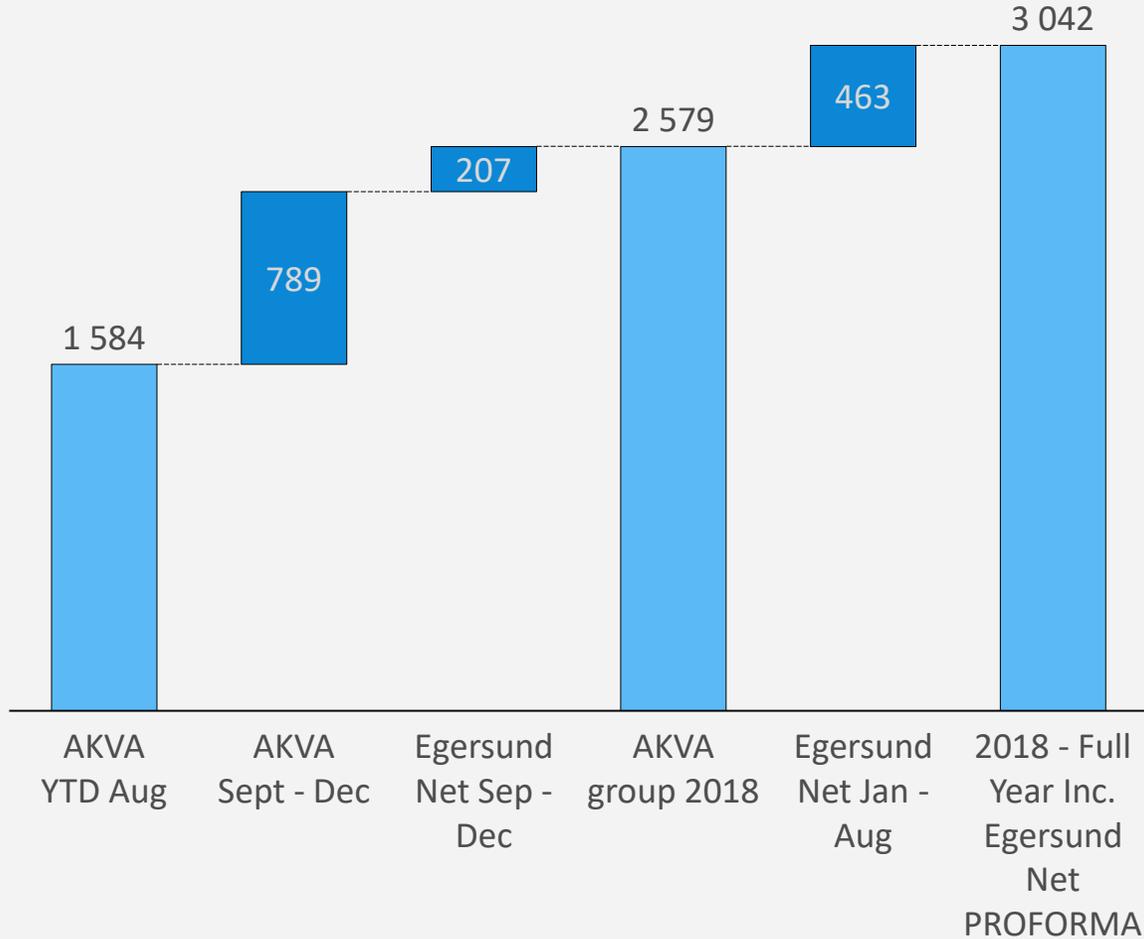
# Q4 2018 – Financial highlights

- Strong contribution from Egersund Net (25 MNOK) in the quarter as well as record high margins in Chile
- Operational challenges in manufacturing (partly suppliers) causing poorer margins in cage based in the Nordics
- The margins in the Land Based segment continues to improve with an annual EBITDA margin of 10,0% compared to 8,2% in 2017

