

# Q1 2018 Presentation

Oslo – May 16<sup>th</sup> 2018

Hallvard Muri, CEO

Simon Nyquist Martinsen, CFO



# Agenda

 Highlights

 Financial performance

 Outlook


 Q&A

BIOLOGY



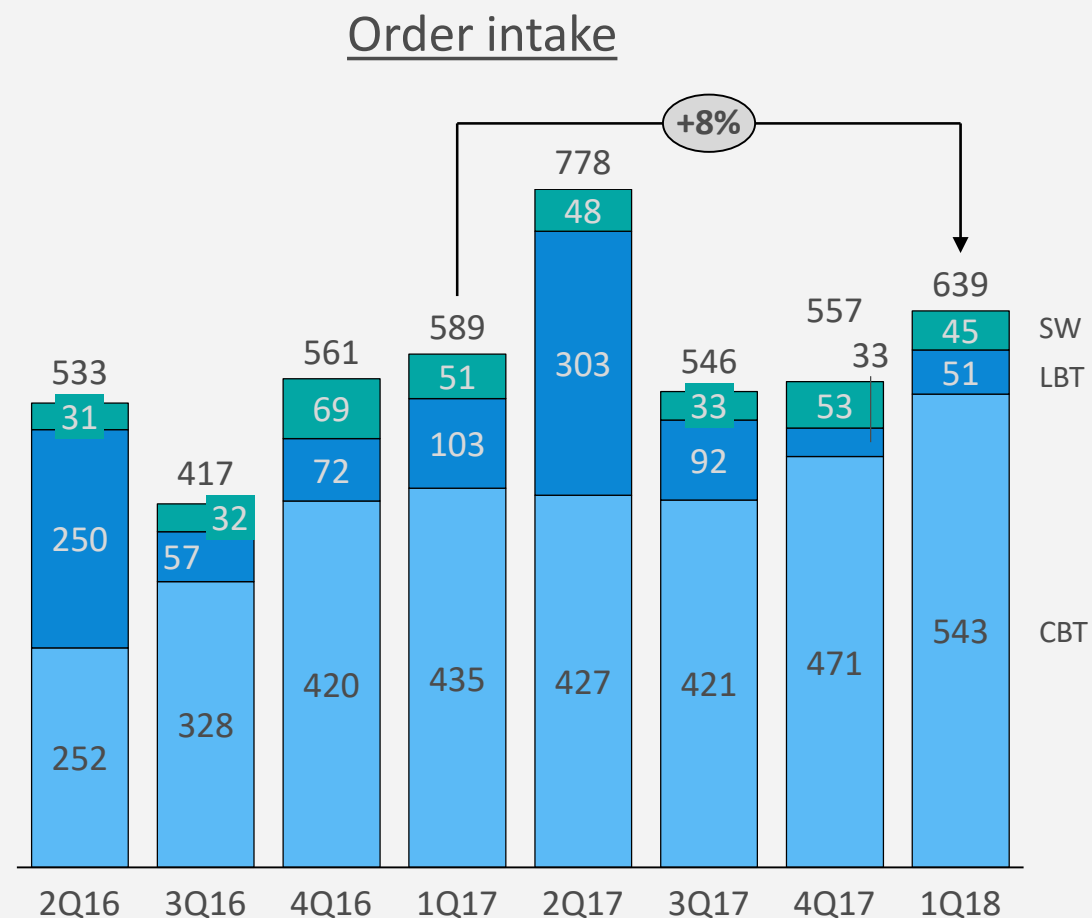
TECHNOLOGY



 **Highlights Q1 2018 – by CEO Hallvard Muri**

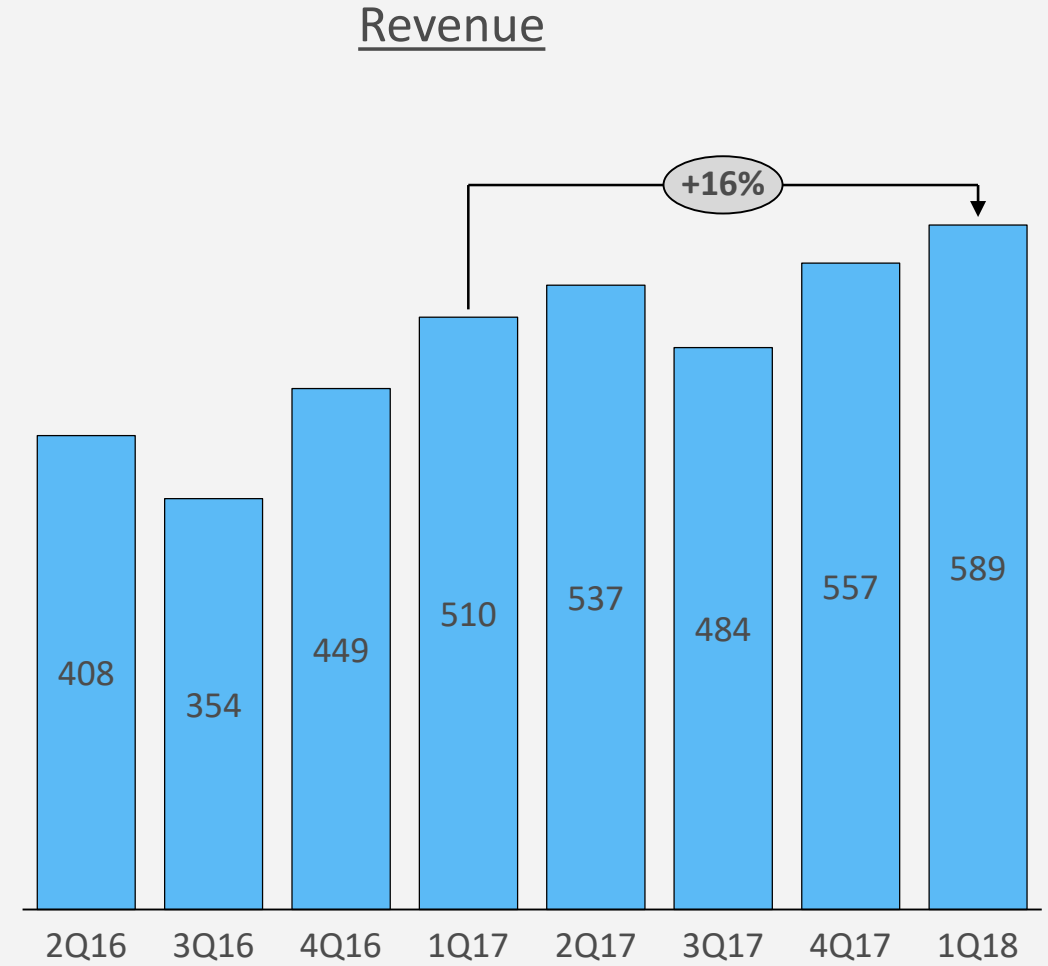
# Continued growth in order intake

- Overall order intake up 8 % compared to Q1 2017
- Strong quarter for new orders in the Nordic region with Helgeland Plast and ASA Nordic as the main contributors
- Americas continues the strong development with order intake of 187 MNOK in Q1 2018 (up from 117 MNOK in Q1 2017)
- Slow quarter on new orders for the Land Based segment as some projects have been delayed
- Last twelve months order intake of 2,521 MNOK, compared to 2,471 MNOK in full year 2017



