



## Q4 2016 Presentation

Oslo – February 22<sup>nd</sup>, 2017

Hallvard Muri, CEO

Andreas Pierre Hatjoullis, CFO (acting)



# Agenda

1

Highlights

2

Financial performance

3

Outlook

4

Q&A





## Highlights Q4 2016 - by CEO Hallvard Muri

Your Aquaculture Technology and Service Partner

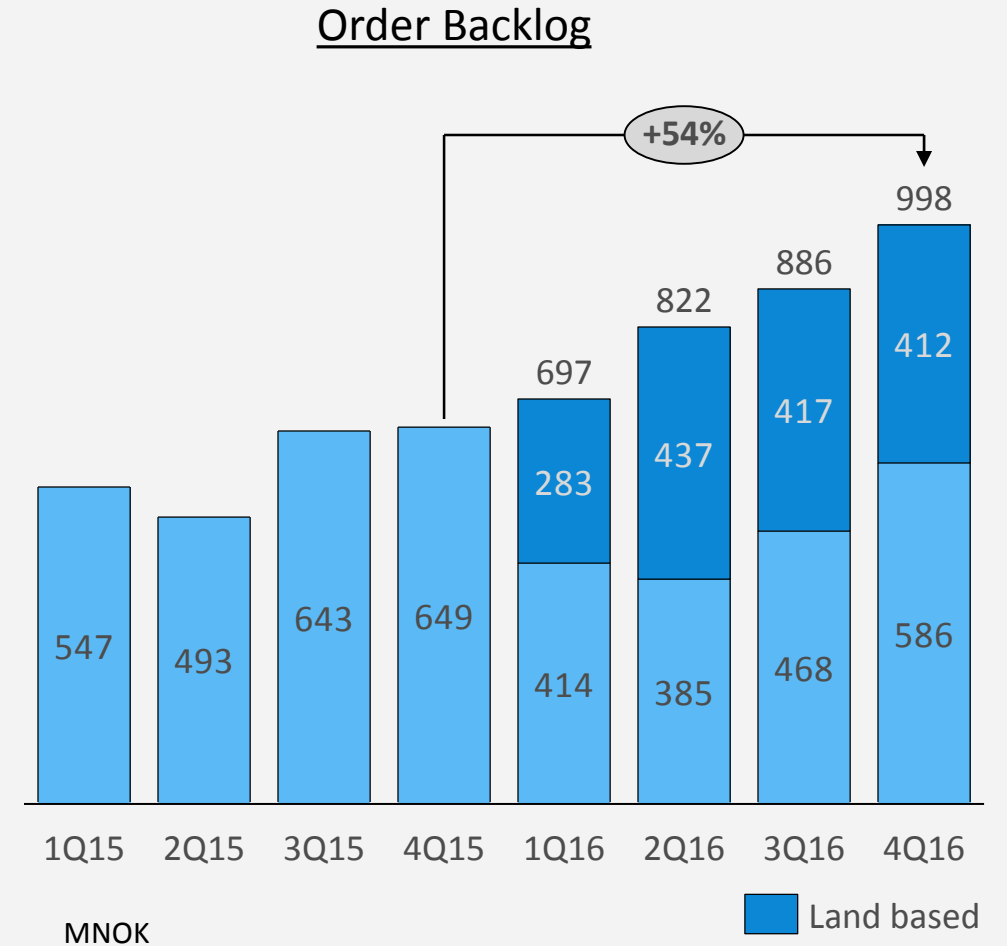
**AKVA**GROUP™<sub>3</sub>



# High order backlog – solid underlying performance

## Fourth quarter 2016 – Highlights

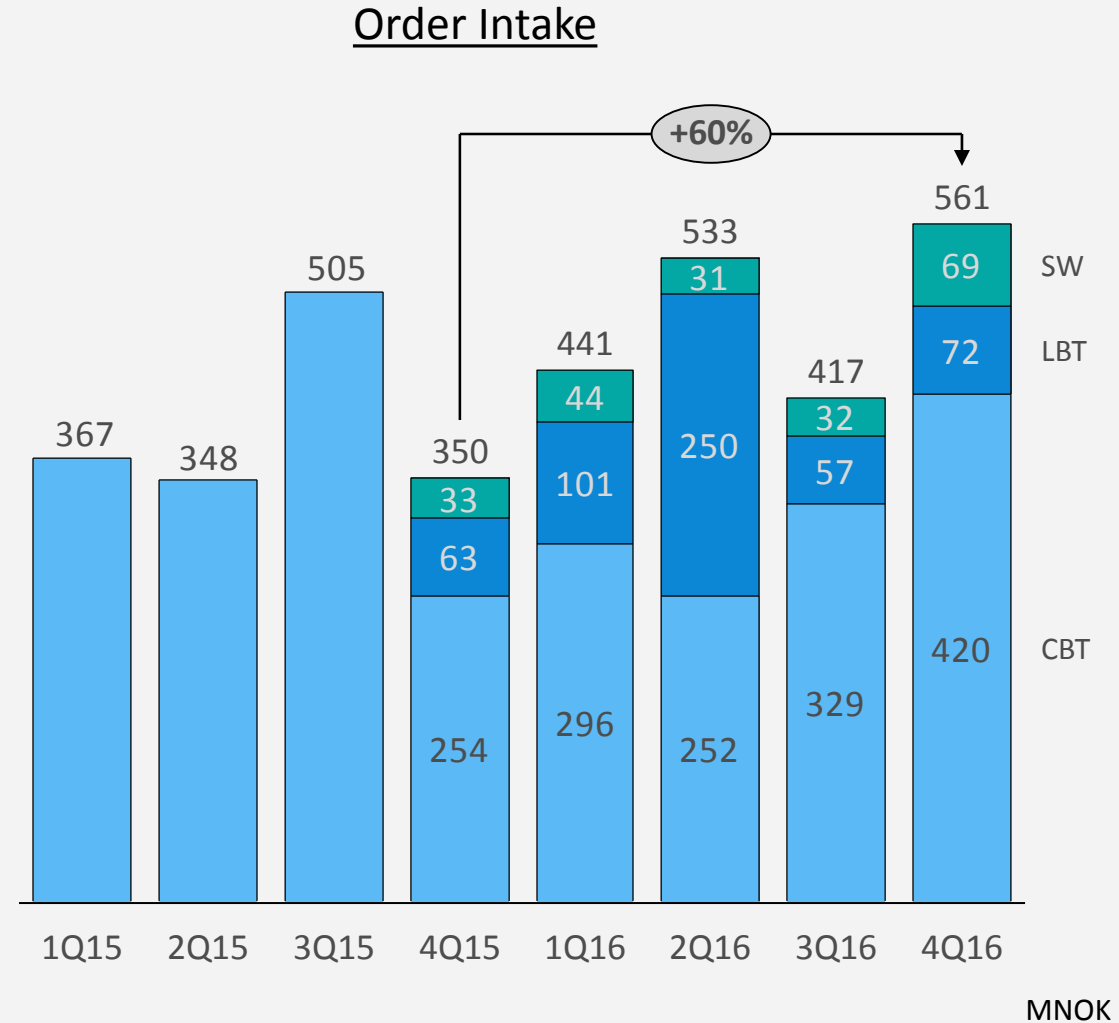
- Record high sales and order intake
- Order backlog end of year approximately 1.0 BNOK
- EBITDA in the quarter hampered by material clean-up and restructuring cost of 19.9 MNOK related to AKVA group Denmark
- Growth strategy continues with acquisition of Sperre – the leading ROV provider, increased capacity in Helgeland Plast





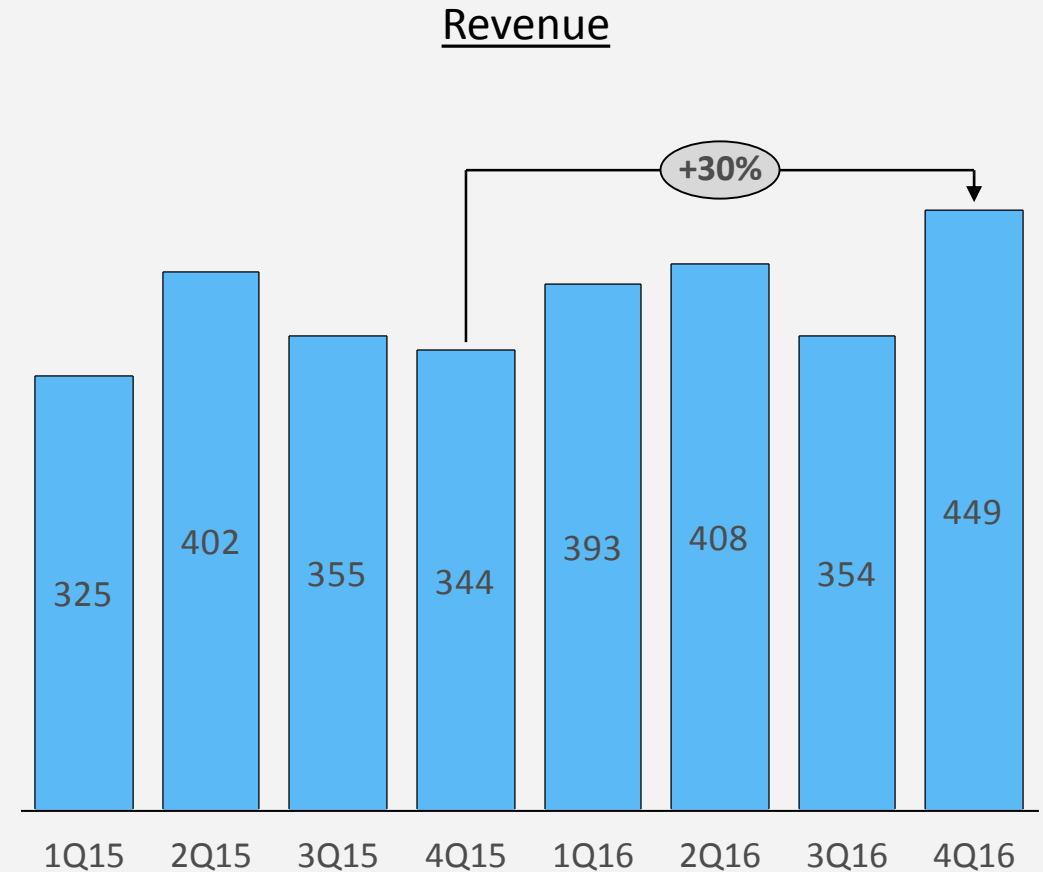
# Strong growth in order intake

- Total of 2.0 BNOK in order intake 2016
- Record high order intake Q4
  - Cage Based segment 420 MNOK in Q4, up 66% YoY
  - Driven in particular by Nordic and recovery in Chile
- Software segment 69 MNOK, almost double from same period last year
- Most of the increase comes from Wise Ehf
- Land Based segment 72 MNOK in Q4, up 14% YoY



# Record quarter on sales

- **Operating revenue of 449 MNOK in Q4 2016 (+105 MNOK from Q4 2015):**
  - Main increase from Cage Based segment Nordic region, +97 MNOK compared to Q4 2015
  - Positive development in Chile YoY (+13 MNOK), as positive market sentiment start giving effect
  - Slight decrease in revenue from Land Based segment, all related to restructuring in AKVA group Denmark