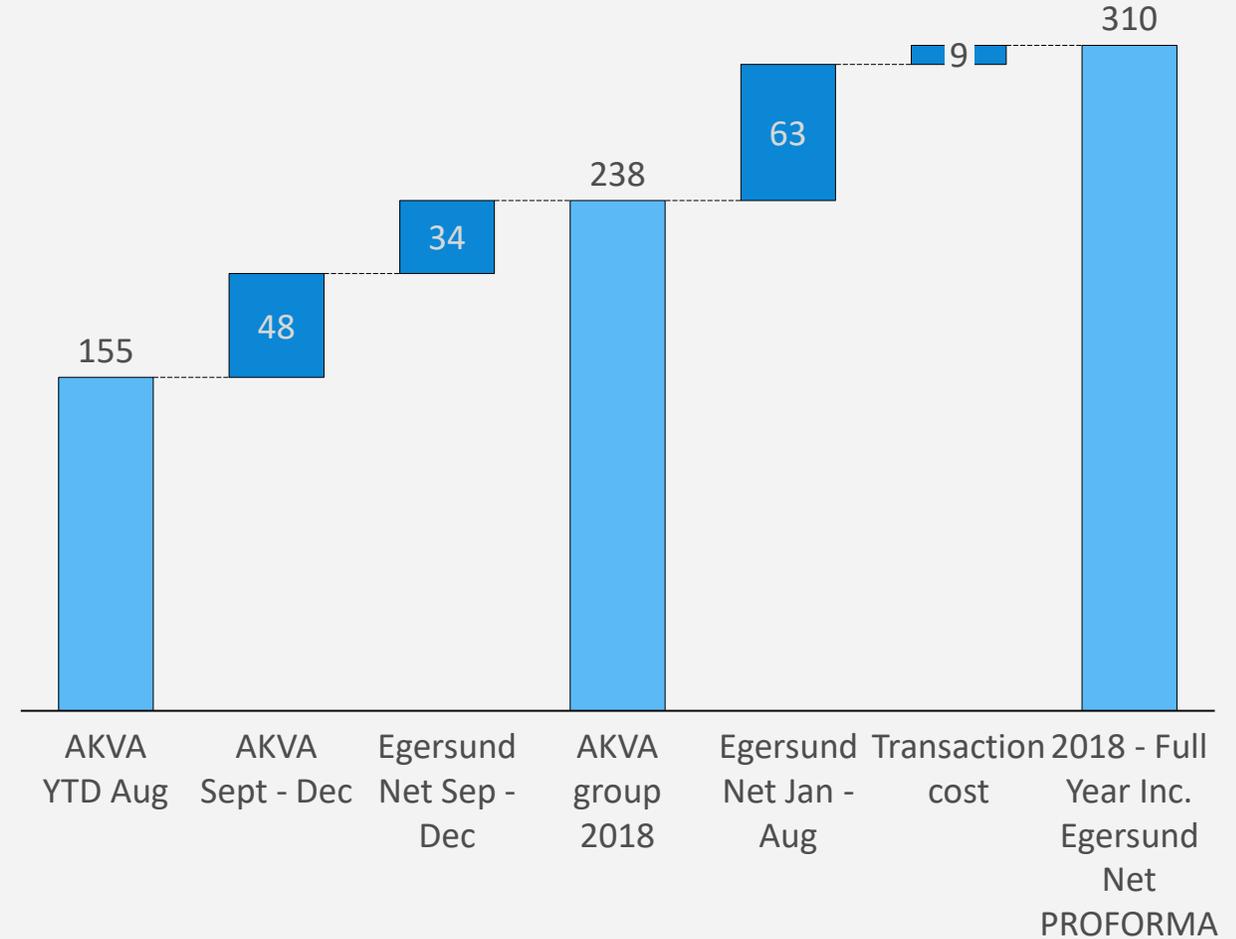


# Proforma Revenue and EBITDA – including Egersund Net

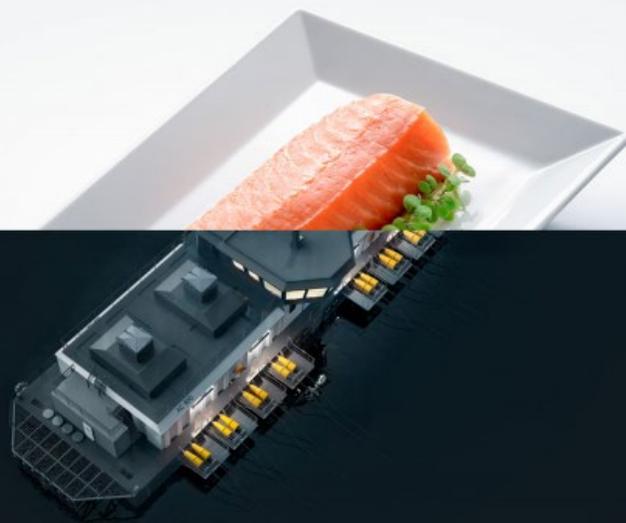
## Revenue



## 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

- Norwegian barge business with low margins in the quarter due to unexpected and ongoing manufacturing challenges
- Low season for deliveries of plastic cages at Helgeland Plast, though increased activity in pipe production compared to last year
- Sperre is completing another strong year, with solid contribution to the Group EBITDA

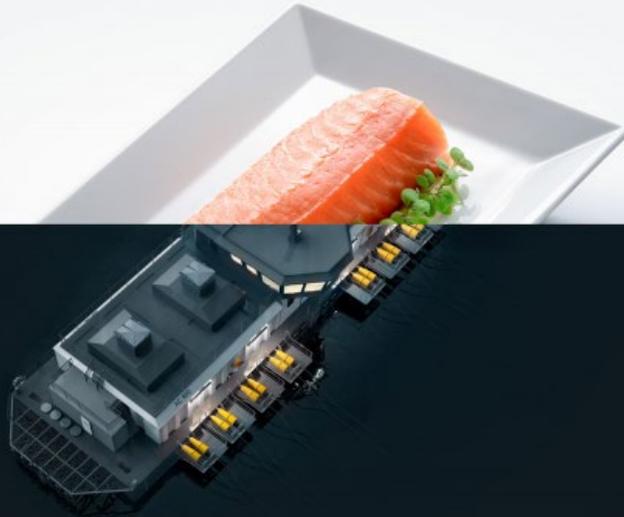
### Egersund Net

- Included in the financials from 01.09.2018 with a total revenue of 207 MNOK and an EBITDA of 34 MNOK
- Egersund Net, Egersund Trading, UAB Egersund Net and Grading System fully consolidated
- Emel Balik and NOFI Oppdrettsservice 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 is significant up and has a growth in the revenue of 26% compared to the same quarter last year, on top of a strong order backlog of 151 MNOK at the end of the quarter
- The operation in Chile has a growth in EBITDA of 76% compared to 2017

## EME

- EME has a strong growth in revenue with 344 MNOK in 2018 compared to 206 MNOK in 2017
- Export to emerging markets with a total revenue of 123 MNOK in 2018 compared to 32 MNOK in 2017, main deliveries to Russia and Qatar
- The operations in Turkey, Greece, Spain and Middle East are well positioned for growth in the area

Revenue and EBITDA %



## BIOLOGY



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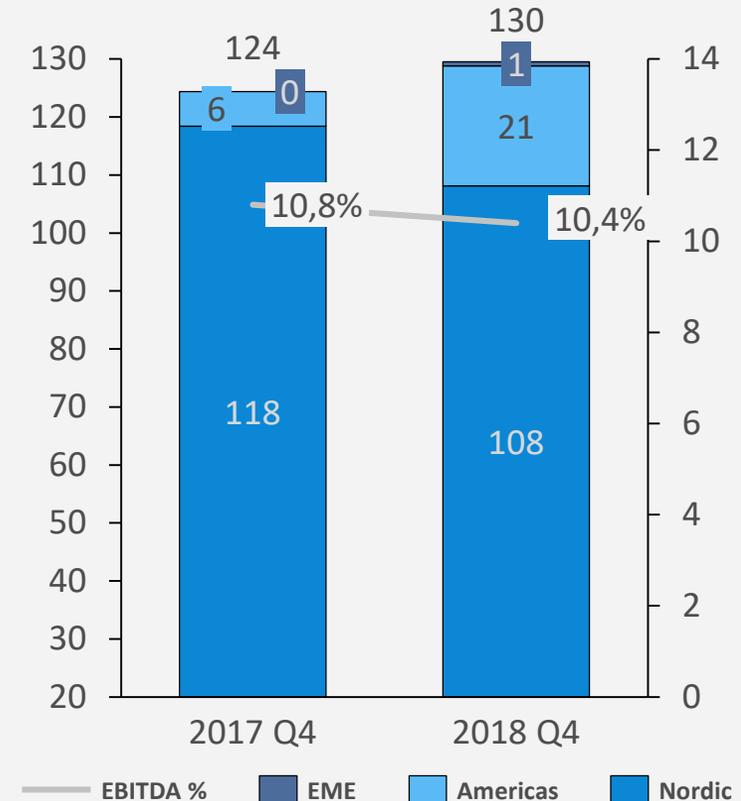
www.akvagroup.com

**AKVA**GROUP

# Land Based Technology

- Major land based contract signed with Ænes Inkubator AS of 15.6 MEUR and also 3.0 MEUR in AKVA group Chile
- Pipeline of projects continue to be good
- Increase in revenue from 124 MNOK in Q4 2017 to 130 MNOK in Q4 2018, a growth of 4% YoY
- Margins are improving quarter by quarter and stronger than full year 2017 of 8,2%
- Order backlog of 448 MNOK by the end of Q4
- Rebranding of legal entities:
  - Aquatec Solutions A/S to AKVA group Land Based A/S
  - Plastsveis AS to AKVA group Land Based Norway AS