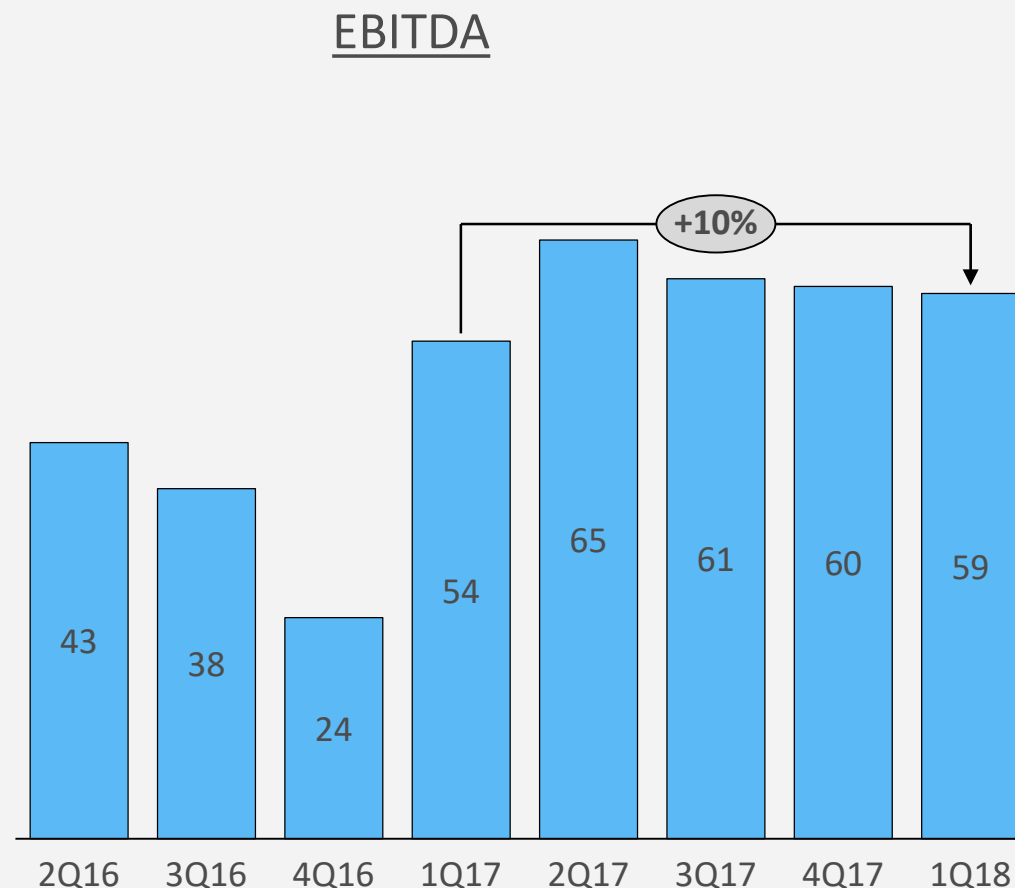
# High activity across all regions

- **16% increase in revenue compared to Q1 2017**
- Europe & Middle East more than doubled the revenue from Q1 2017, with ASA Export and AKVA group Scotland as the main contributors. Several large deliveries to Russia in the quarter
- As for Q4 2017, another strong quarter in Americas with revenue more than doubled from Q1 2017
- Revenue for the Land Based segment is up 22% compared to Q1 2017 as we continue to deliver on the order book



# Operational leverage taking effect

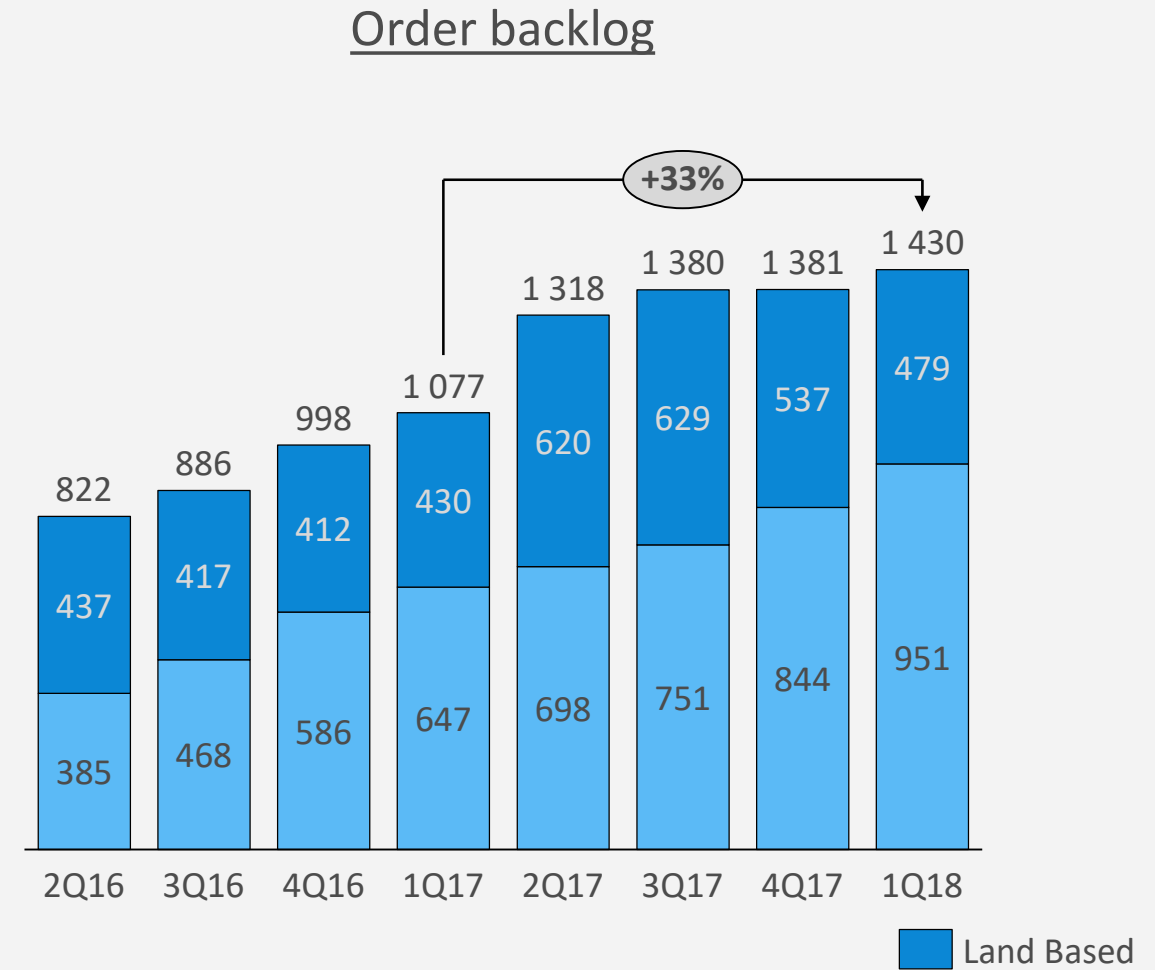
- EBITDA up 10 % compared to Q1 2017
- EBITDA margin of 10.0 %, down from 10.6 % in Q1 2017, driven by changes in mix/revenue composition
- Europe & Middle East ends a strong quarter with an EBITDA of 10 MNOK, up from 6.9 MNOK last year
- Land Based segment ends the quarter with an EBITDA of 9 MNOK compared to 7 MNOK in Q1 2017
- Americas (AKVA group Chile, North America and Australasia) ends the quarter with an EBITDA of 6 MNOK, more than four times the EBITDA in Q1 2017