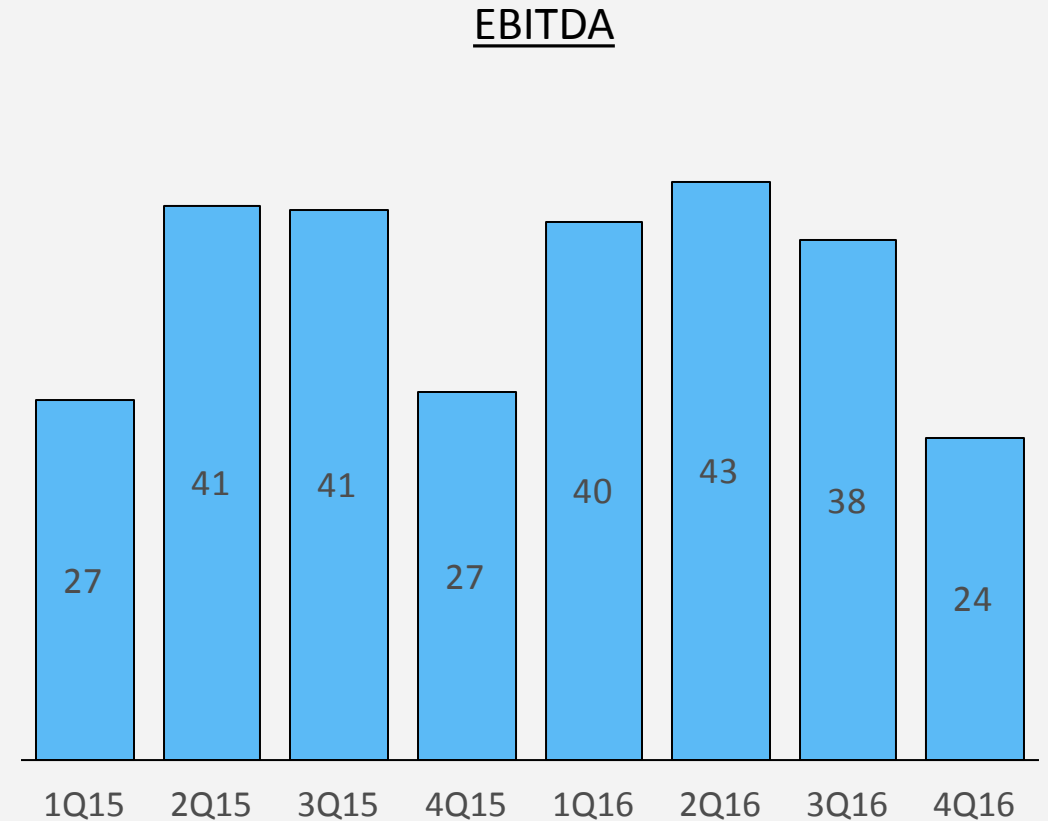


MNOK



# Restructuring cost in Denmark w/material impact on Q4-16

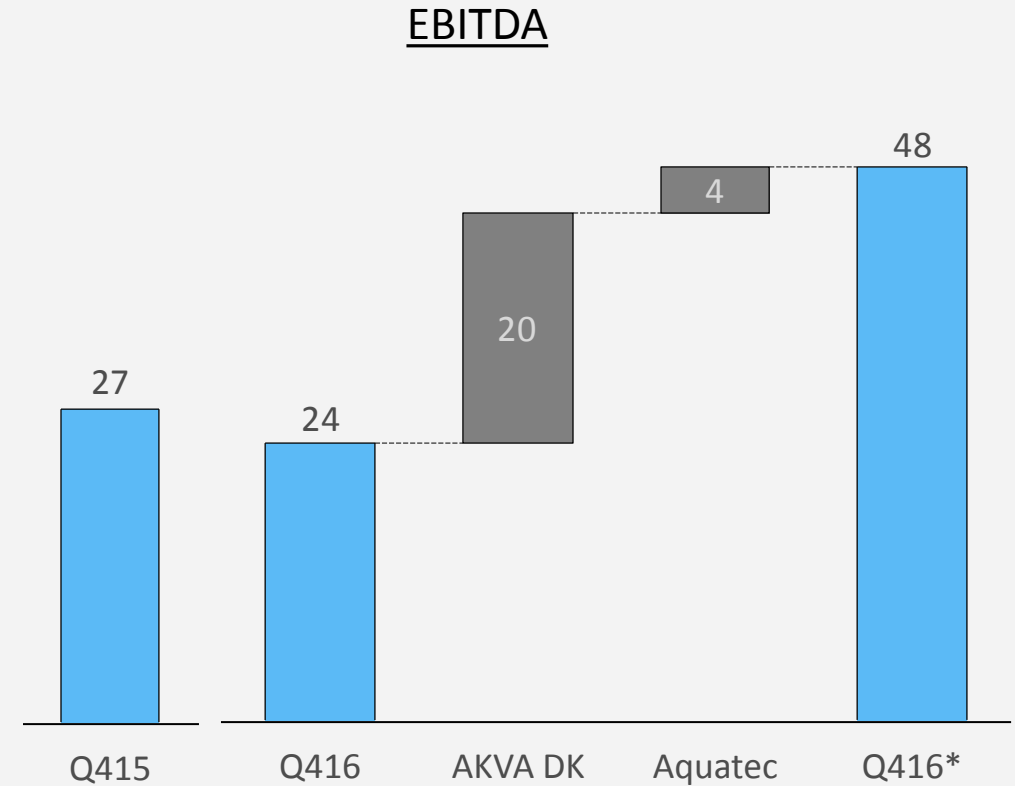
- Good quarter for Nordic region with solid contribution from all entities
- Positive development in Chile and turn around from loss making situation last few quarters
- Aquatec Solutions (AQS) and Plastsveis very strong performance, but partly offset by earn-out to former shareholders of AQS
- **Ongoing restructuring in AKVA group Denmark gave a negative effect of 19.9 MNOK in EBITDA**



MNOK

# Strong underlying performance

- Restructuring and clean-up in AKVA group Denmark negative effect (one-off's) of 19.9 MNOK
- Aquatec Solutions earn-out element reduced EBITDA by 4 MNOK



\*Adjusted EBITDA

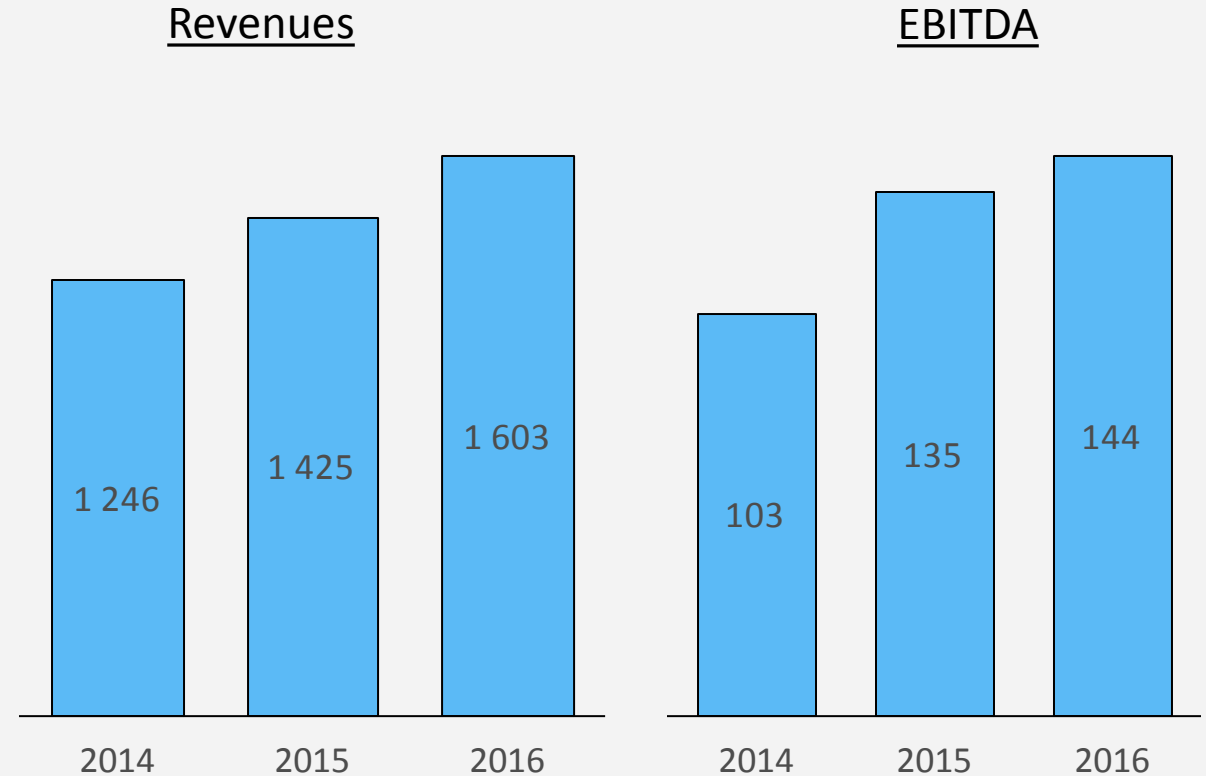
MNOK



# Strong order intake – solid underlying performance

## 2016 – Highlights

- Total order intake for the year close to 2 BNOK, 24 % up from 2015
- Year on year growth in revenue 12.5%
- Total EBITDA 144 MNOK, up from 135 MNOK last year
- Balance sheet KPI's remains strong
- Acquisition of AD Offshore AS in April and Sperre AS in November



MNOK

- **Leading technology and service partner to the global aquaculture industry**
- **Global presence and subsidiary in 8 countries**
- **Deliveries in over 65 countries during the last 40 years**
- **Approx. 792 employees**
- **2016 revenues of 1 603 MNOK**
- **Listed on Oslo Stock Exchange since 2006**
- **Market cap of ~2 012 MNOK and net debt of 212 MNOK**