## Revenue and EBITDA %



**AKVA**GROUP™

## BIOLOGY



## TECHNOLOGY

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# Software

- Software continues to invest in new product modules, which is expected to strengthen the financial performance of the segment further
- Increased focus on modernization and upgrades of technical platform
- As noted in stock notice of 06.09.2018 AKVA group has entered into an agreement to divest Wise lausnir ehf
- The latest estimated final deadline for the Icelandic Competition Authority to clear the Transaction has now been updated to on or about 24 June 2019

## Revenue and EBITDA %



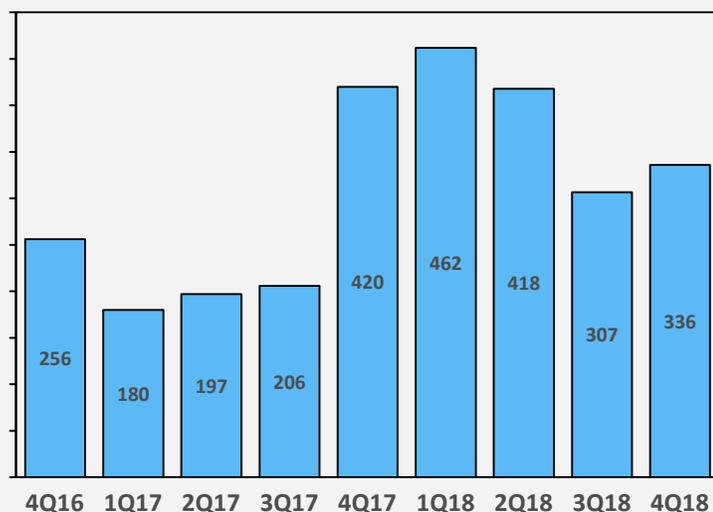
# Financials – Detailed P&L

(MNOK)	2018 Q4	2017 Q4	2018 YTD	2017 YTD	2017 Total
Order backlog	1 356	1 381	1 356	1 381	1 381
Order intake	997	557	2 555	2 471	2 471
<b>P&amp;L</b>					
<b>OPERATING REVENUES</b>	<b>726</b>	<b>557</b>	<b>2 579</b>	<b>2 088</b>	<b>2 088</b>
Operating costs ex depreciations	670	497	2 342	1 848	1 848
<b>EBITDA</b>	<b>57</b>	<b>60</b>	<b>238</b>	<b>240</b>	<b>240</b>
Depreciation	22	14	69	54	54
Amortization	12	7	39	28	28
<b>EBIT</b>	<b>22</b>	<b>39</b>	<b>130</b>	<b>157</b>	<b>157</b>
Net interest expense	-4	-2	-14	-11	-11
Other financial items	2	-3	-4	-10	-10
Net financial items	-2	-5	-18	-22	-22
<b>EBT</b>	<b>20</b>	<b>33</b>	<b>112</b>	<b>136</b>	<b>136</b>
Taxes	1	6	22	36	36
<b>NET PROFIT</b>	<b>19</b>	<b>27</b>	<b>89</b>	<b>100</b>	<b>100</b>
<b>Net profit (loss) attributable to:</b>					
Non-controlling interests	0,0	-0,2	-0,3	0,1	0,1
Equity holders of AKVA group ASA	19	27	90	100	100
Revenue growth	30,5 %	24,1 %	23,5 %	30,2 %	30,2 %
EBITDA margin	7,8 %	10,8 %	9,2 %	11,5 %	11,5 %
EPS (NOK)	0,56	1,06	3,17	3,86	3,86

- Of which Land Based is 448 MNOK
- Investment in subsidiaries accounted for by equity method YTD Q4 classified as other operating revenues of 3.0 MNOK
- Includes 9 MNOK of acquisition costs related to the Egersund Net transaction
- Exceptional items of 29 MNOK, related to claim and supplier issues
- Increased depreciation mainly due to increased rental CAPEX, investments in AKVA Marine Services
- Amortization/depreciation related to the acquisition of Egersund Net is included with 9.5 MNOK
- Minority shareholders (49%) in Wise Blue AS and (30%) in Grading Systems Ltd

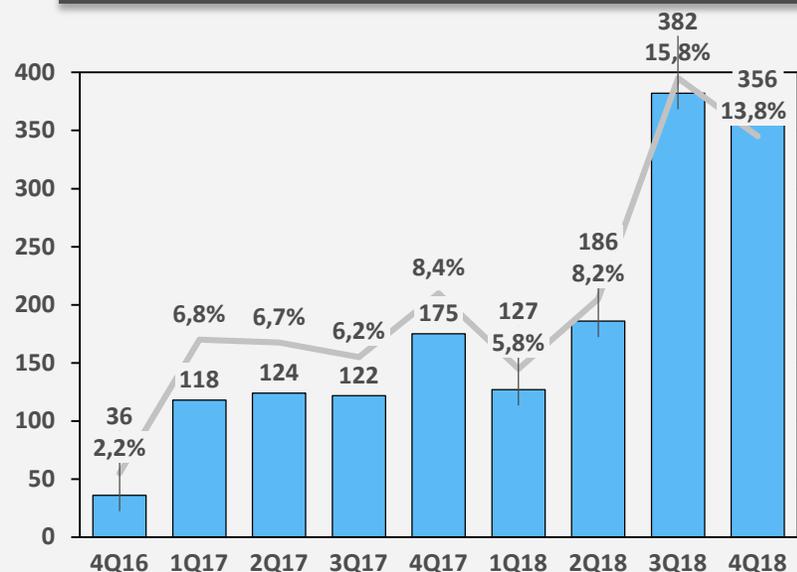
# Group financial profile – remains strong

## Available cash



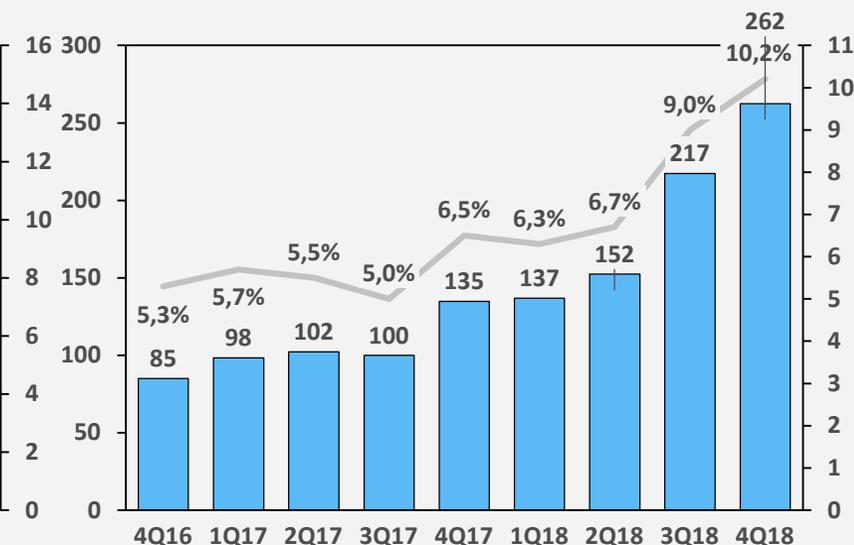
- Including 179 MNOK of a 303 MNOK credit facility in Danske Bank, as of Q4 2018
- Refinancing of long term loans, increased credit facility and established a revolving credit was finalized in October 2017. The revolving facility was used in August 2018 to finance acquisition of Egersund Net