# Eleventh quarter in a row with growth in order backlog

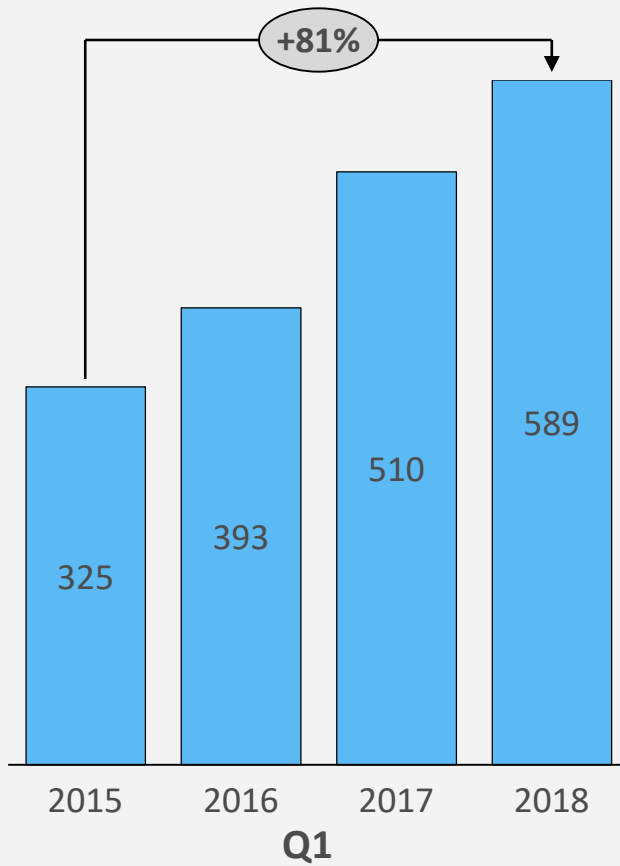
- **First quarter 2018 – Highlights**

- Strong platform for further positive development
- Order backlog end of March of 1.43 BNOK
- EBITDA of 59 MNOK in the quarter
- Dividend of 0.75 NOK paid out in March 2018