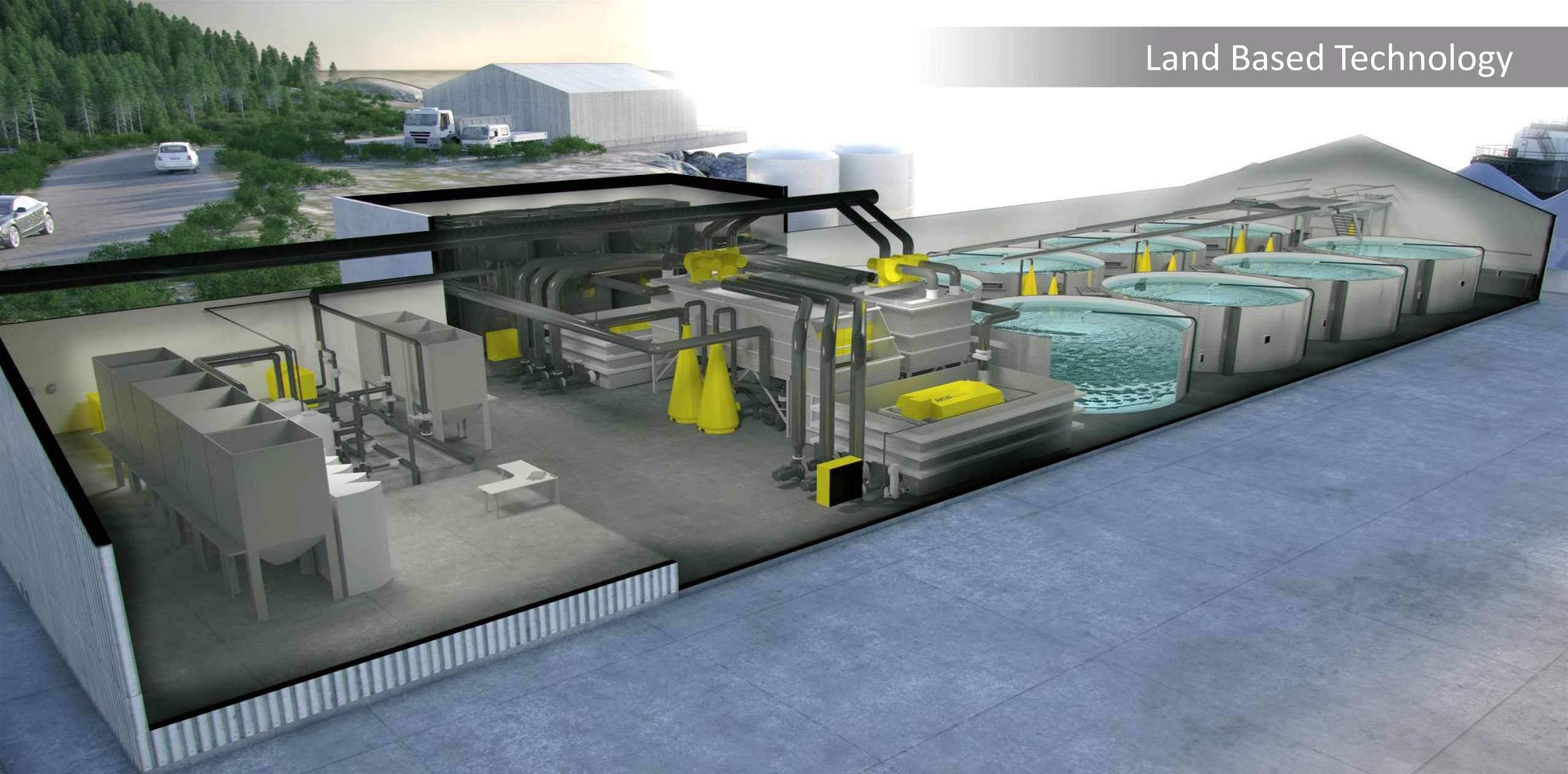
# Cage Based Technology



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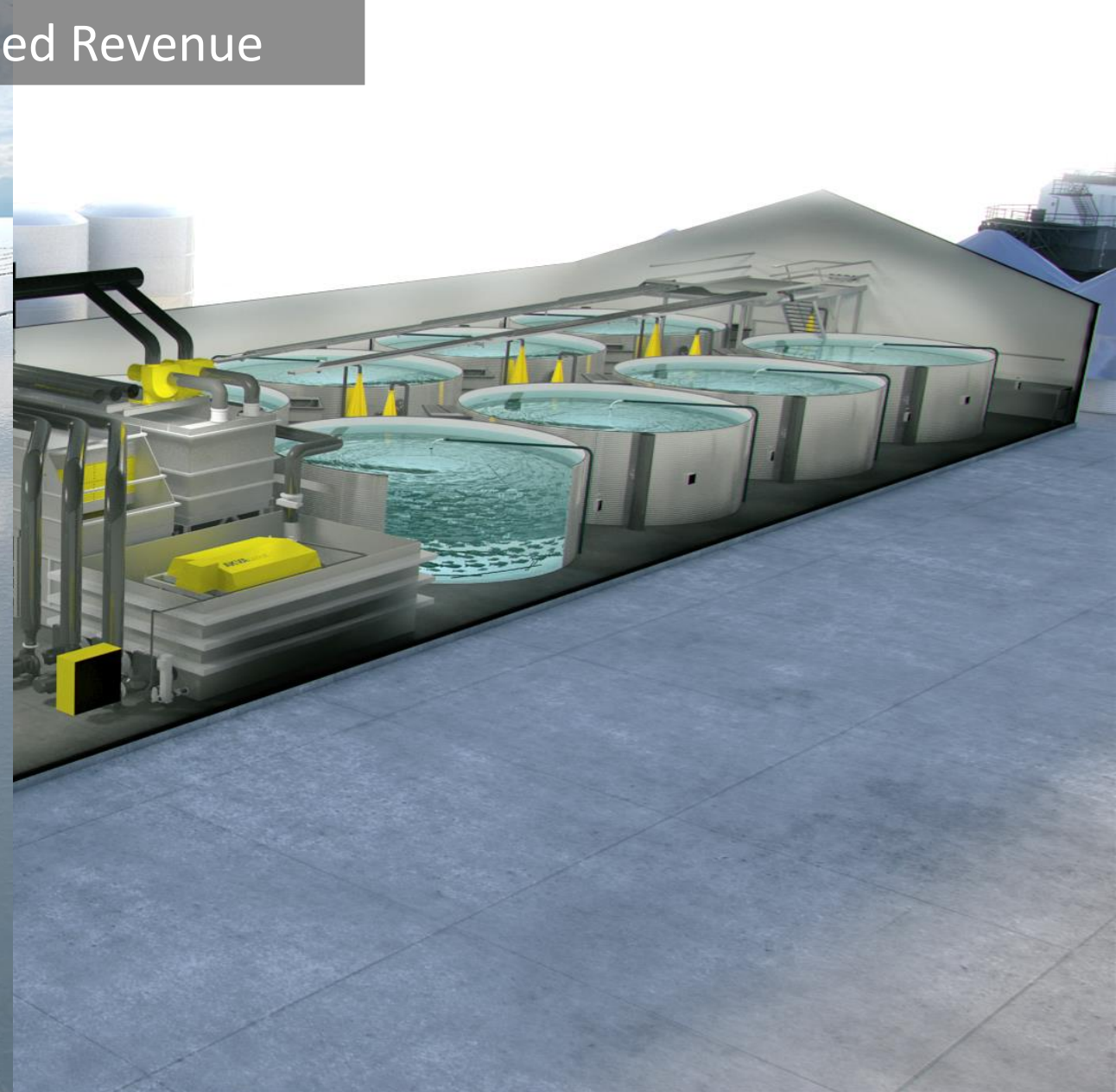
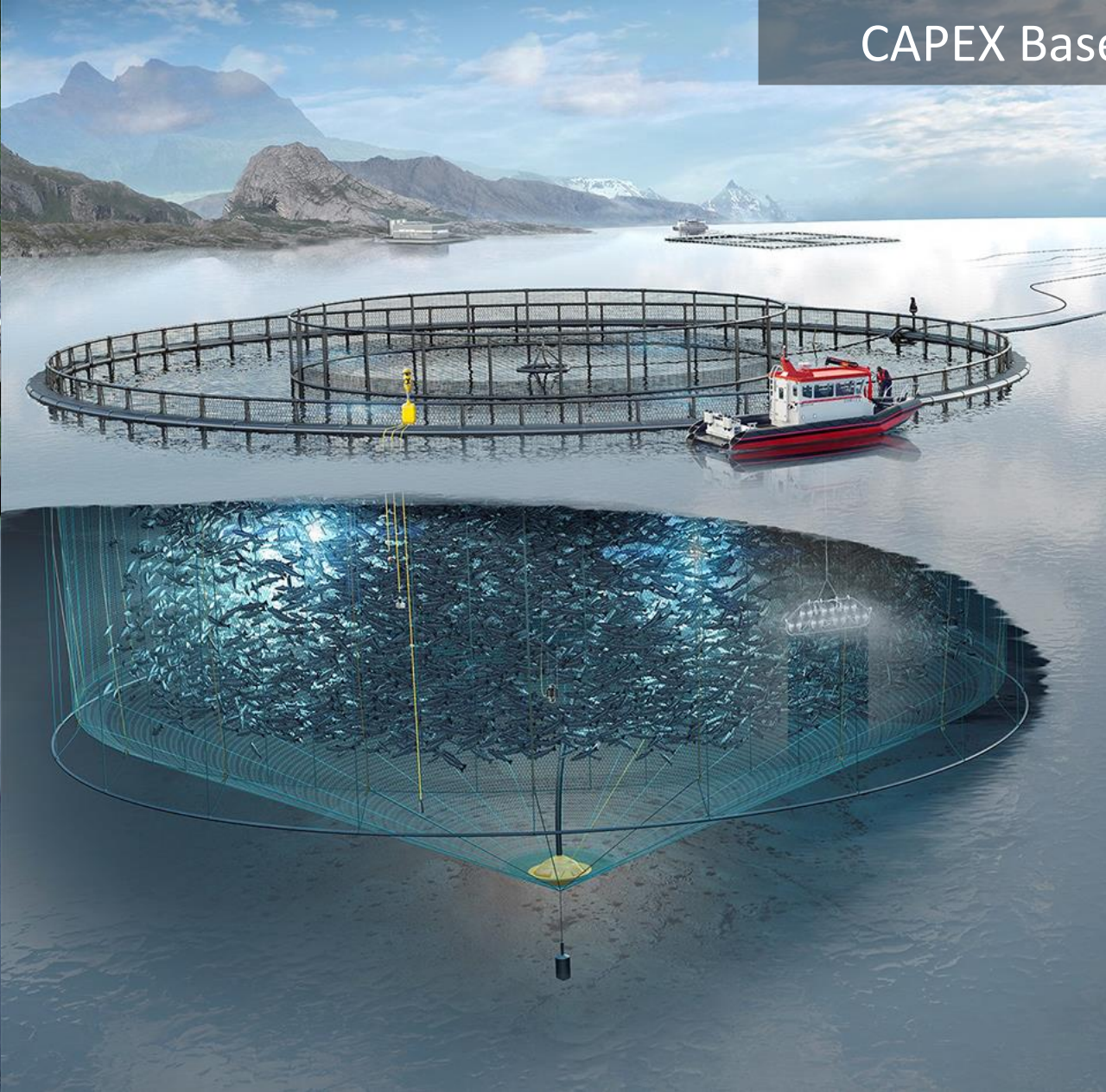
# Land Based Technology



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# CAPEX Based Revenue



Your Aquaculture Technology and Service Partner

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# CAPEX Based Revenue

OPEX Based Revenue

## SOFTWARE



Fishtalk



AKVAconnect



Support

## MARINE SERVICES & AFTER SALES SERVICE



Marine Services



Rentals



After Sales Service



# Presence in all main farming regions

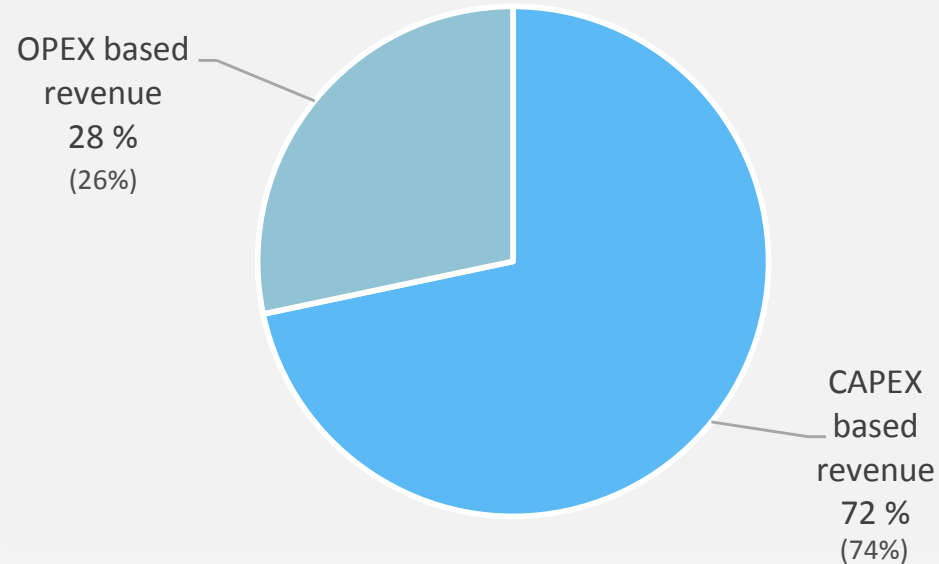


Revenues from regions:

|          | Q4 2015 | Q4 2016 |
|----------|---------|---------|
| Nordic   | 73 %    | 76 %    |
| Export   | 15 %    | 14 %    |
| Americas | 12 %    | 10 %    |

# Strategic priority to increase the proportion of OPEX based revenue

## OPEX based vs CAPEX based revenue, Q4 2016



\*(Figures in brackets shows Q4 2015)

## Comments

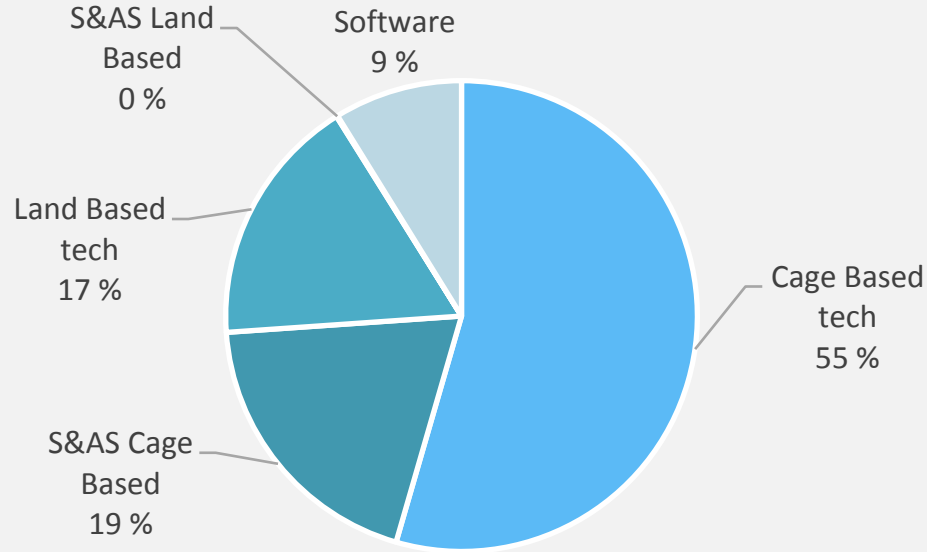
- Focus on increasing OPEX based revenue – by developing software sales, farming services, technology services and rental further
- Introduction of rental business model in Norway in late 2014. Successfully introduced in UK and Canada before the introduction in Norway
- Rental is an “all inclusive” service providing for instance light or picture for an agreed period of time (2 to 5 years duration) - reducing both CAPEX and operational work for the customer
- AKVA Marine Services, our provider of diving, ROV and other services to the salmon farming sector (Farming Services)
- Development of Farming Services still in an early stage – opportunities for consolidation