## Working capital



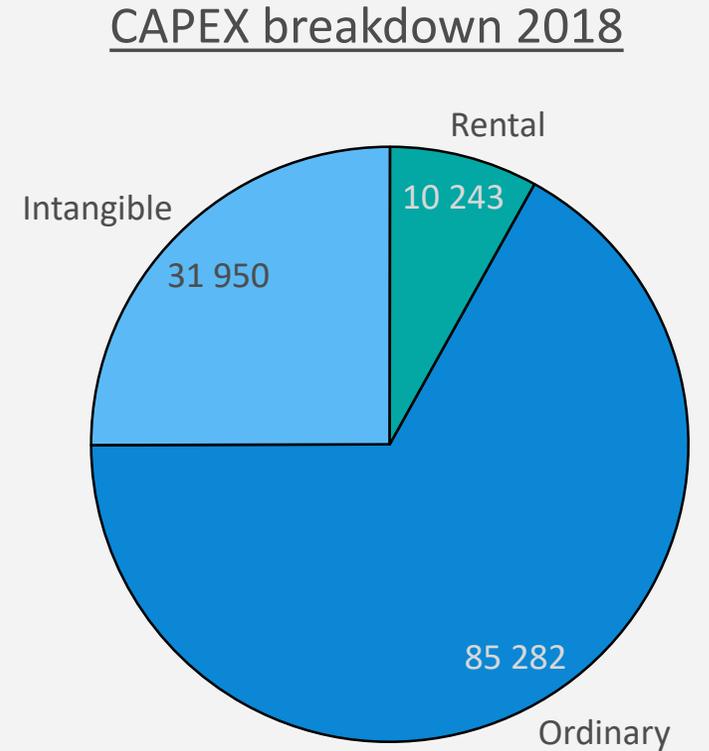
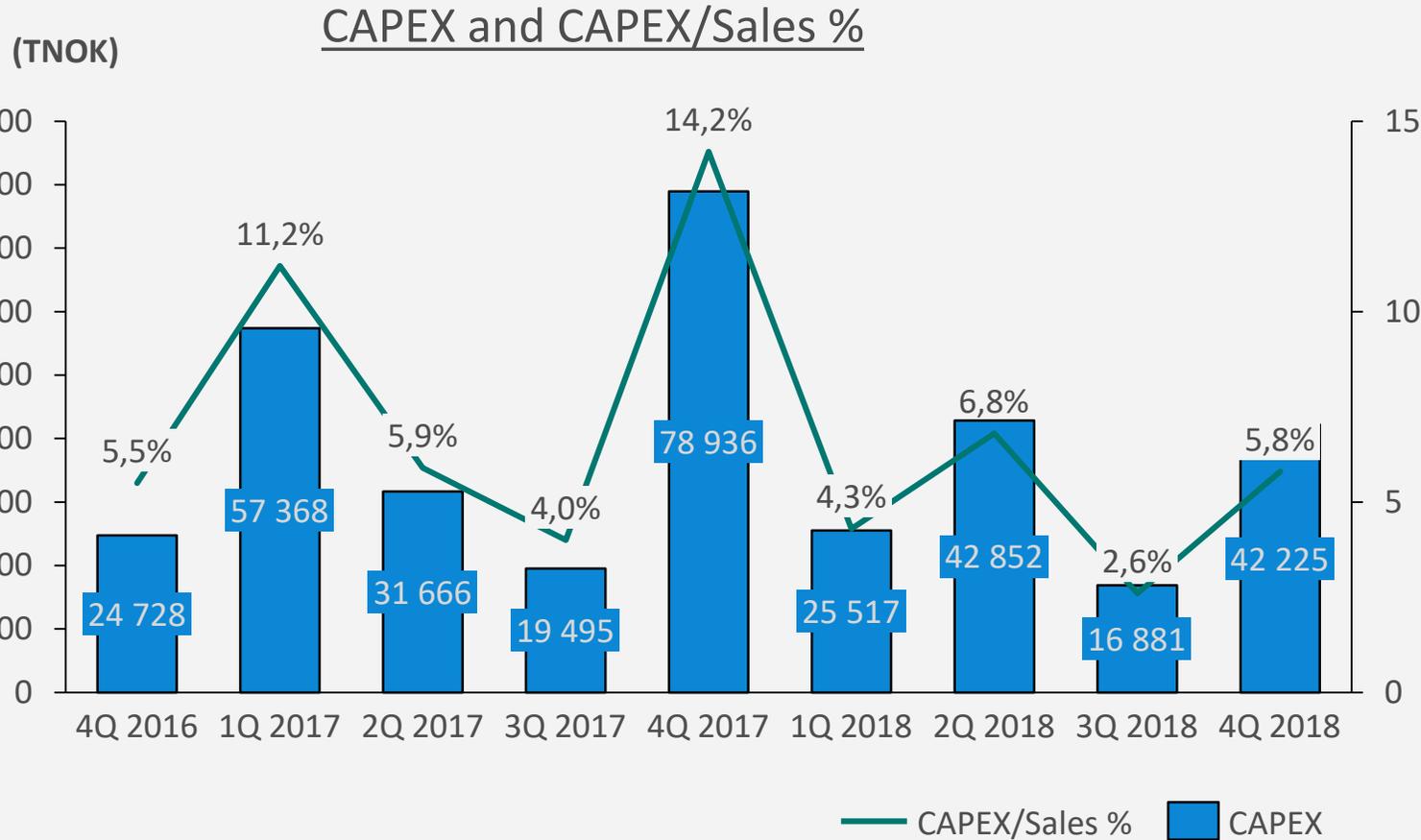
- The graph shows absolute working capital and working capital relative to last twelve months revenue
- Four months of revenue from Egersund Net included in the % graph, while the balance sheet is included in total. With revenue of 12 months included it would be 11%
- Working capital in AKVA group of 196 MNOK and 160 MNOK in Egersund Net

## 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 8,6%

# CAPEX



# Net interest bearing debt/EBITDA of 2.5

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



— NIBD/EBITDA (12 mth rolling)    ■ NIBD

- NIBD/EBITDA of 2,0 with inclusion of full year Egersund Net EBITDA (4 months included in the ratio)