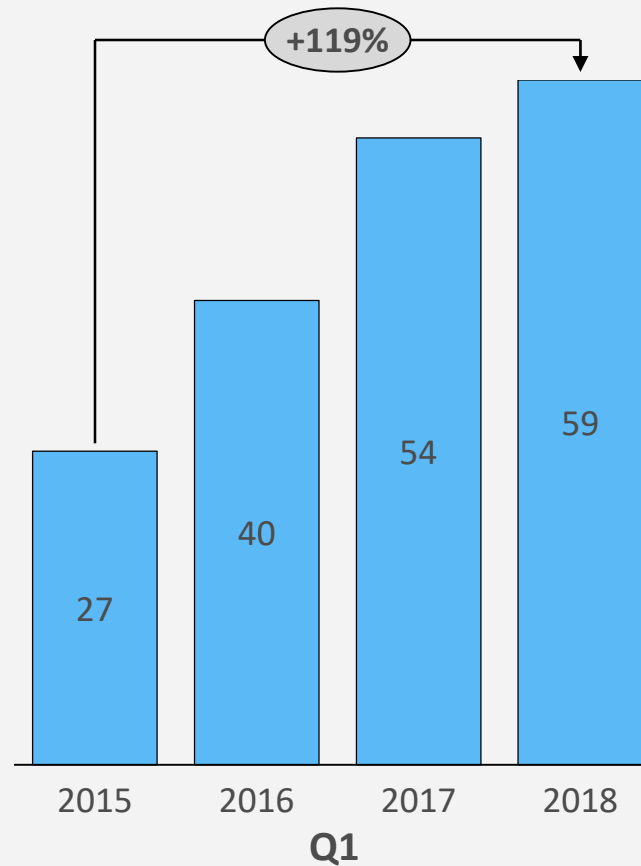


# Operational leverage and profitable growth

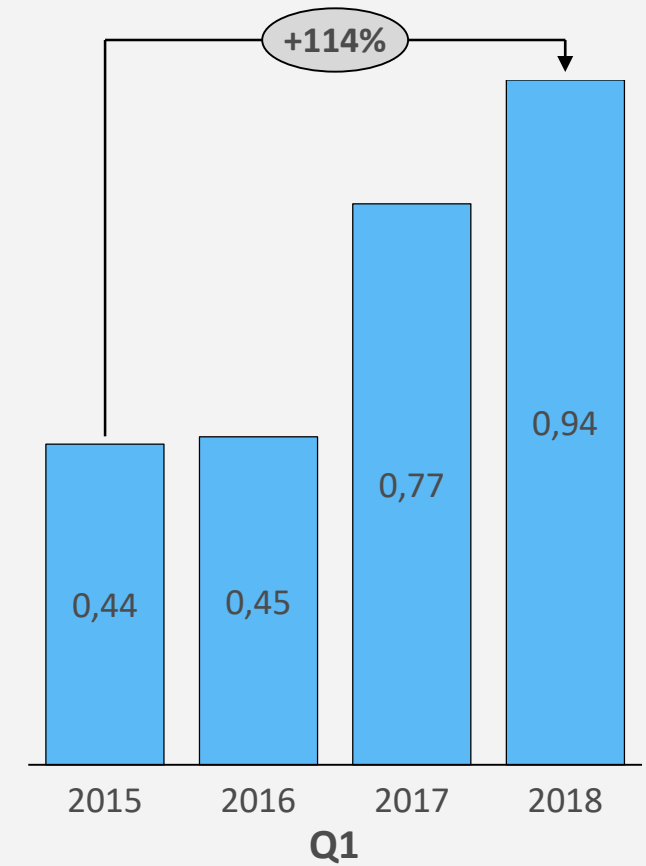
Revenue



EBITDA



EPS



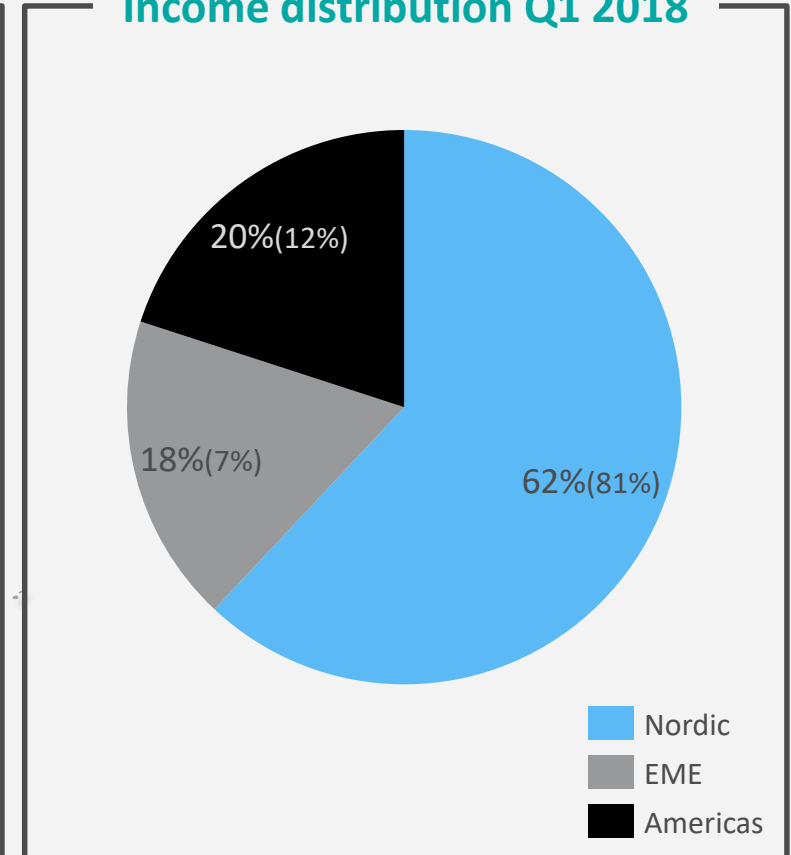


# Where do we deliver

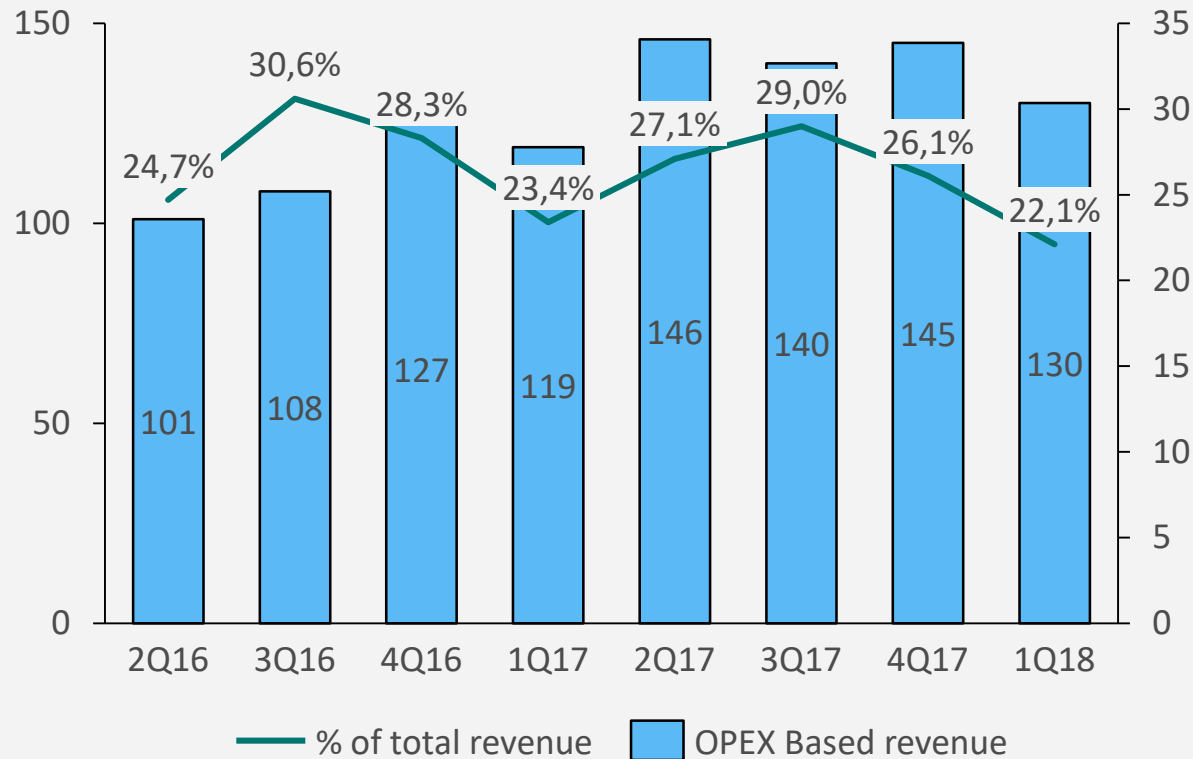
AKVA group's geographical regions



Income distribution Q1 2018

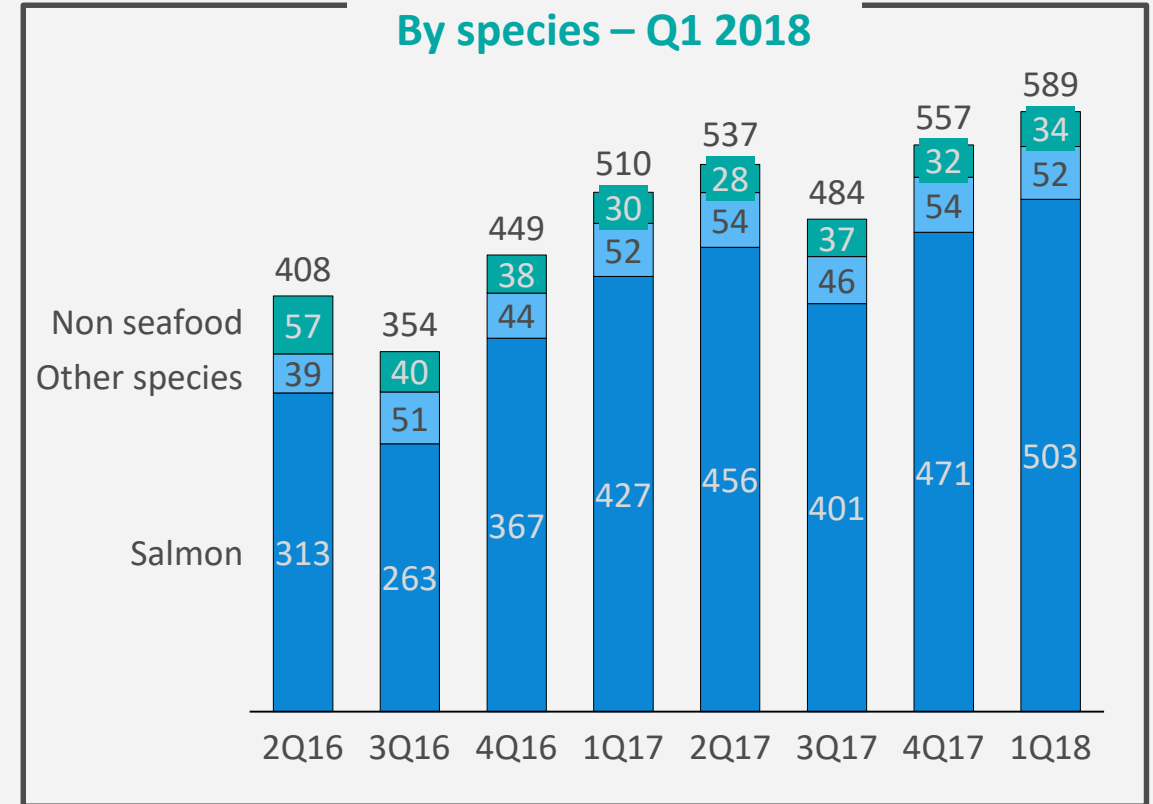
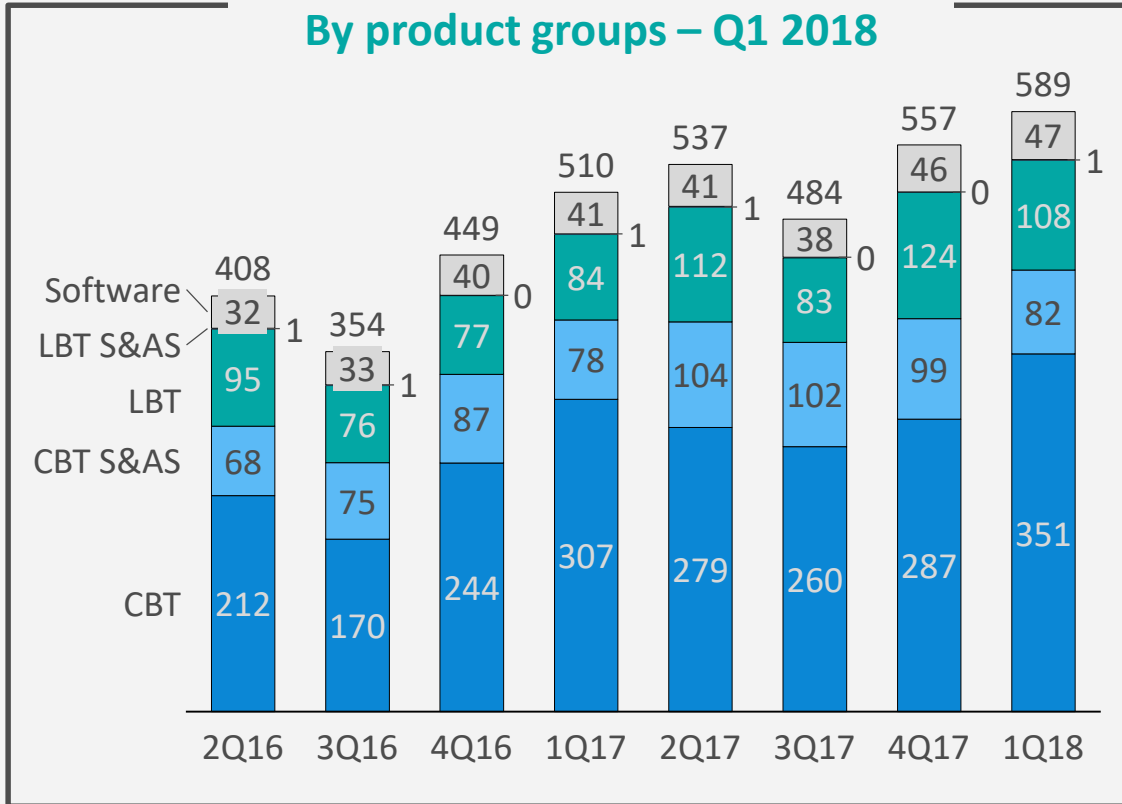