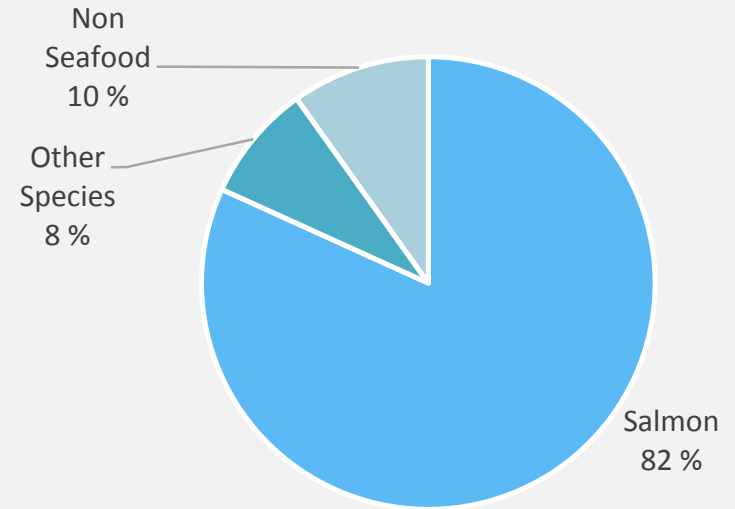
# Revenue by product groups and species

## By product groups – Q4 2016



- **Cage based technologies** = 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 technologies** = Recirculation systems and technologies for land based aquaculture
- **S&AS Land based** = Service and after sales for land based aquaculture

## By species – Q4 2016



- **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

- Closing of acquisition of Sperre AS
- Atlantis – Update on development licenses

# Acquisition of Sperre AS – the leading ROV producer



- Sperre AS becomes the “center of excellence” in AKVA group in terms of ROV technologies as well as relevant subsea technologies
- AKVA group ASA acquired 66% of Sperre AS. Closing of the transaction took place on November 4<sup>th</sup>, 2016
- The enterprise value on a 100% basis was 126.9 MNOK
- AKVA group ASA has an option to buy the remaining shares after three years
- The acquisition is paid in cash and was financed with a loan from Danske Bank



Risk management

1. On November 26<sup>th</sup> Norwegian Directorate of Fisheries informed ASF that the concept fell within the general scope of the scheme for awarding development fish-farming licenses.
2. The Directorate will continue on to consider the concept further with an objective to award one or more licenses.
3. ASF is currently in a process with the Directorate to provide additional information, including target financial criteria for the concept.
4. In parallel, the project team is planning and preparing for large scale testing

Submerge and raise the cage – safe and remote

Underwater feeding

Fish health operations



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

Air to the salmon  
Artificial air space

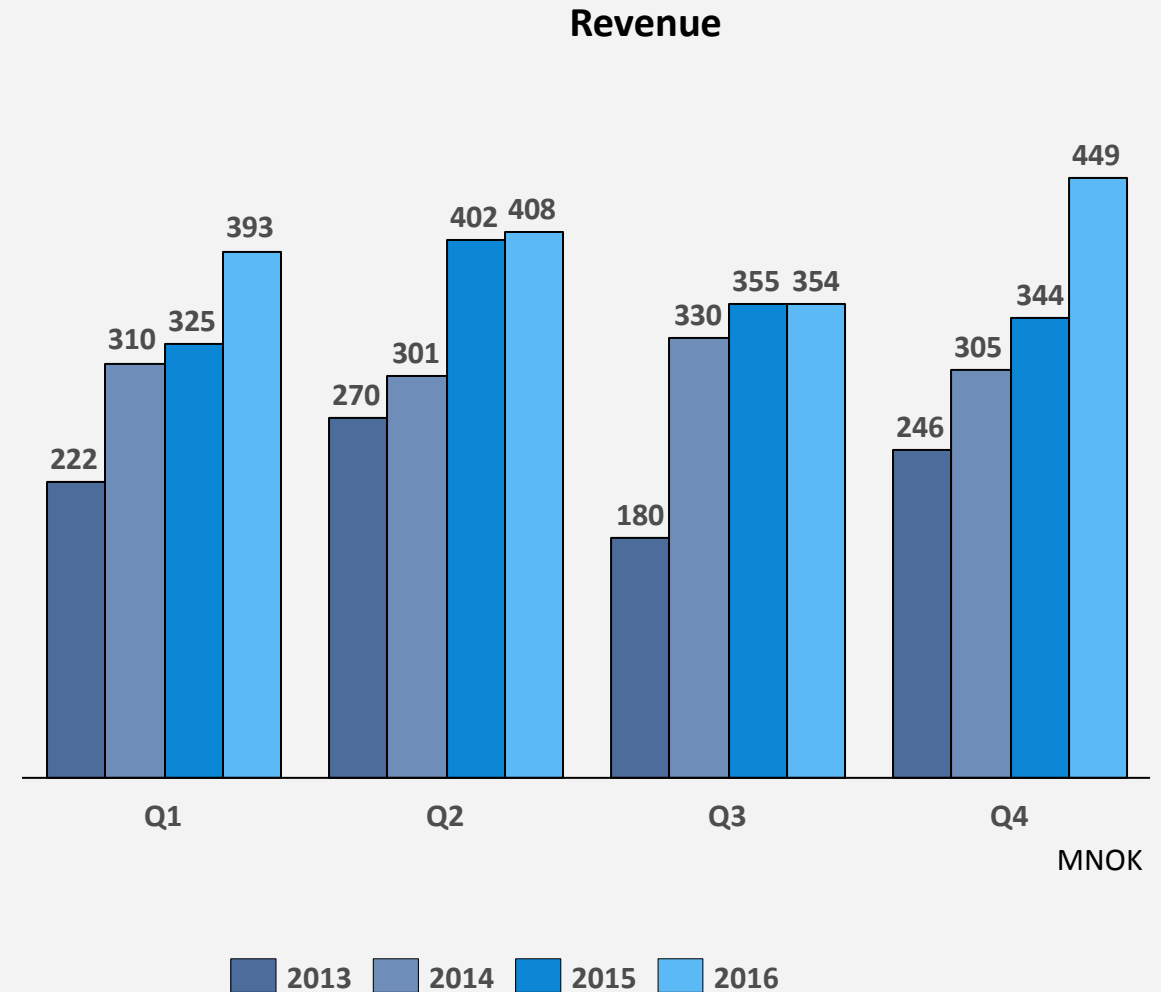


## Financial performance Q4 2016 – by acting CFO Andreas Pierre Hatjoulis



# Q4 2016 - Financial highlights

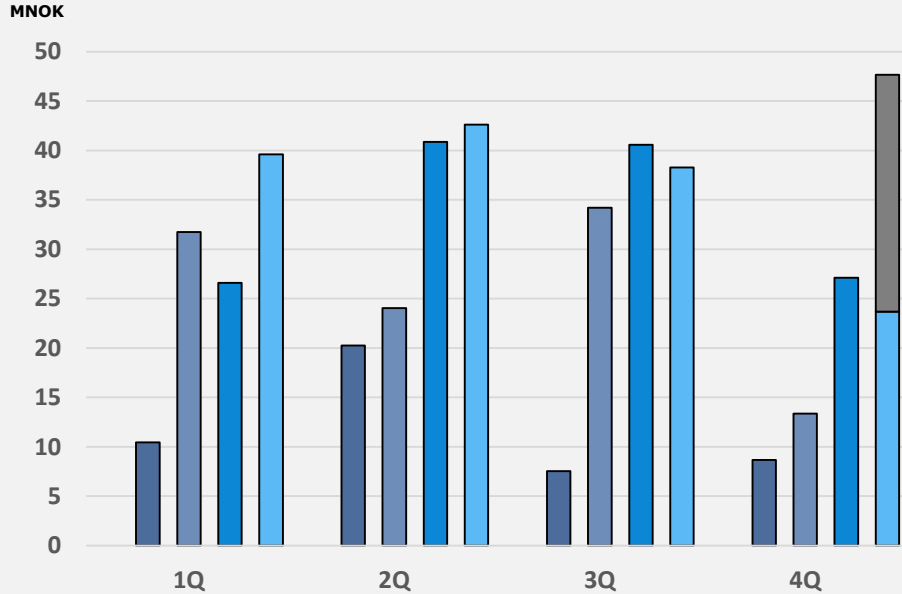
- Record high quarterly turnover
- The Group is more robust – underlying good performance stabilizing higher margins
  - but the quarter offset by restructuring costs in AKVA group Denmark
- Strong operational cash flow
- Dividend of 0.50 NOK per share to be paid out in Q1 2017



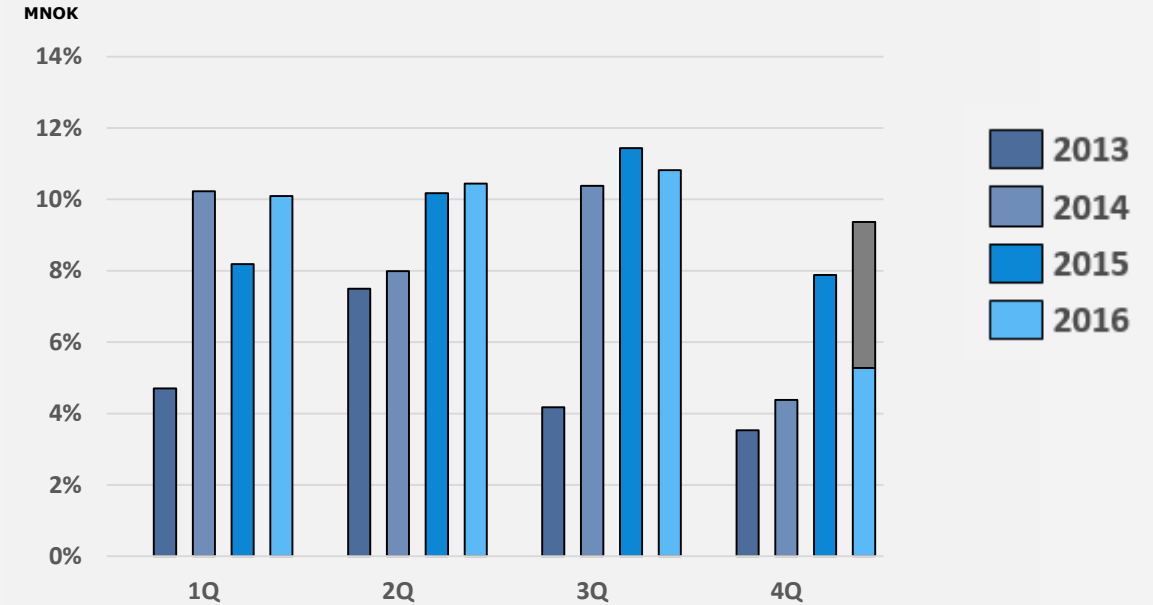


# Q4 2016 - Financial highlights, continued

### EBITDA (MNOK)



### EBITDA %



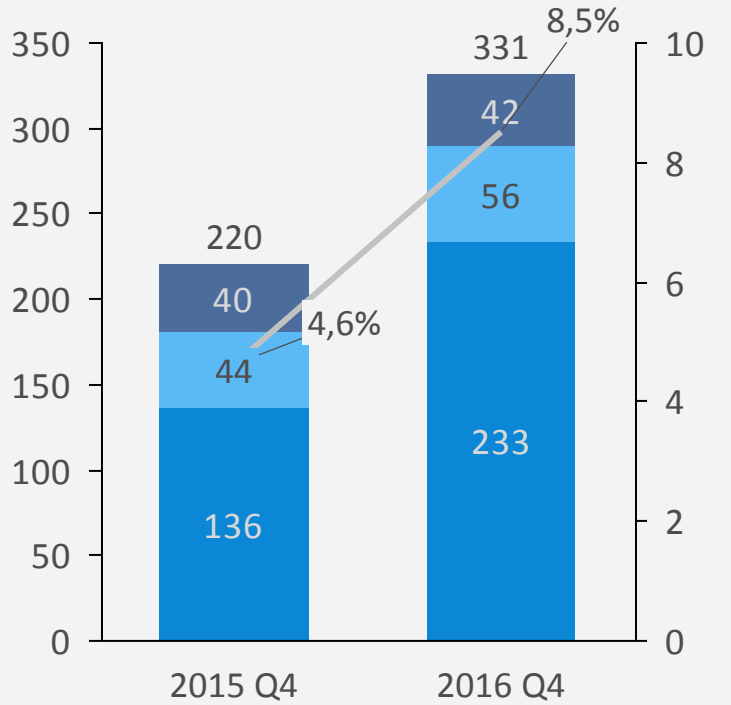
*Underlying performance stabilizing on a historical higher EBITDA-level both in NOK and in %*