## Change in net interest bearing debt (TNOK)

<b>Net interest bearing debt 30.09.2018</b>	<b>632 261</b>
EBITDA	-56 522
Income taxes paid	5 098
Net interest paid	4 091
Capex	42 225
Acquisitions / Divestments	-
Paid dividend	-
Sale of fixed assets	-594
Currency effects	-2 934
Other changes in working capital	<b>-19 077</b>
<i>Net change</i>	-27 714
<b>Net interest bearing debt 31.12.2018</b>	<b>604 547</b>

# Group financial profile – remains strong, continued

## Equity and Equity / Total Balance

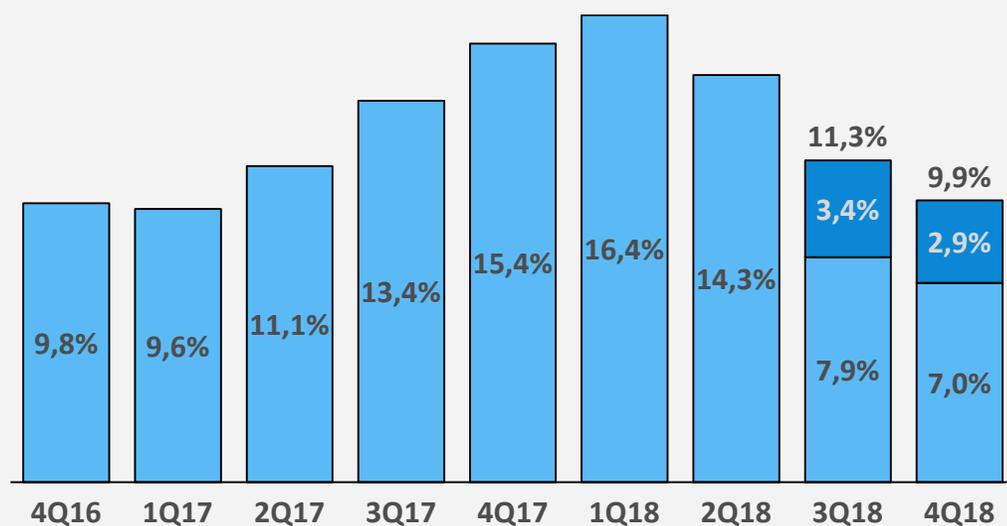


## NIBD / Equity



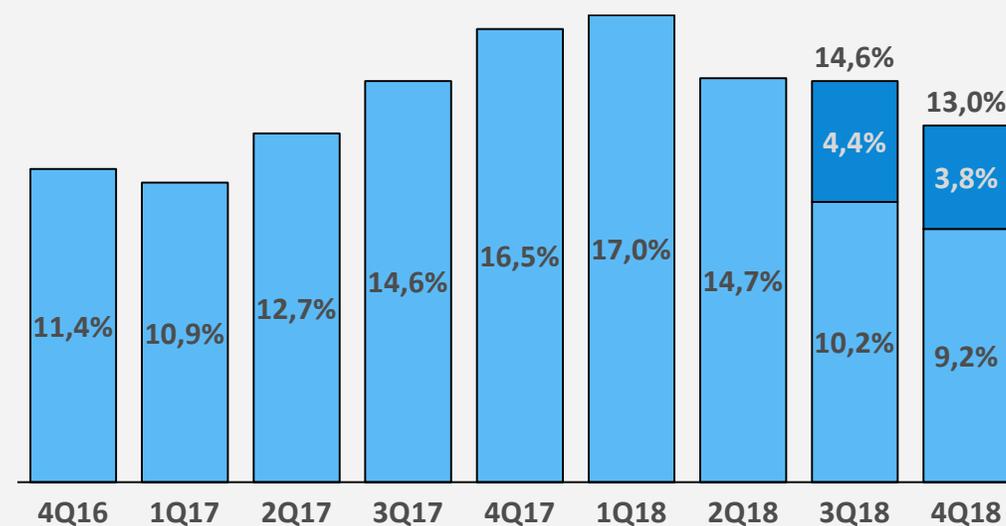
# Group financial profile – remains strong, continued

## ROCE



- Including four months of EBIT from Egersund Net
  - 9,9% based on full year EBIT inclusion of Egersund Net

## ROACE



- Including four months of EBIT from Egersund Net
  - 13,0% based on full year EBIT inclusion of Egersund Net

# Cash flow statement

<b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW</b> (NOK 1 000)	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>Q4</b>	<b>Q4</b>	<b>YTD</b>	<b>YTD</b>	<b>Total</b>
Net cash flow from operations	48 978	36 153	204 735	195 535	195 535
Net cash flow from change in working capital	19 077	-42 574	-50 436	-108 130	-108 130
Net cash flow from operational activities	68 055	-6 421	154 298	87 404	87 404
Net cash flow from investment activities	-30 994	-27 983	-259 517	-117 392	-117 392
Net cash flow from financial activities	-39 884	23 979	147 340	-22 346	-22 346
Net change in cash and cash equivalents	-2 822	-10 426	42 121	-52 334	-52 334
Net foreign exchange differences	4 283	4 163	-2 227	3 759	3 759
Cash and cash equivalents at the beginning of the period	155 402	123 232	116 969	165 543	165 543
Cash and cash equivalents at the end of the period	156 862	116 969	156 862	116 969	116 969

# Balance sheet

<b>BALANCE SHEET</b>	<b>2018</b>	<b>2017</b>
(MNOK)	<b>31.12</b>	<b>31.12</b>

<b>ASSETS</b>	<b>2 703</b>	<b>1 663</b>
Intangible non-current assets	1 085	587
Tangible non-current assets	332	245
Financial non-current assets	73	6
Inventory	462	238
Receivables	571	447
Cash and cash equivalents	133	99
Assets held for sale	47	40
<b>LIABILITIES AND EQUITY</b>	<b>2 703</b>	<b>1 663</b>
Equity	1 062	500
Minority interest	0	1
Long-term interest bearing debt	360	351
Short-term interest bearing debt	401	122
Non-interest bearing liabilities	855	664
Liabilities held for sale	24	26