# Development in OPEX based revenue



- The Marine Service business in Chile has started with plans to grow this segment going forward
- Continued good development for the rental business in Scotland in 2018
- Marketing and sales activity slowly starting to yield effect for Software segment
- MNOK 11 (9%) increase in revenue compared to Q1 2017

# Revenue by product group and species



**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

**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

- Development in Americas and Chile is still very positive
- Positive improvements in Russian market into 2018
- Pipeline of post smolt projects still strong in Norway and other markets, but decisions are slow
- Increased focus on the Mediterranean markets for Bass and Seabream is starting to yield results
- Good activity in Marine Service segment, although Q1 is a slower quarter
- Completed upgrade of manufacturing lines at Helgeland Plast, and are investing in Marine Services (vessels)
- Atlantis: Granted one license, starting to plan for execution of project
- Group strategy process – see next slide

# Group Strategy

## Focused growth and expansion

Increased international focus  
Land based post smolt  
Expand services and OPEX based business  
Product portfolio add-ons



## Operational excellence

Improvement programs within sourcing, logistics and manufacturing  
Streamline project execution and service delivery  
Optimize cost base



## Technology enabling a sustainable and efficient industry

Production optimization, digitalization and automation  
Environmentally friendly, safe and quality solutions  
Exposed farming



## Flexible and efficient organization

“One group”  
Global delivery models  
Reduce organizational complexity  
Leadership and competence



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.

Submerge and raise the cage – safe and remote



Air to the salmon  
Artificial air space

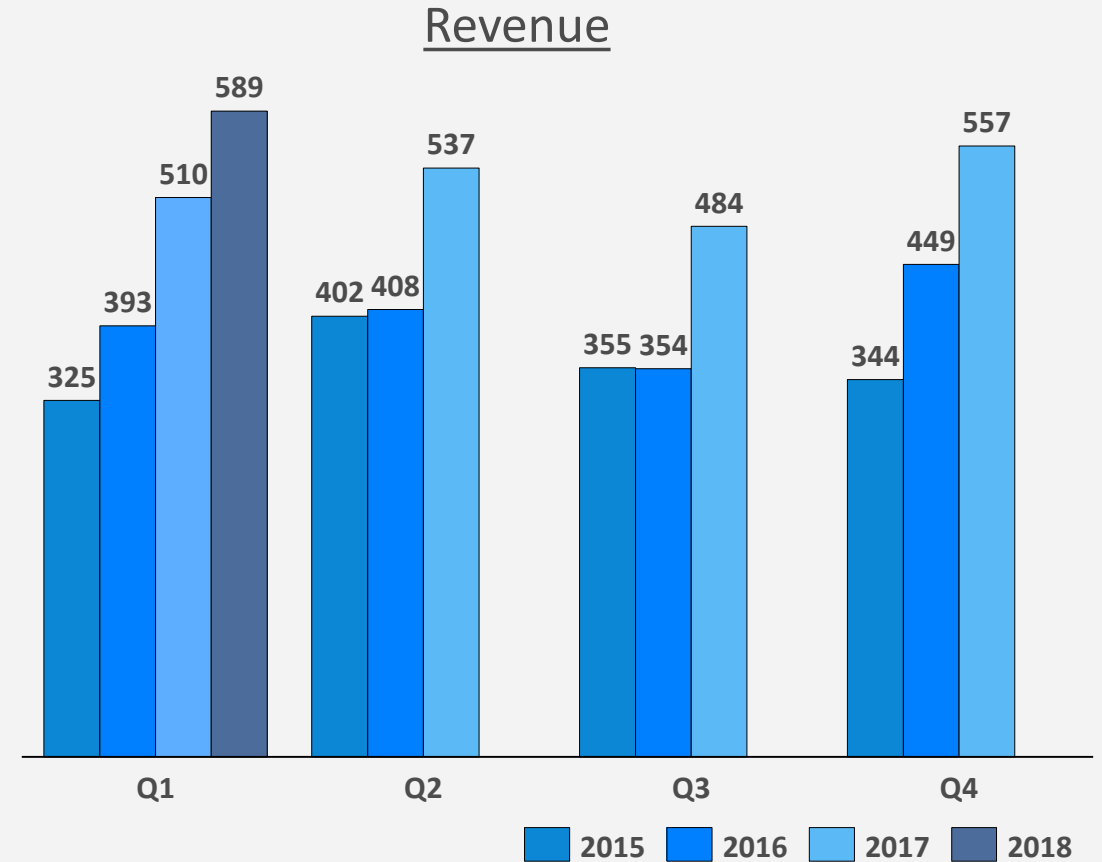




 Financial performance Q1 2018 – by CFO Simon Nyquist Martinsen

# Q1 2018 – Financial highlights

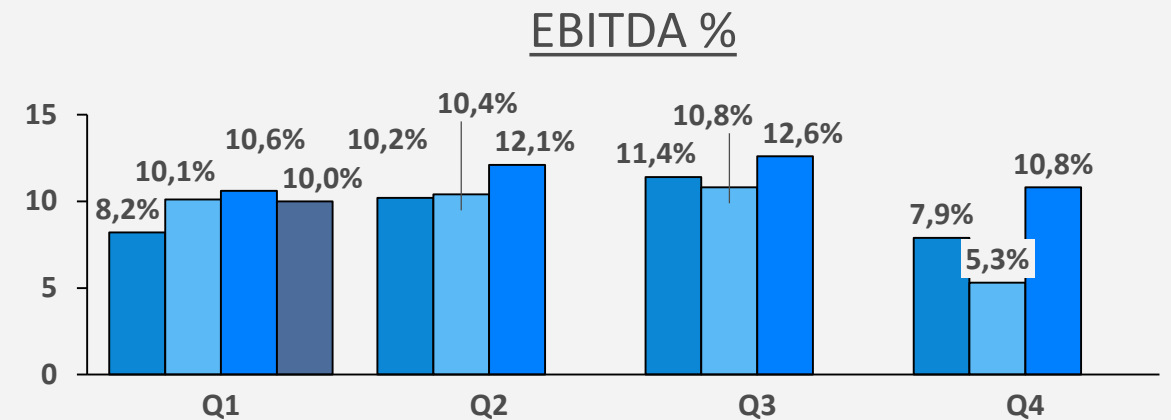
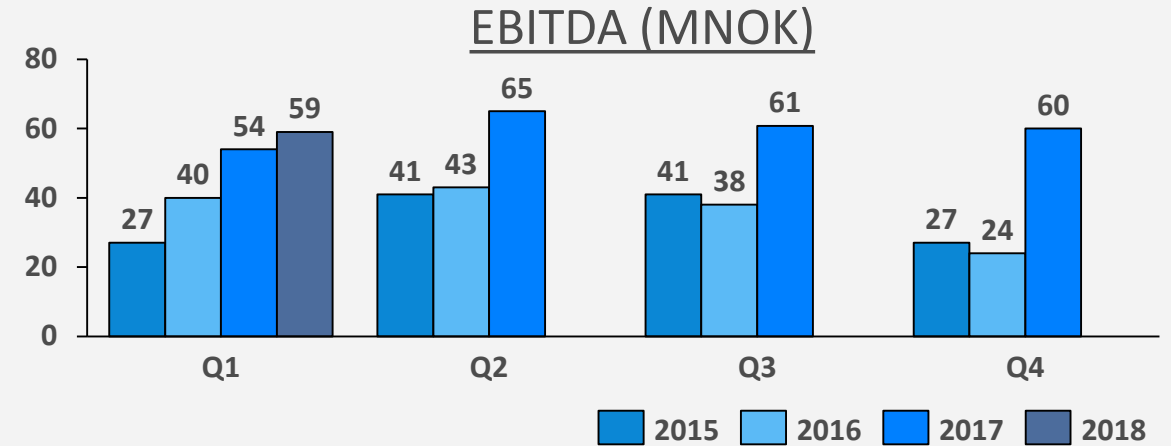
- 16% growth, a new quarter with strong contributions from Americas, Land Based and Europe & Middle East
- Last twelve months order intake and revenue now at 2,521 MNOK and 2,167 MNOK respectively
- The order book has grown to 1,430 MNOK at the end of Q1 2018, which is 353 MNOK higher than at the end of Q1 2017