*EBITDA offset by restructuring in AKVA group Denmark and earn-out to former shareholders of Aquatec Solutions (marked in grey in graphs)*



# Cage Based Technologies

### CBT (Revenue and EBITDA%)



— EBITDA %   ■ Export   ■ Americas   ■ Nordic

#### Nordic

- Revenue YoY up 72% (50% organic) in total for the region
- All entities contributing positively YoY with our wide range of products – makes the Group more diversified
- The Farming Services operations is increasing and strengthening the Group

#### Americas

- Increased activity in Chile – delivering a positive EBITDA of 1.8 MNOK in the quarter
- Our operations in Chile is set to meet higher activity when the market conditions improves
- We experienced a slow quarter in Canada, but they are delivering positive margins

#### Export

- UK delivering a decent quarter due to high level of OPEX based revenues
- Turkey with another very good quarter - ending 2016 as their best year
- Continued increased activity in the Sea Bass and Sea Bream industry in the Mediterranean
- Export to emerging markets – mainly deliveries to Iran

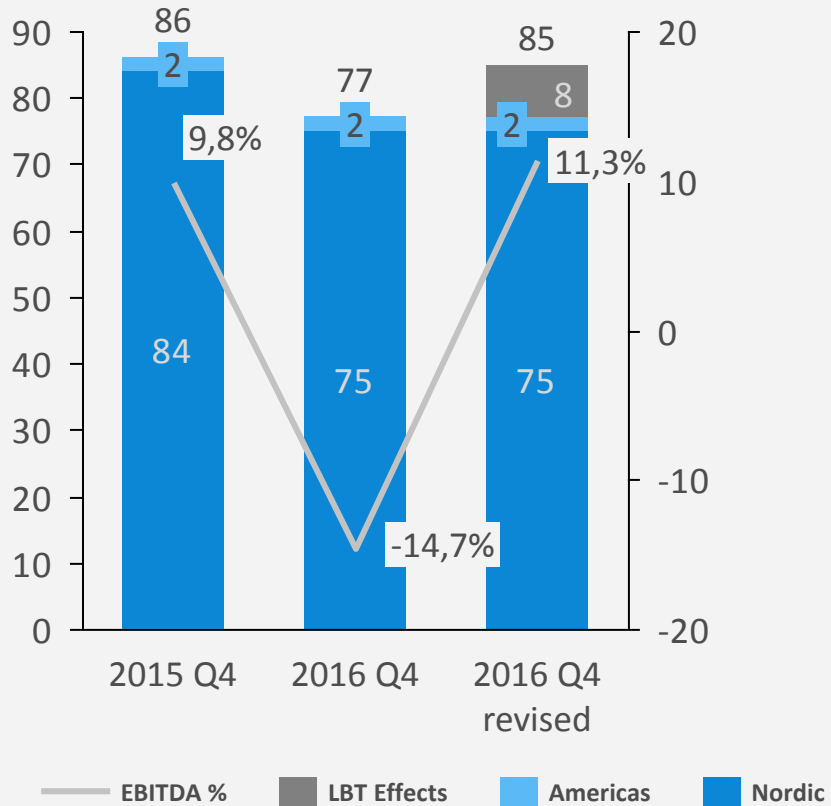




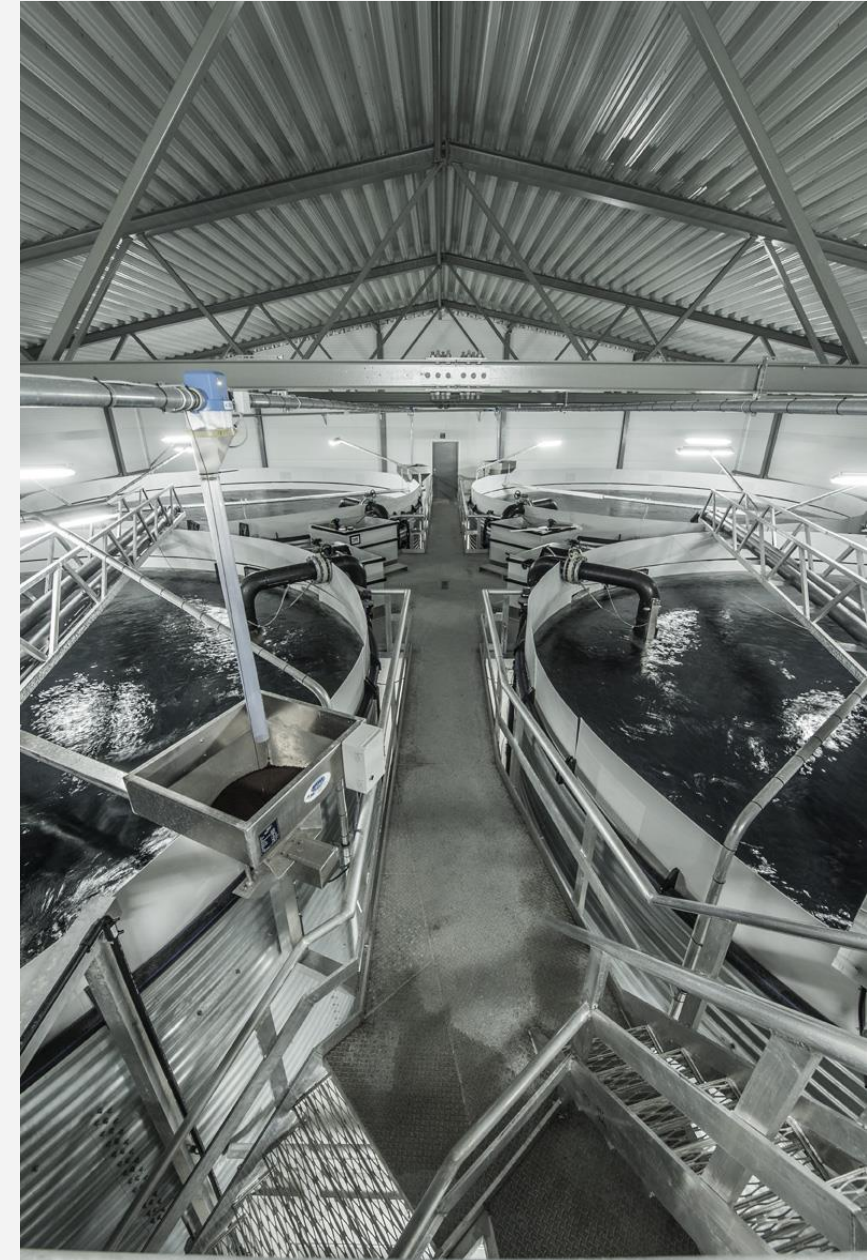


# Land Based Technologies

LBT (Revenue and EBITDA%)



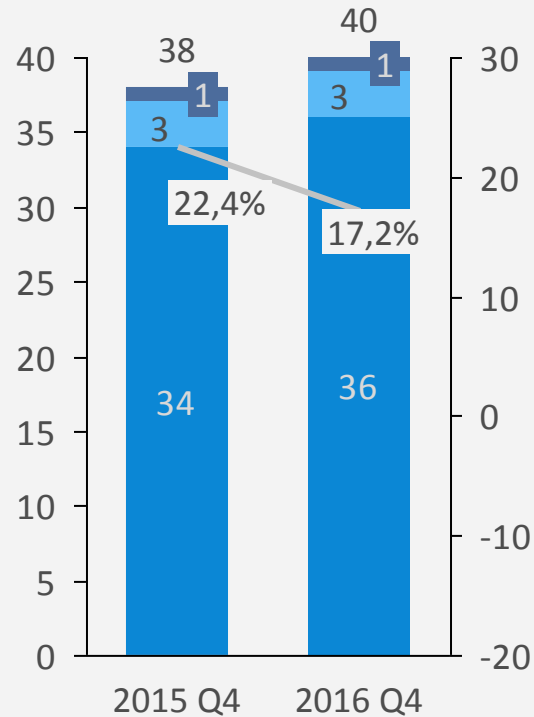
- Aquatec Solutions coming in strong in Q4, but this is partly offset by earn-out to former shareholders of Aquatec Solutions
- Plastsveis delivering a strong quarter – increasing EBITDA with MNOK 4.9 YoY
- The restructuring of AKVA group Denmark A/S, to strengthen the company moving forward, has contributed negatively in Q4 with MNOK 24 YoY





# Software

SW (Revenue and EBITDA%)



— EBITDA %   ■ Export   ■ Americas   ■ Nordic

- AKVA group Software AS with stable performance YoY
- Wise experienced lower margins due to pressure on salary costs on Iceland
- Ongoing investments in new product modules expected to strengthen the financial performance of the SW segment further
- Q4 2015 includes the gain on WiseDynamics in MNOK 1.5 explaining the deviation YoY