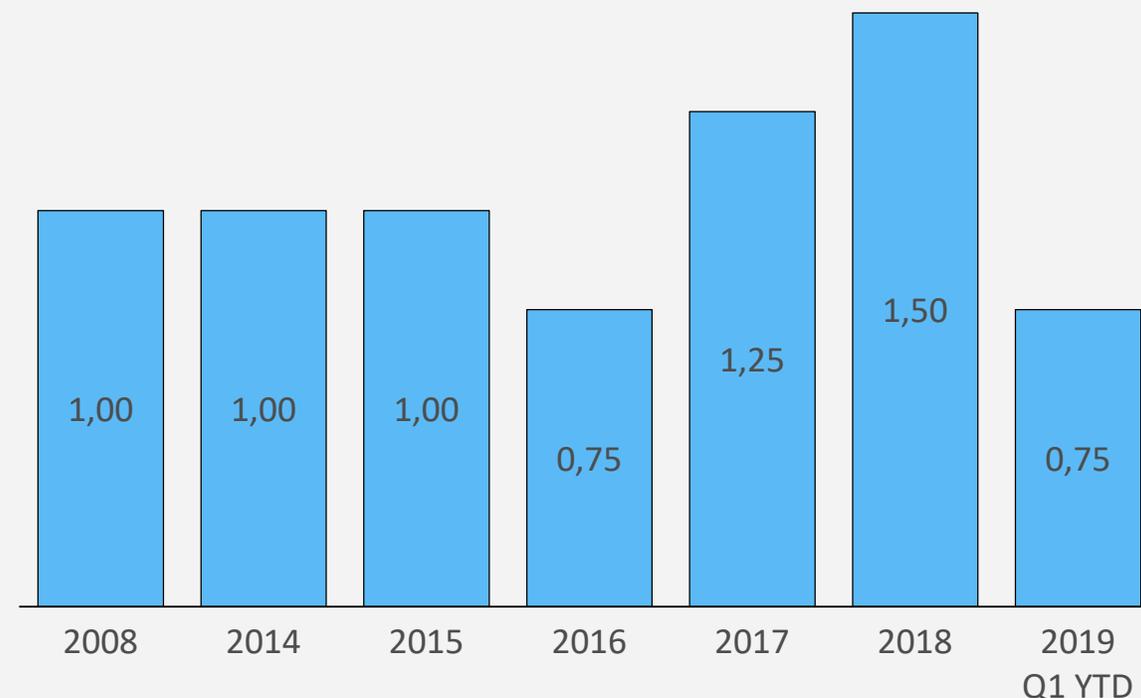
# Dividend and dividend policy

## *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 is to be paid out in Q1 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		GBR
828 930	2,5 %	VERDIPAPIRFONDET ALFRED BERG GAMBA		NOR
803 242	2,4 %	SIX SIS AG	Nominee	CHE
630 414	1,9 %	VPF NORDEA KAPITAL		NOR
517 623	1,6 %	VPF NORDEA AVKASTNING		NOR
407 232	1,2 %	STATOIL PENSJON		NOR
397 200	1,2 %	Norron Sicav - Select		LUX
381 300	1,1 %	MP PENSJON PK		NOR
354 524	1,1 %	EIKA NORGE		NOR
318 682	1,0 %	NORDEA 1 SICAV		LUX
300 000	0,9 %	NORDEA NORDIC SMALL CAP FUND		FIN
288 140	0,9 %	VERDIPAPIRFONDET NORDEA NORGE PLUS		NOR
176 651	0,5 %	VERDIPAPIRFONDET DNB SMB		NOR
163 610	0,5 %	METZLER EURO SMALL + MICRO CAP		IRL
150 000	0,4 %	HANDELSBANK NORDISKA SMABOLAGSFOND		SWE
150 000	0,4 %	BJØRN DAHLE		NOR
125 000	0,4 %	UBS Europe SE	Nominee	LUX
107 346	0,3 %	STATOIL FORSIKRING A.S		NOR
100 000	0,3 %	ASKVIG AS		NOR
<b>30 802 999</b>	<b>92,4 %</b>	<b>20 largest shareholders</b>		
2 531 304	7,6 %	Other		
<b>33 334 303</b>	<b>100,0 %</b>	<b>Total number of shares as per 31.12.2018</b>		

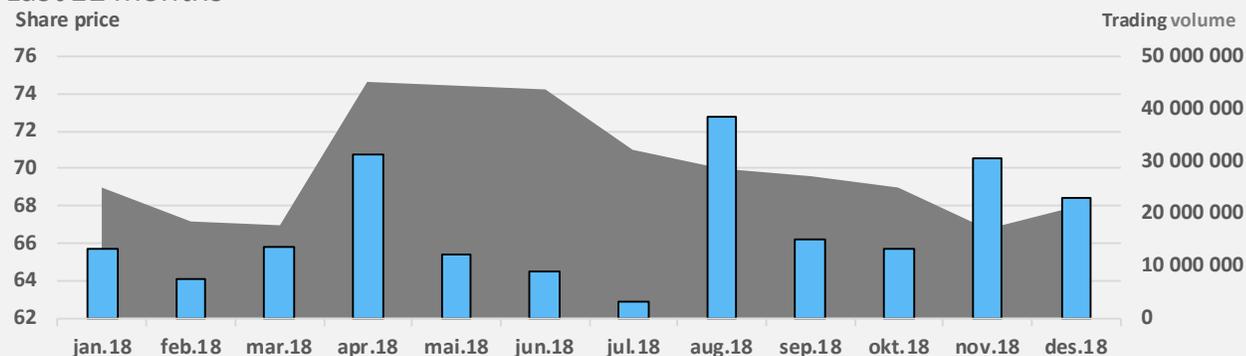
## Origin of shareholders, 5 largest countries

No of shares	%	Origin	No of shareholders
26 407 179	79,2 %	Norway	855
3 948 555	11,8 %	Great Britain	20
917 829	2,8 %	Luxembourg	5
908 117	2,7 %	Switzerland	5
383 418	1,2 %	Finland	6
769 205	2,3 %	Other	109

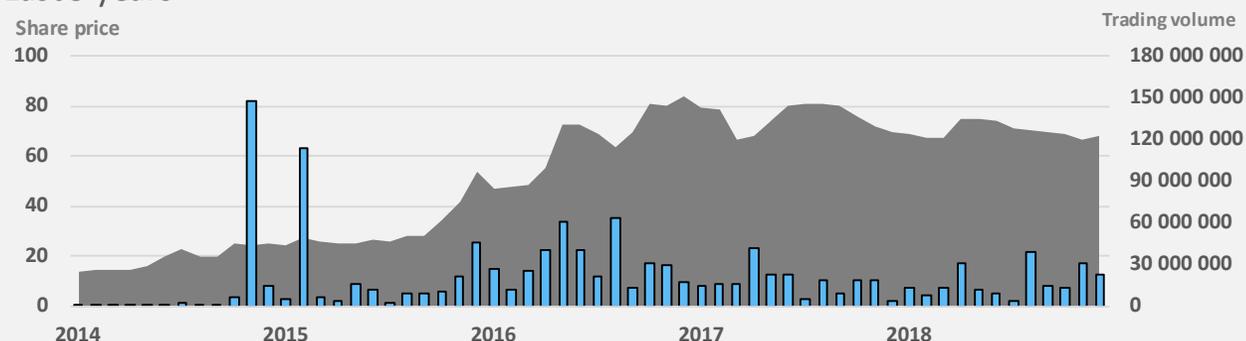
Total number of shareholders: 1 000 - from 28 different countries