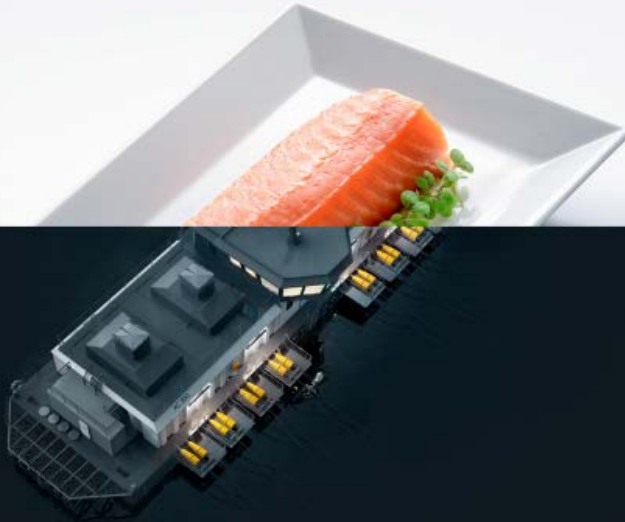


# Q1 2018 – Financial highlights

- Sperre is a strong contributor to EBITDA with a total of 8 MNOK in the quarter
- The entities in the Americas region had another strong quarter with an EBITDA of 6 MNOK, more than four times the EBITDA in Q1 2017
- The margins in the Land Based segment improved compared to Q1 17, with an EBITDA margin of 8,5%
- Software had a good quarter with an EBITDA of 10.5 MNOK, compared to 4.9 MNOK in Q1 2017



## 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 Technologies

### Nordic

- Sperre is ending the quarter with an EBITDA of 8.2 MNOK, compared to 4.4 MNOK in Q1 2017
- ASA Nordic on same level as in 2017 in terms of EBITDA
- Lower activity and implementation of new manufacturing lines in Helgeland Plast as well as different regional mix affected EBITDA
- AKVA Marine slightly below expectation due to weather conditions in Norway

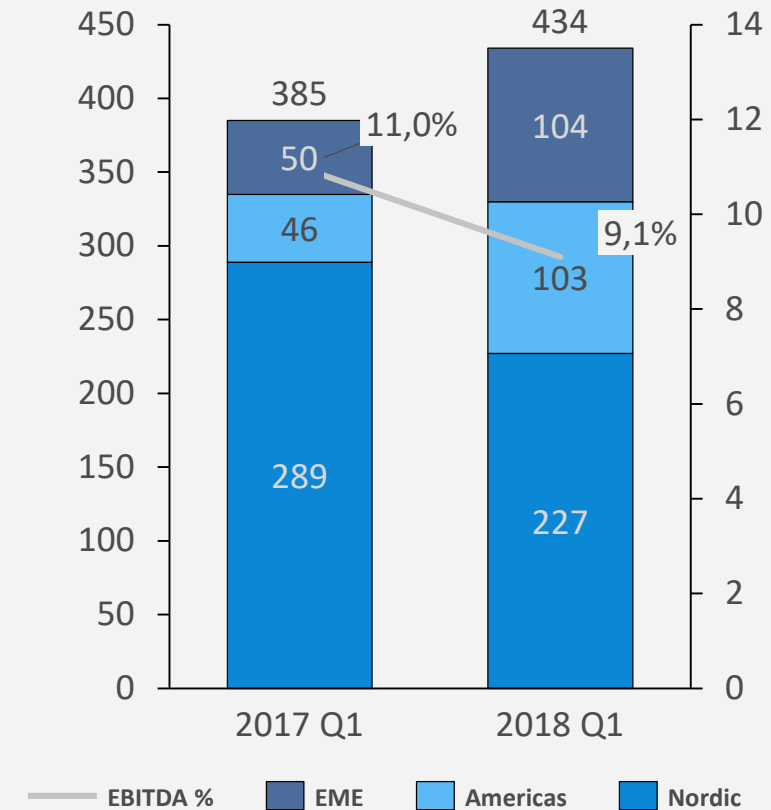
### Americas

- Strong quarter for Chile with an EBITDA of 4 MNOK compared to 1.9 MNOK last year
- The operation in North America and Australasia is ending the quarter with an EBITDA of 2.3 MNOK, compared to -0.6 MNOK last year

### EME

- Continued very good order book for the region
- Turkey, Greece, Spain and Middle East has started to win business and good positioned as these markets develops
- Major orders won in Qatar in the quarter. Export to “emerging markets” had a strong Q1 with an EBITDA of 3.6 MNOK

## Revenue and EBITDA %



## BIOLOGY



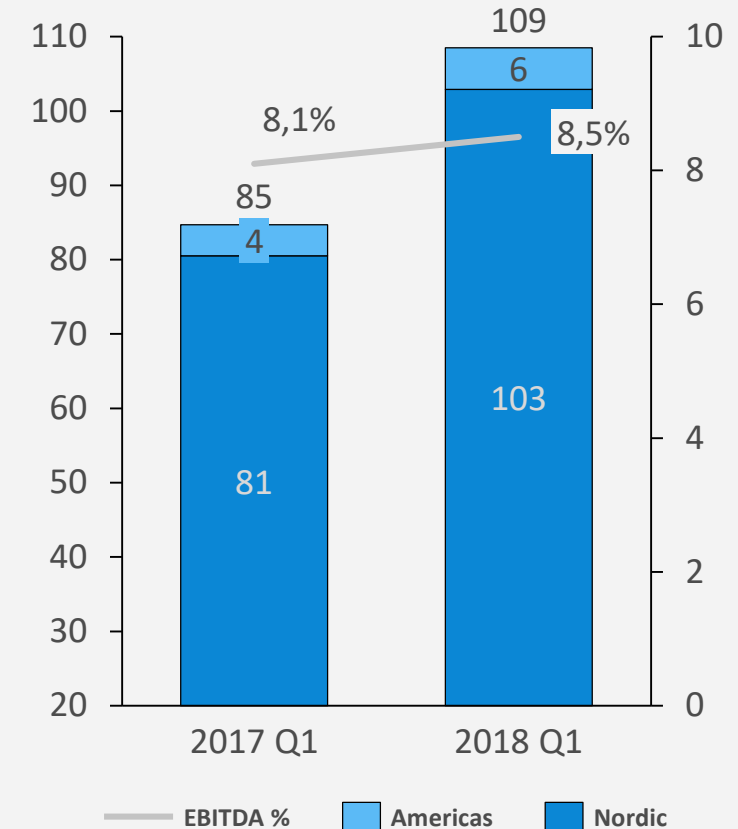
## TECHNOLOGY

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.