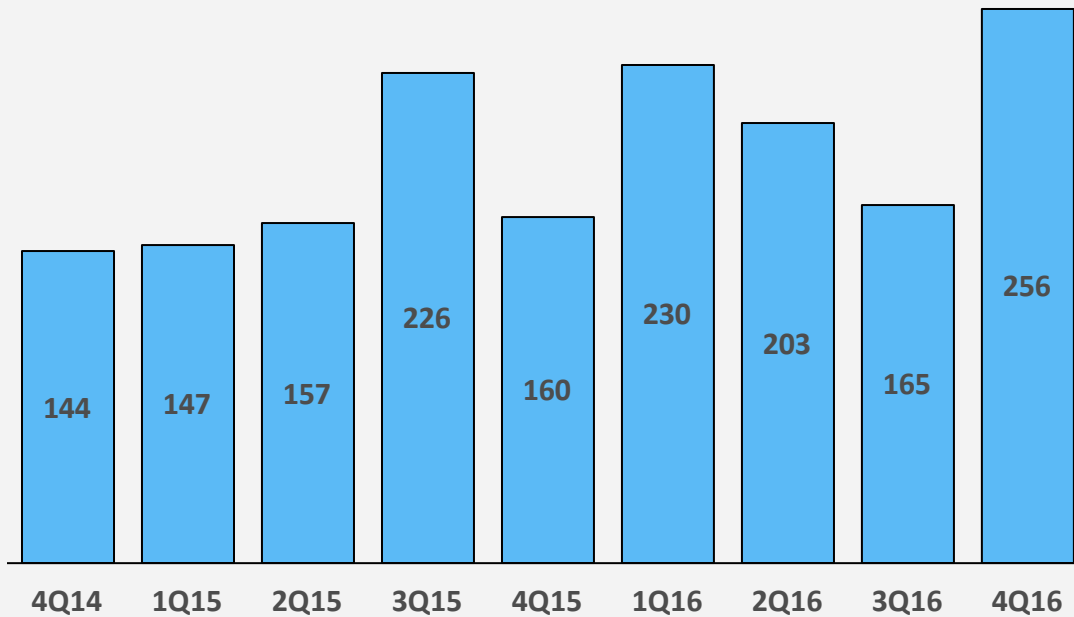
# Financials – Detailed P & L

| P&L<br>(MNOK)                             | 2016<br>Q4   | 2015<br>Q4   | 2016<br>YTD    | 2015<br>YTD    | 2015<br>Total  |
|---|--------------|--------------|----------------|----------------|----------------|
| <b>OPERATING REVENUES</b>                 | <b>448,6</b> | <b>344,1</b> | <b>1 603,1</b> | <b>1 425,3</b> | <b>1 425,3</b> |
| Operating costs ex depreciations          | 424,9        | 316,9        | 1 458,9        | 1 290,2        | 1 290,2        |
| <b>EBITDA</b>                             | <b>23,7</b>  | <b>27,1</b>  | <b>144,2</b>   | <b>135,2</b>   | <b>135,2</b>   |
| Depreciation and amortization             | 20,3         | 13,9         | 69,2           | 47,5           | 47,5           |
| <b>EBIT</b>                               | <b>3,4</b>   | <b>13,2</b>  | <b>75,0</b>    | <b>87,7</b>    | <b>87,7</b>    |
| Net interest expense                      | -1,7         | -1,7         | -6,6           | -5,4           | -5,4           |
| Other financial items                     | -4,8         | -4,6         | -19,8          | -4,3           | -4,3           |
| Net financial items                       | -6,5         | -6,3         | -26,4          | -9,6           | -9,6           |
| <b>EBT</b>                                | <b>-3,2</b>  | <b>6,9</b>   | <b>48,6</b>    | <b>78,1</b>    | <b>78,1</b>    |
| Taxes                                     | 4,9          | -0,8         | 21,0           | 19,7           | 19,7           |
| <b>NET PROFIT</b>                         | <b>-8,1</b>  | <b>7,6</b>   | <b>27,6</b>    | <b>58,4</b>    | <b>58,4</b>    |
| <b>Net profit (loss) attributable to:</b> |              |              |                |                |                |
| Non-controlling interests                 | 0,6          | 0,4          | 0,9            | 1,6            | 1,6            |
| Equity holders of AKVA group ASA          | -8,7         | 7,3          | 26,7           | 56,8           | 56,8           |
| Revenue growth                            | 30,4 %       | 12,8 %       | 12,5 %         | 14,4 %         | 14,4 %         |
| EBITDA margin                             | 5,3 %        | 7,9 %        | 9,0 %          | 9,5 %          | 9,5 %          |
| EPS (NOK)                                 | -0,34        | 0,28         | 1,03           | 2,20           | 2,20           |

- Increased depreciation mainly due to increased rental CAPEX and amortization
- Increased due to higher net debt
- Mostly currency and acquisition cost - higher than normal
- Minority shareholders from Q2 2016 and onwards (35%) in AKVA Marine Services AS, (49%) in Wise Blue AS and (34%) in Sperre AS

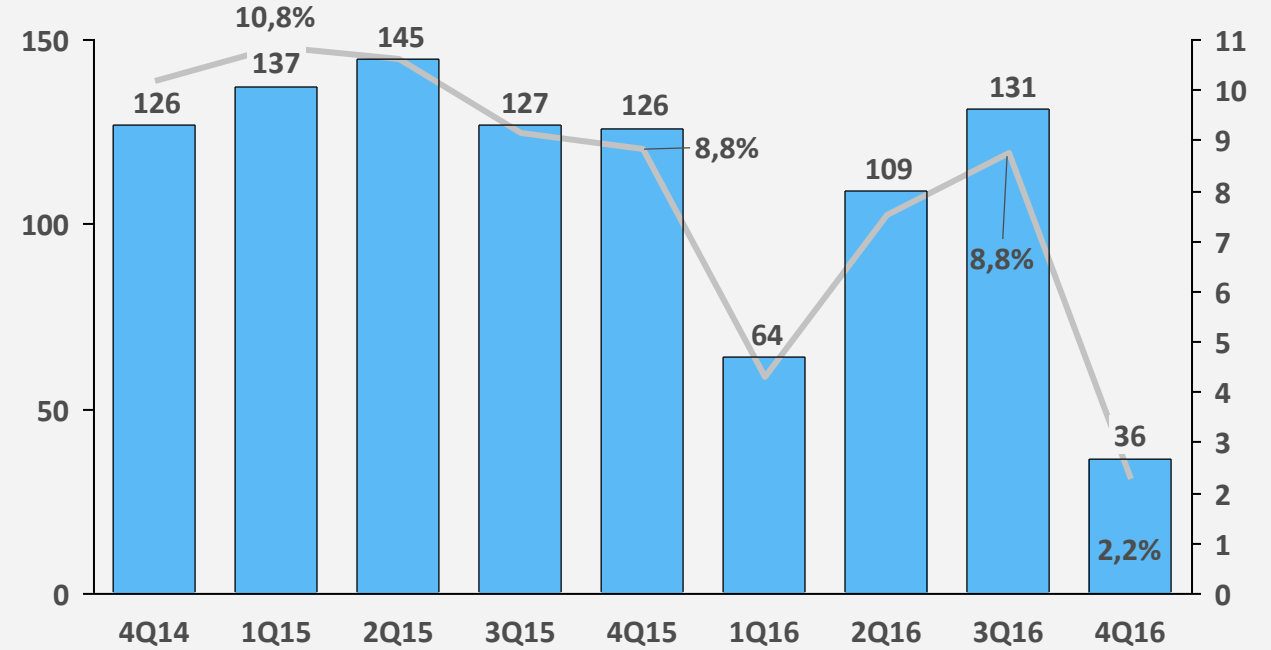
# Group financial profile – remains strong

## Available cash



- Including a 90 MNOK credit facility in Danske Bank

## Working capital

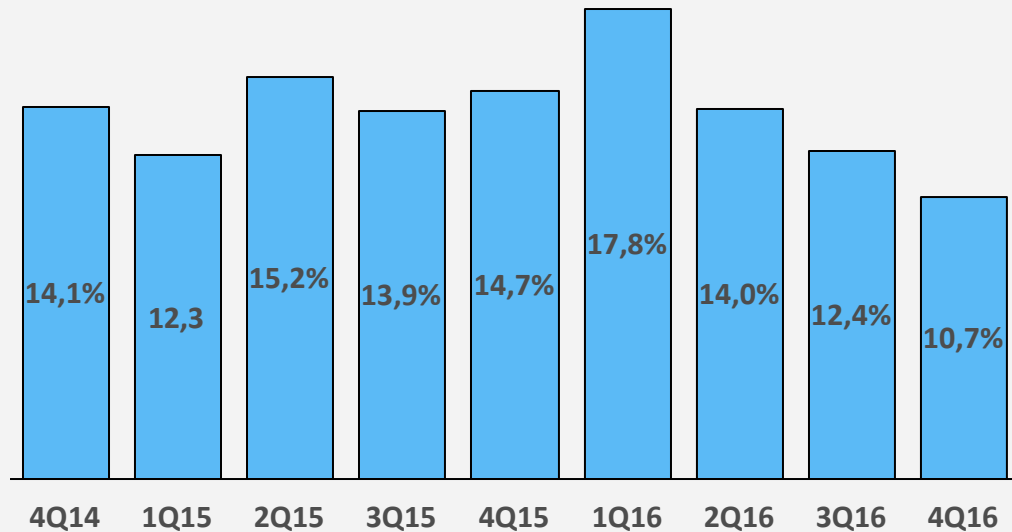


- Record low working capital level – despite record high activity
- Continued strong capital discipline in the Group

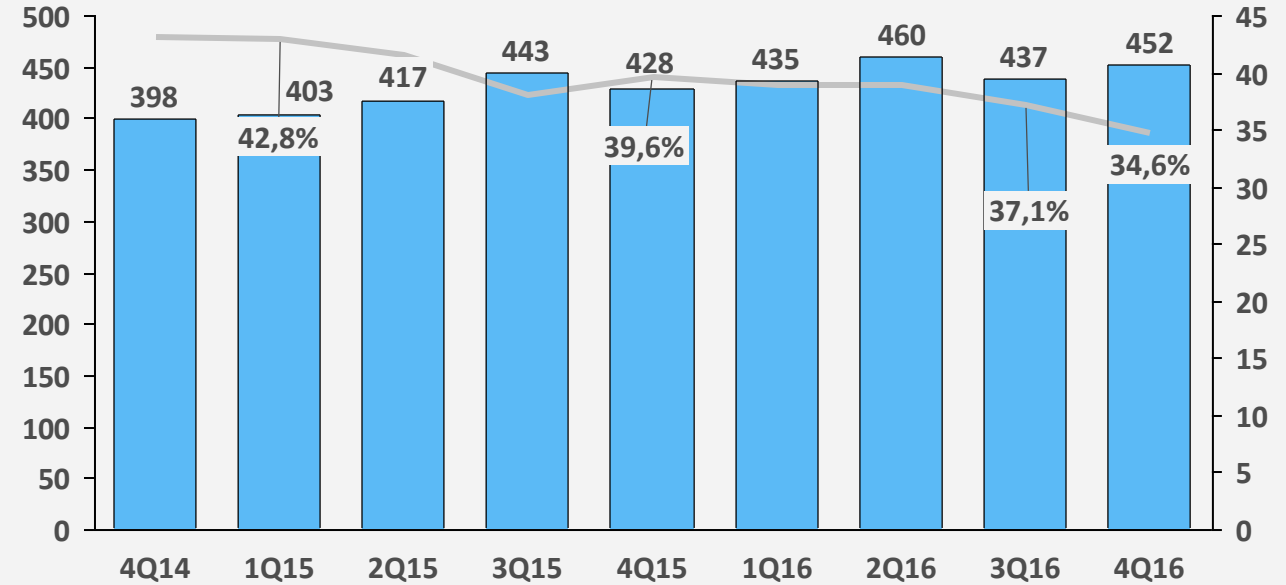


# Group financial profile – remains strong, continued

## ROCE



## Equity



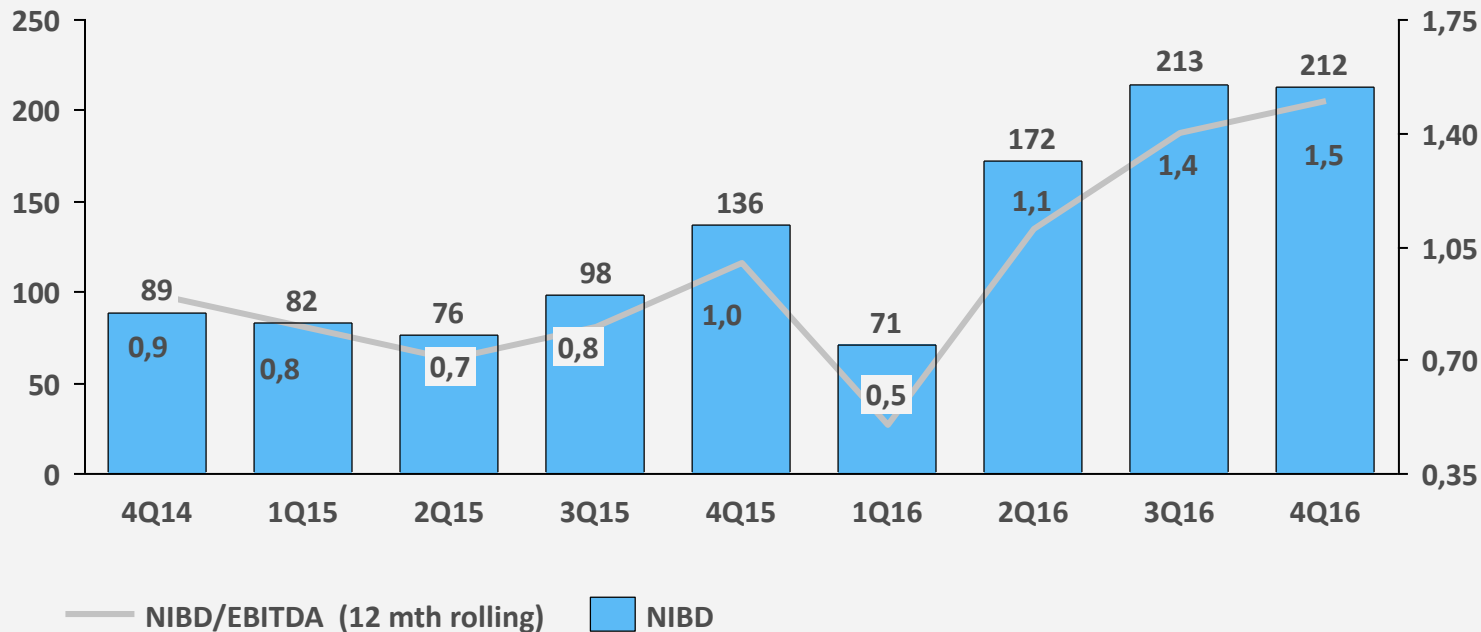
■ Excluding effect in AKVA group Denmark, the ROCE would be 13.5%