## 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.  
1 513  
employees

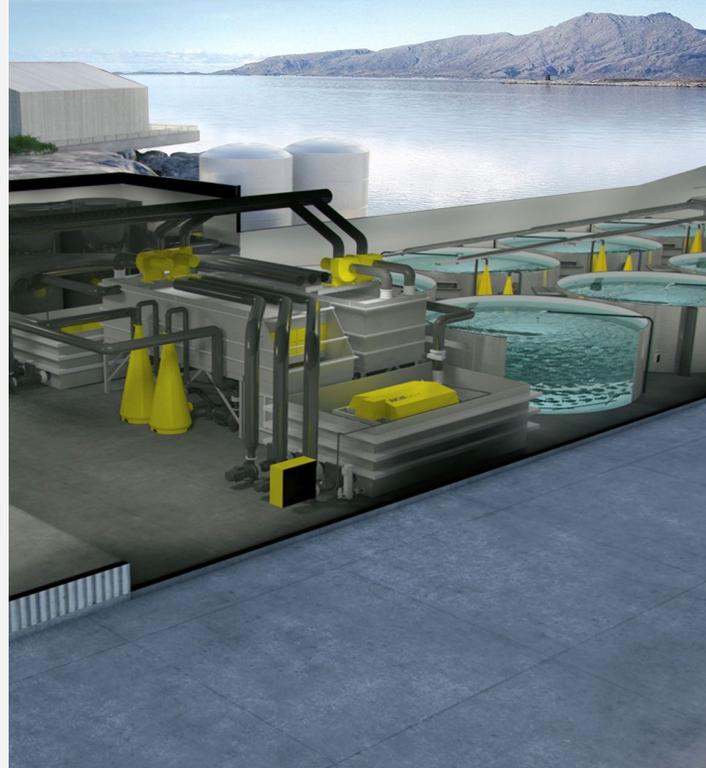


# Solutions

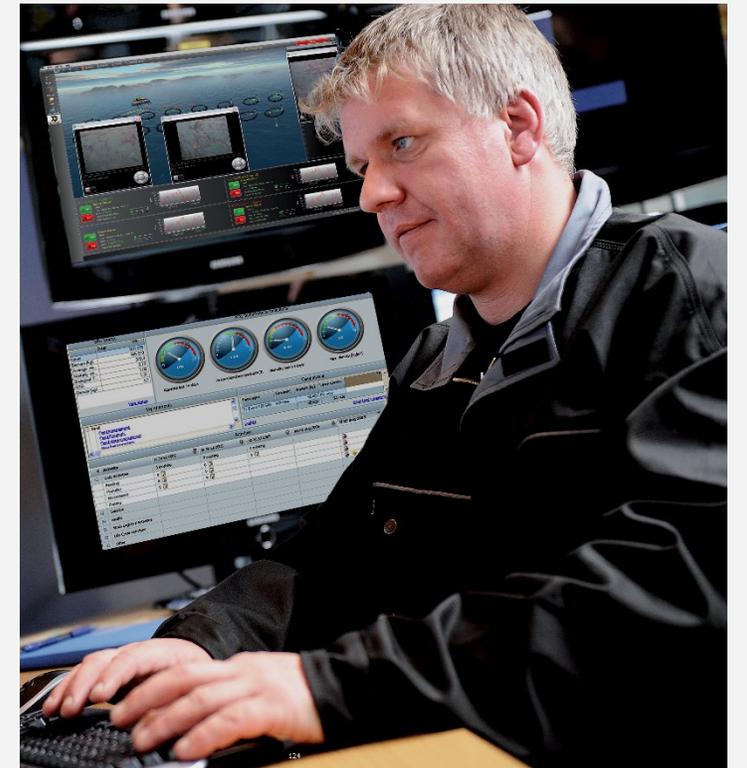
## Cage Based Technology



## Land Based Technology



## Software



CAPEX Based Revenue

CAGE BASED TECHNOLOGY



LAND BASED TECHNOLOGY



**SOFTWARE:** Fishtalk  
AKVAconnect  
Support



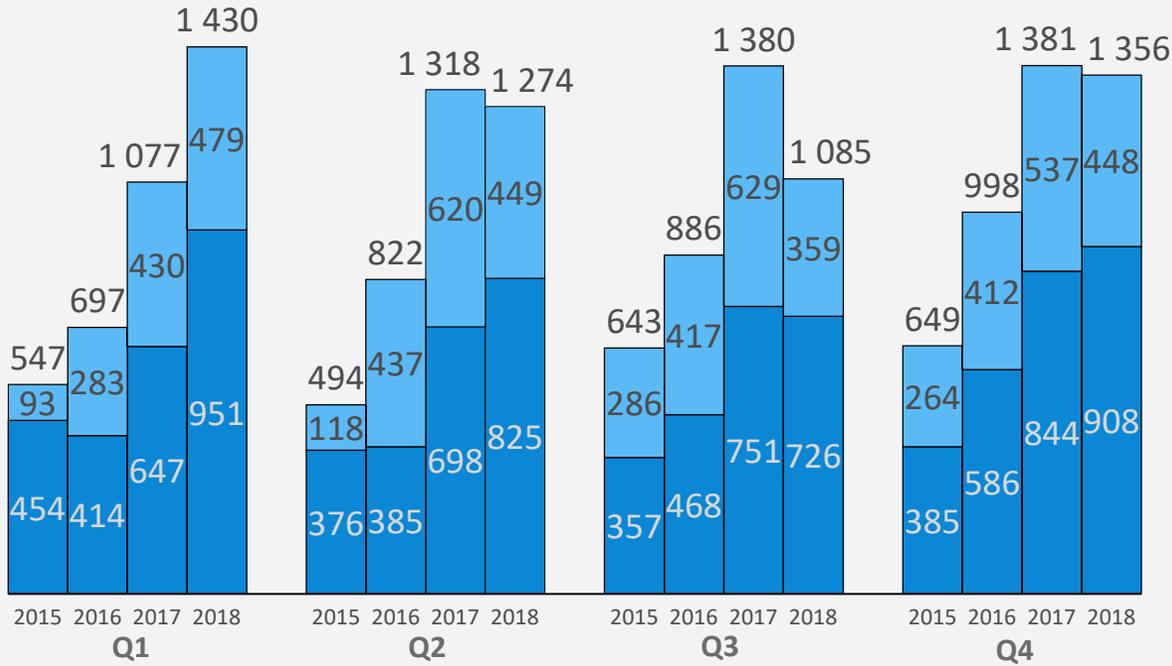
**MARINE SERVICES  
& AFTER SALE  
SERVICE:**

Marine services  
Rentals  
After sale services

OPEX Based Revenue

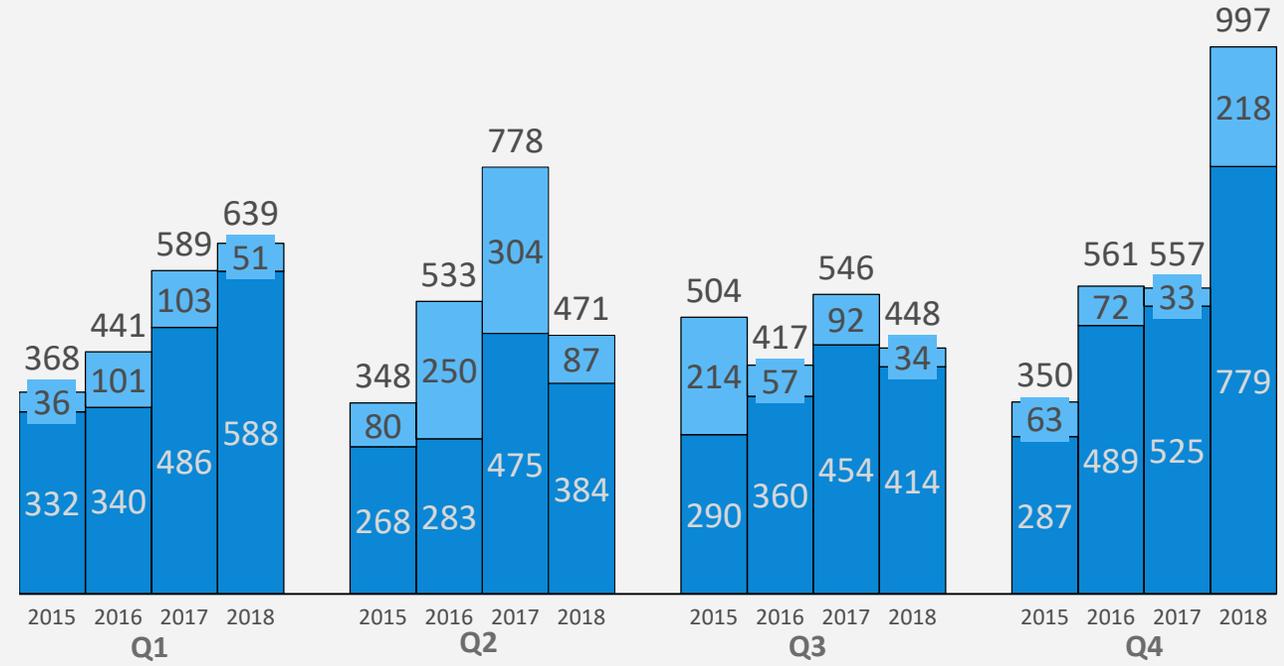
# Order backlog and inflow, 2015 through 2018

## Order backlog



- 33% of total order backlog relates to Land Based Technology (LBT)