# Land Based Technologies

- Low order intake in the quarter as decisions have been postponed
- Several good project opportunities both in Norway, Scotland and Chile for Q2/Q3
- Revenue increases as projects in the order book are starting to be delivered
- Margins are improving compared to Q1 2017
- Order backlog of 479 MNOK by the end of Q1

## Revenue and EBITDA %



## BIOLOGY



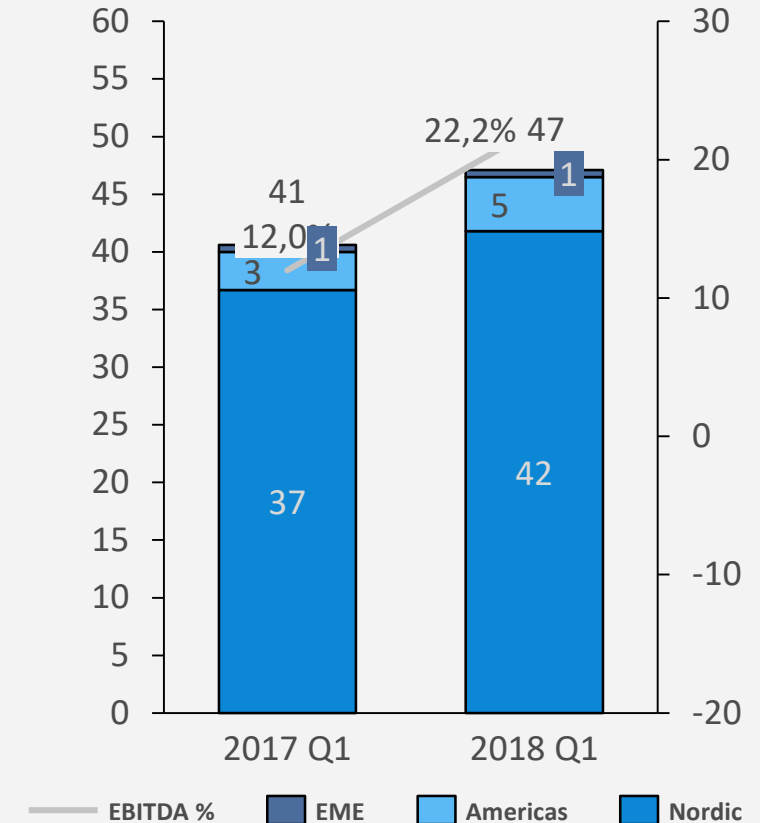
## TECHNOLOGY

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.

# Software

- AKVA group Software ends the quarter with an EBITDA of 3.5 MNOK compared to 2.9 MNOK in Q1 2017
- Wise Ehf ends the quarter with an EBITDA of 5.8 MNOK compared to 1.9 MNOK in the same quarter in 2017
- A sale of small business in Wise ehf gave a gain of 1.9 MNOK
- We are currently carrying out a strategic evaluation of Wise Ehf in order to realize the potential of the business going forward, no conclusions made yet

## Revenue and EBITDA %



# Financials – Detailed P&L

(MNOK)	2018 Q1	2017 Q1	2018 YTD	2017 YTD	2017 Total
Order backlog	1 430	1 077	1 430	1 077	1 381
Order intake	639	589	639	589	2 471
<b>P&amp;L</b>					
<b>OPERATING REVENUES</b>	<b>589</b>	<b>510</b>	<b>589</b>	<b>510</b>	<b>2 088</b>
Operating costs ex depreciations	530	456	530	456	1 848
<b>EBITDA</b>	<b>59</b>	<b>54</b>	<b>59</b>	<b>54</b>	<b>240</b>
Depreciation and amortization	22	20	22	20	83
<b>EBIT</b>	<b>37</b>	<b>34</b>	<b>37</b>	<b>34</b>	<b>157</b>
Net interest expense	-3	-3	-3	-3	-11
Other financial items	-4	-4	-4	-4	-10
Net financial items	-7	-6	-7	-6	-22
<b>EBT</b>	<b>30</b>	<b>28</b>	<b>30</b>	<b>28</b>	<b>136</b>
Taxes	6	8	6	8	36
<b>NET PROFIT</b>	<b>24</b>	<b>20</b>	<b>24</b>	<b>20</b>	<b>100</b>
<b>Net profit (loss) attributable to:</b>					
Non-controlling interests	-0,0	0,1	-0,0	0,1	0,1
Equity holders of AKVA group ASA	24	20	24	20	100
Revenue growth	15,6 %	29,9 %	15,6 %	29,9 %	30,2 %
EBITDA margin	10,0 %	10,6 %	10,0 %	10,6 %	11,5 %
EPS (NOK)	0,94	0,77	0,94	0,77	3,86

- Of which Land Based is 479 MNOK

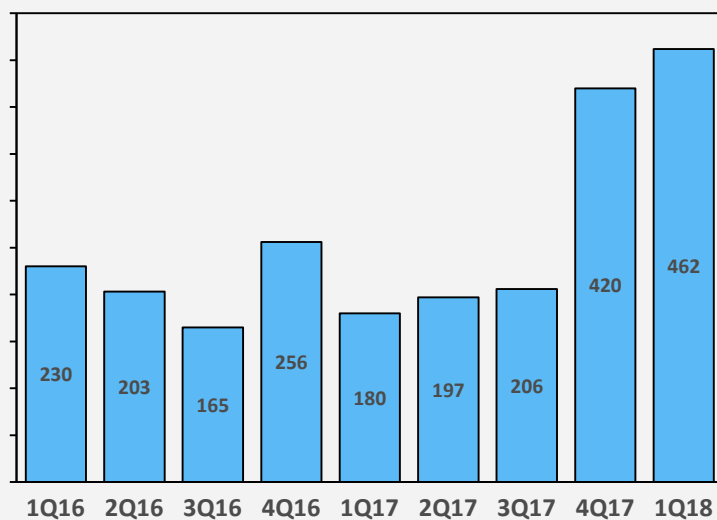
- Increased depreciation mainly due to increased rental CAPEX, investments in AKVA Marine Services and amortization

- 0.6 MNOK relates to investment in Atlantis Subsea Farming AS and 1 MNOK in investment in associated company

- Minority shareholders (49%) in Wise Blue AS

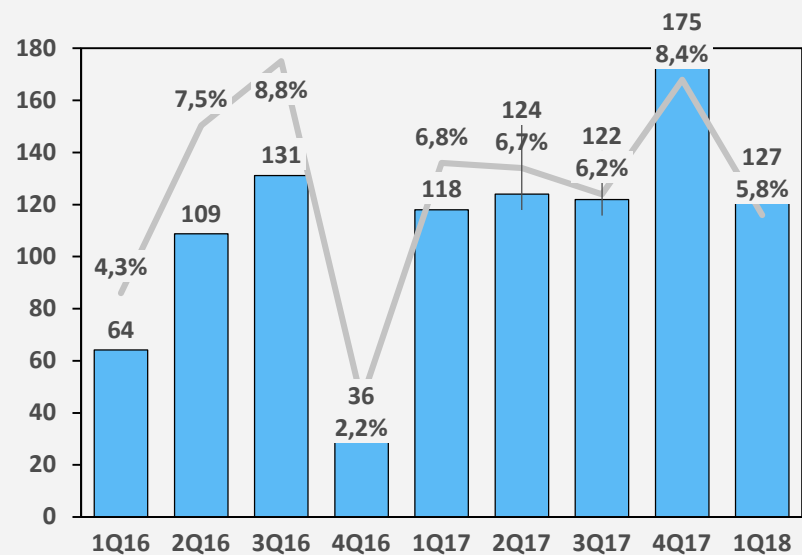
# Group financial profile – remains strong