■ One dividend paid in Q3 2016 of total 19.8 MNOK



# Net debt/EBITDA of 1.5

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



## Change in net debt (TNOK)

|                                  |                |
|----------------------------------|----------------|
| <b>Net debt 30.09.2016</b>       | <b>213 491</b> |
| EBITDA                           | -23 678        |
| Income taxes paid                | 9 007          |
| Net interest paid                | 1 728          |
| Capex paid                       | 24 728         |
| Acquisitions / Divestments       | 83 754         |
| Paid dividend                    | -              |
| Sale of fixed assets             | -              |
| Currency effects                 | -1 052         |
| Other changes in working capital | -95 646        |
| <i>Net change</i>                | -1 159         |
| <b>Net debt 31.12.2016</b>       | <b>212 332</b> |



# Cash flow statement

| <b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW</b><br>(NOK 1 000) | <b>2016</b> | <b>2015</b> | <b>2016</b> | <b>2015</b> |
|---|-------------|-------------|-------------|-------------|
|   | <b>Q4</b>   | <b>Q4</b>   | <b>YTD</b>  | <b>YTD</b>  |
| Net cash flow from operations                                       | 11 932      | 20 049      | 105 596     | 120 240     |
| Net cash flow from change in working capital                        | 95 646      | -11 836     | 106 050     | -24 500     |
| Net cash flow from operational activities                           | 107 578     | 8 212       | 211 645     | 95 740      |
| Net cash flow from investment activities                            | -123 326    | -6 379      | -260 324    | -116 557    |
| Net cash flow from financial activities                             | 52 070      | -29 380     | 105 646     | 74 419      |
| Net change in cash and cash equivalents                             | 36 323      | -27 546     | 56 967      | 53 602      |
| Net foreign exchange differences                                    | 3 034       | 860         | -941        | 1 980       |
| Cash and cash equivalents at the beginning of the period            | 126 187     | 136 203     | 109 517     | 53 935      |
| Cash and cash equivalents at the end of the period                  | 165 543     | 109 517     | 165 543     | 109 517     |

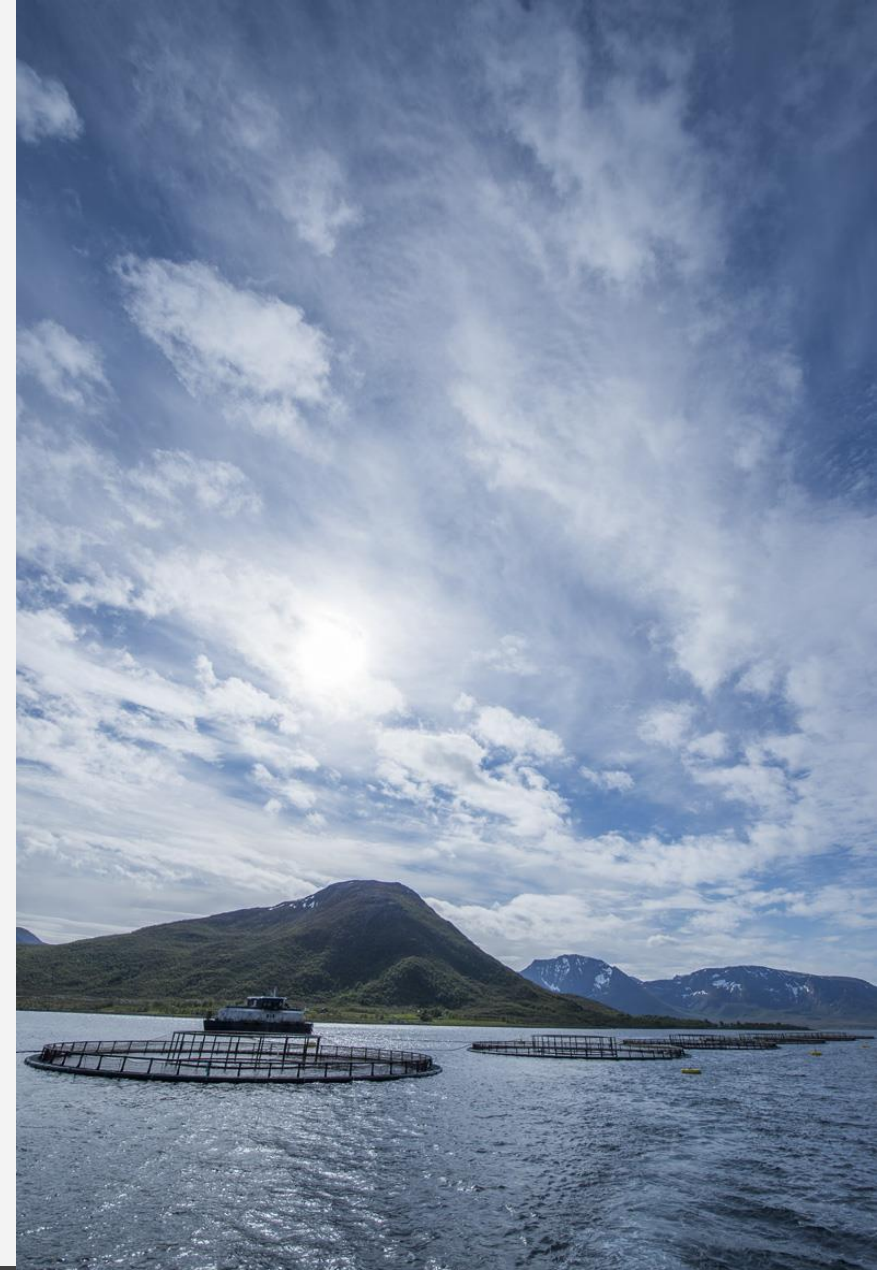
*Strong cash flow improvement from operating activities due to capital discipline in the Group*



# Balance sheet

| <b>BALANCE SHEET</b> | <b>2016</b>  | <b>2015</b>  |
|----------------------|--------------|--------------|
| (MNOK)               | <b>31.12</b> | <b>31.12</b> |

|                                  |              |              |
|----------------------------------|--------------|--------------|
| <b>ASSETS</b>                    | <b>1 307</b> | <b>1 083</b> |
| Intangible non-current assets    | 506          | 361          |
| Tangible non-current assets      | 151          | 103          |
| Financial non-current assets     | 6            | 8            |
| Inventory                        | 186          | 181          |
| Receivables                      | 292          | 320          |
| Cash and cash equivalents        | 166          | 110          |
| <b>LIABILITIES AND EQUITY</b>    | <b>1 307</b> | <b>1 083</b> |
| Equity                           | 434          | 425          |
| Minority interest                | 19           | 3            |
| Long-term interest bearing debt  | 348          | 188          |
| Short-term interest bearing debt | 30           | 57           |
| Non-interest bearing liabilities | 477          | 409          |

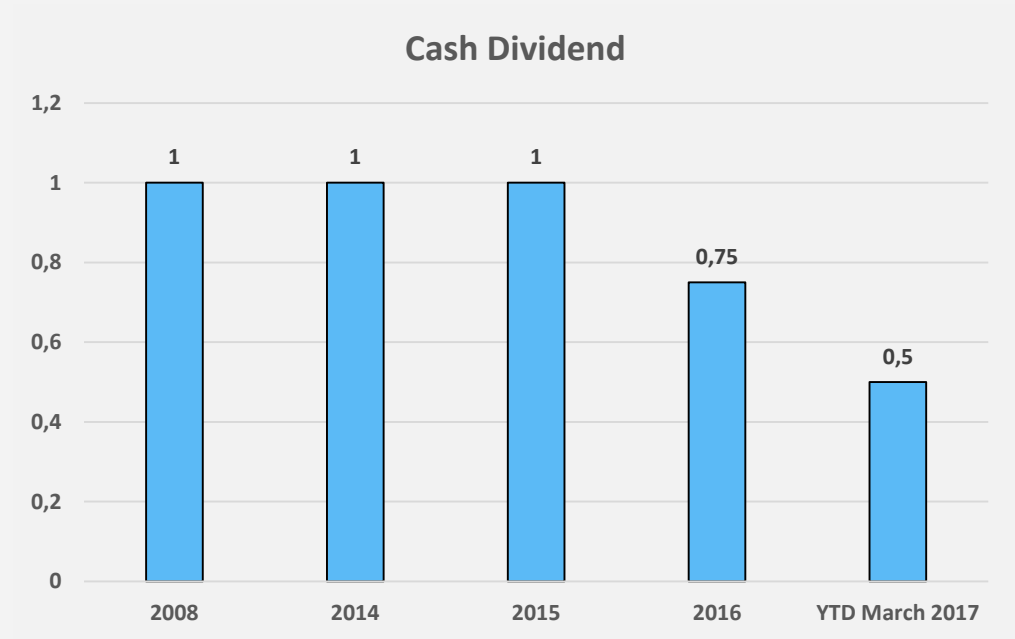






# Dividend

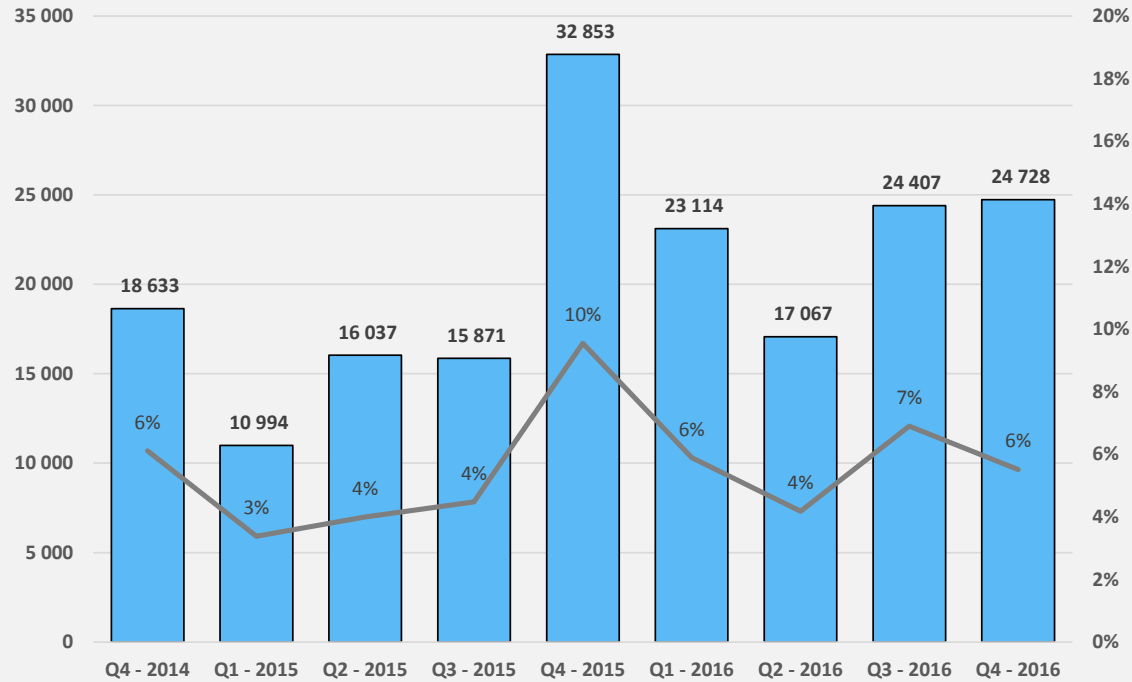
- The dividend level shall reflect the present and expected future cash generating potential of AKVA group
- AKVA group ASA aims to pay out dividends twice a year, after the 1<sup>st</sup> and the 2<sup>nd</sup> half of the year.
- Dividend in 2016 is allocated as follows:
  - 0.75 NOK was paid out per share in 3Q 2016 based on 1<sup>st</sup> half financials
  - 0.50 NOK will be paid out in 1Q 2017 based on the 2<sup>nd</sup> half financials