- 85 MNOK of the total order backlog relates to Egersund Net and subsidiaries

## Order intake

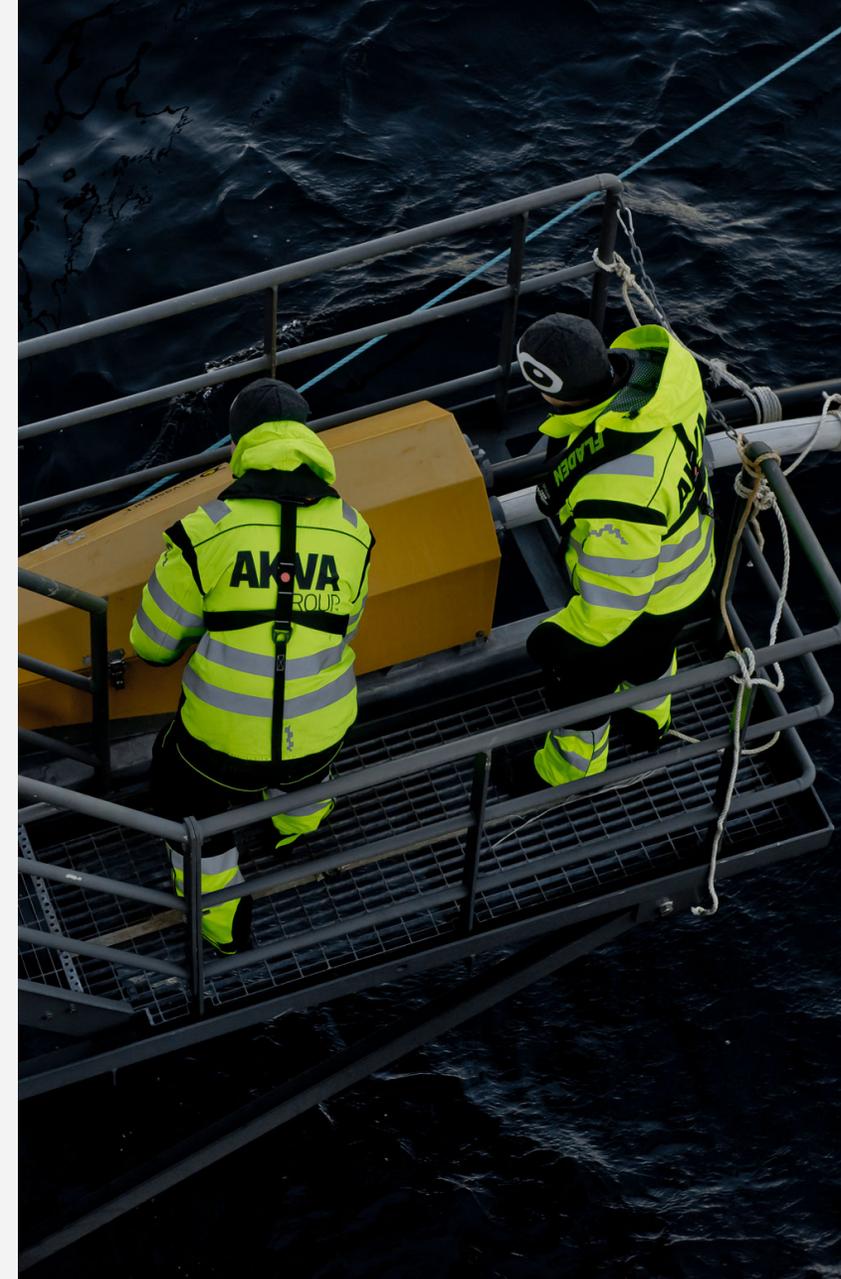


- Order intake of 997 MNOK in Q4 2018
- Order intake of 198 MNOK in Egersund Net in the quarter

Land Based Other

# Outlook – AKVA group

- Developing digitalization strategy, upgrading software platform and control systems. Management resources strengthened
- New product development well under way; cage system, and feeding
- Egersund Net integration developing well – cages, nets and mooring (total) solutions sold in the market
- Developing presence in eastern Canada
- Pipeline for Land Based still good
- Atlantis project in execution mode – fish in the sea



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