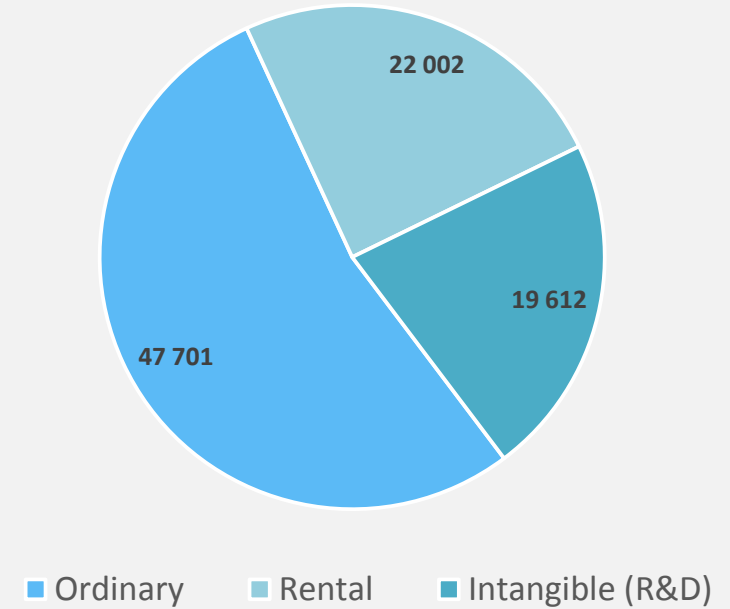


# CAPEX

### Capex (TNOK) and capex / sales (%)



### CAPEX breakdown 2016 YTD (TNOK)





# Largest shareholders

## 20 largest shareholders

| No of shares      | %              | Account name                                    | Type | Citizenship |
|-------------------|----------------|---|------|-------------|
| 13 203 105        | 51,1 %         | EGERSUND GROUP AS                               |      | NOR         |
| 3 900 000         | 15,1 %         | WHEATSHEAF INVESTMENT                           |      | GBR         |
| 1 000 621         | 3,9 %          | VERDIPAPIRFONDET ALFRED BERG                    |      | NOR         |
| 489 417           | 1,9 %          | EIKA NORGE                                      |      | NOR         |
| 461 396           | 1,8 %          | STATOIL PENSJON                                 |      | NOR         |
| 391 920           | 1,5 %          | VPF NORDEA KAPITAL                              |      | NOR         |
| 356 300           | 1,4 %          | MP PENSJON PK                                   |      | NOR         |
| 346 000           | 1,3 %          | NORRON SICAV - TARGET                           |      | LUX         |
| 330 067           | 1,3 %          | VERDIPAPIRFONDET DNB                            |      | NOR         |
| 300 000           | 1,2 %          | MERTOJUN CAPITAL AS                             |      | NOR         |
| 265 352           | 1,0 %          | VPF NORDEA AVKASTNING                           |      | NOR         |
| 246 598           | 1,0 %          | FORTE TRØNDER                                   |      | NOR         |
| 238 692           | 0,9 %          | OLE MOLAUG EIENDOM AS                           |      | NOR         |
| 193 924           | 0,8 %          | ARCTIC FUNDS PLC                                |      | BEL         |
| 166 880           | 0,6 %          | ROGALAND SJØ AS                                 |      | NOR         |
| 150 000           | 0,6 %          | DAHLE BJØRN                                     |      | NOR         |
| 132 595           | 0,5 %          | NORDEA 1 SICAV                                  |      | GBR         |
| 124 108           | 0,5 %          | NORRON SICAV - SELECT                           |      | LUX         |
| 122 382           | 0,5 %          | STATOIL FORSIKRING AS                           |      | NOR         |
| 118 985           | 0,5 %          | VERDIPAPIRFONDET NOR                            |      | NOR         |
| <b>22 538 342</b> | <b>87,2 %</b>  | <b>20 largest shareholders</b>                  |      |             |
| 3 295 961         | 12,8 %         | Other   |      |             |
| <b>25 834 303</b> | <b>100,0 %</b> | <b>Total number of shares as per 31.12.2016</b> |      |             |

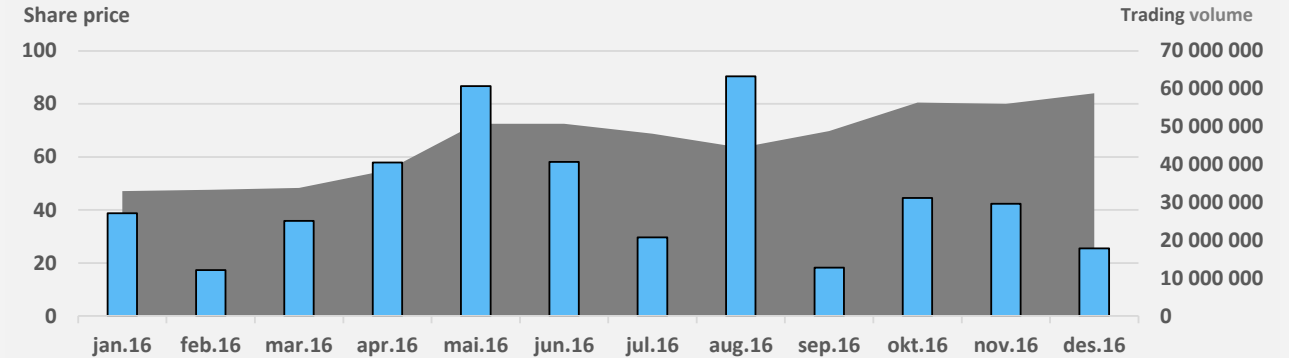
## Origin of shareholders, 5 largest countries

| No of shares | %      | Origin        | No of shareholders |
|--------------|--------|---------------|--------------------|
| 20 236 547   | 78,3 % | Norway        | 1082               |
| 4 168 449    | 16,1 % | Great Britain | 24                 |
| 551 345      | 2,1 %  | Luxembourg    | 5                  |
| 243 967      | 0,9 %  | Belgium       | 7                  |
| 211 674      | 0,8 %  | USA           | 9                  |
| 422 321      | 1,6 %  | Other         | 76                 |

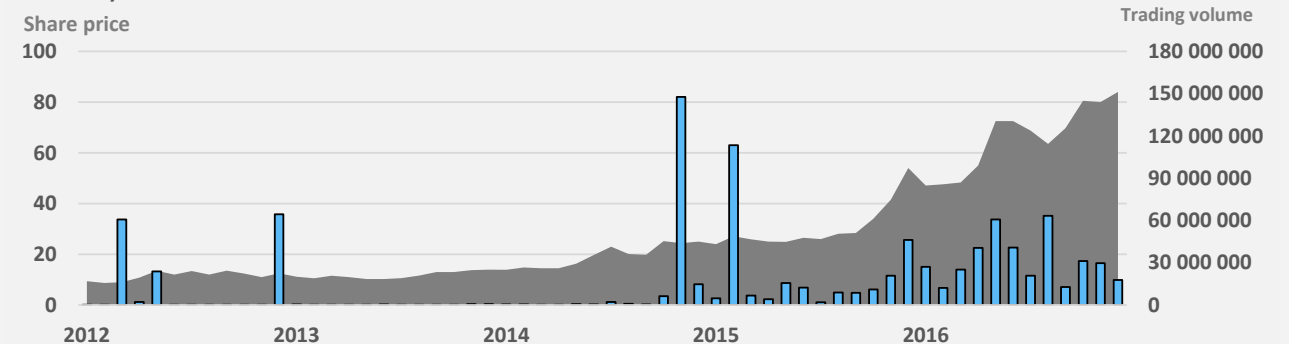
Total number of shareholders: 1203 - from 21 different countries

## Share development

### Last 12 months



### Last 5 years



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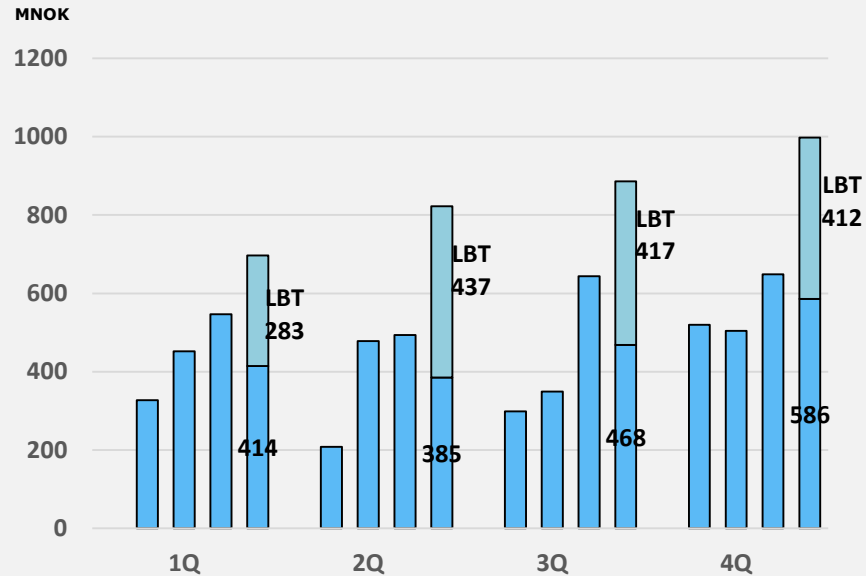
## Outlook – by CEO Hallvard Muri

Your Aquaculture Technology and Service Partner



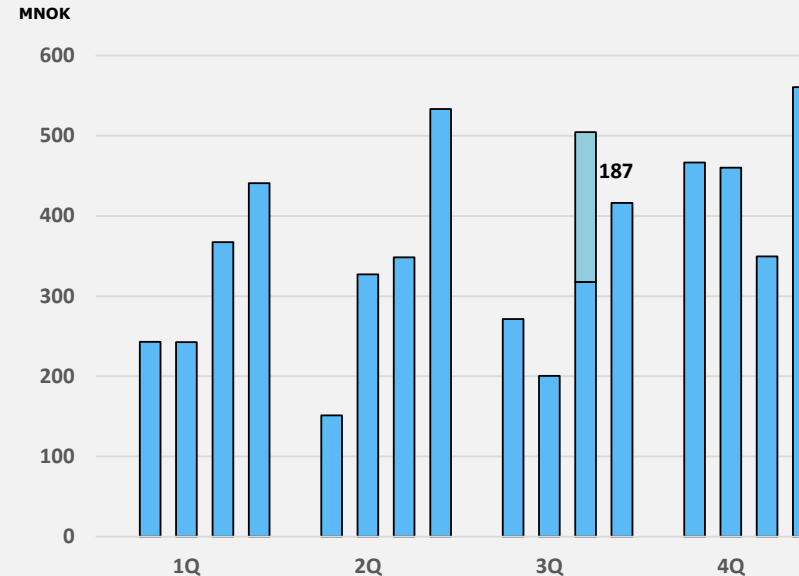
# Order backlog and inflow

## Order backlog



- Highest order backlog ever, 998 MNOK
- 41% of total order backlog relates to Land based technology (LBT)
- The strong market activity continues into Q1

## Order intake



- NOK 2.0 billion in order intake 2016
- In Q3 2015 the order backlog of Aquatec Solutions was included for the first time (with MNOK 187)

# Outlook - Backdrop

- Biological condition remains challenging for core customers and thus focus on productivity and efficiency
- New Chilean regulations
- Continued strong earnings and cash flow in the salmon industry



# Outlook – AKVA group

- Continued good activity in Nordic cage based segment
- UK and Chile increased activity and recovered from 2016
- Canada competitive market and moderate expectations
- In Export the Mediterranean represents upside potential and we will focus our resources in this region over the next quarters
- Land Based segment – Very high activity level, key for AKVA group to be selective and focus on project execution
- S&AS step up efforts in Nordic
- Improve current core – untapped potential
- Continue to evaluate opportunity for new products to fit in core business