## Available cash



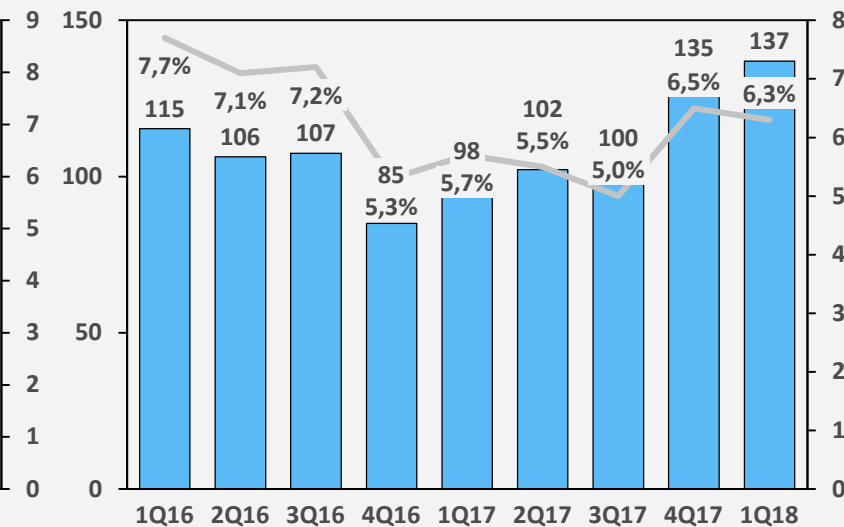
- Including 83 MNOK of a 200 MNOK credit facility in Danske Bank, as of Q1 2018 and a 200 MNOK revolving credit facility
- Refinancing of long term loans, increased credit facility and established a revolving credit was finalized in October 2017

## Working capital



- The graph shows absolute working capital and working capital relative to last twelve months revenue

## Average working capital

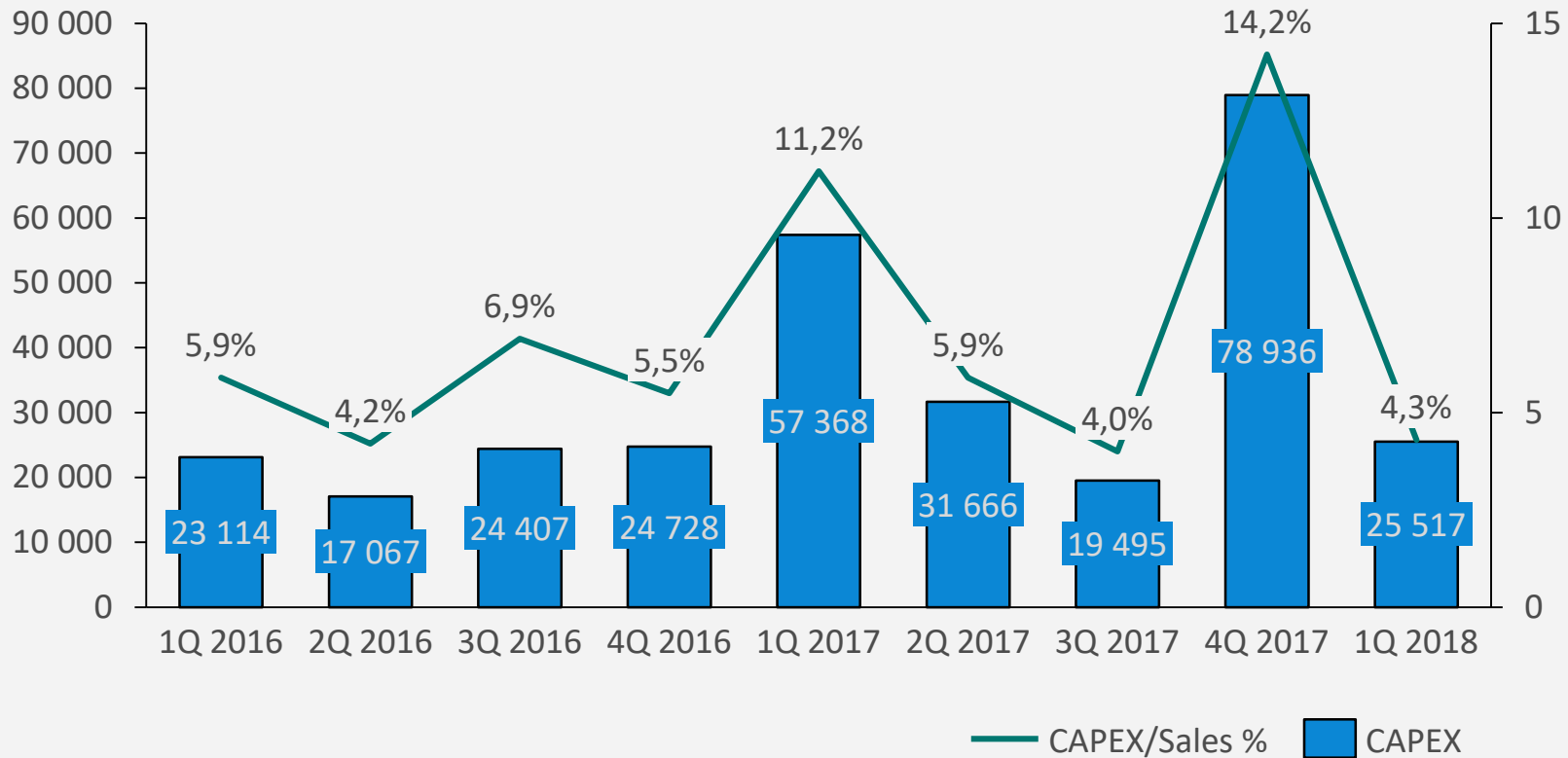


- The graph shows 12 months average working capital and average working capital relative to last twelve months revenue

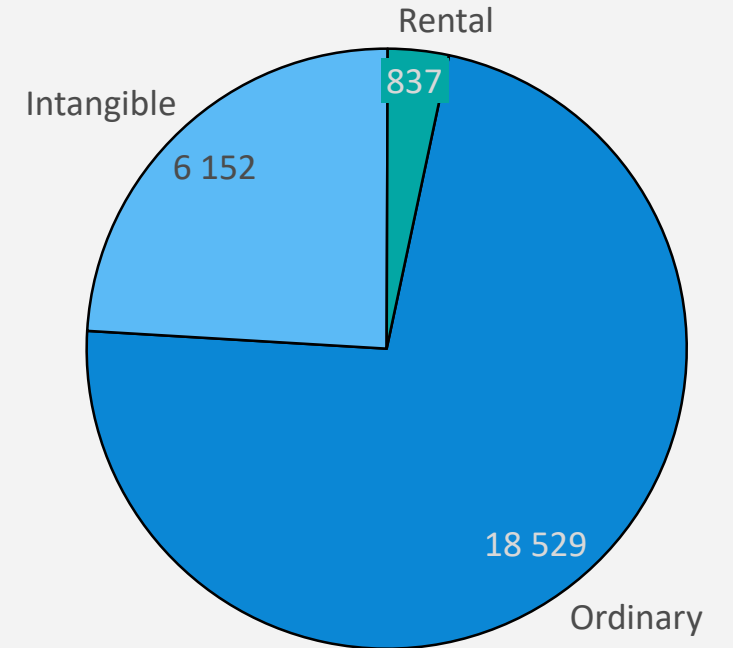
# CAPEX

CAPEX and CAPEX/Sales %

(TNOK)



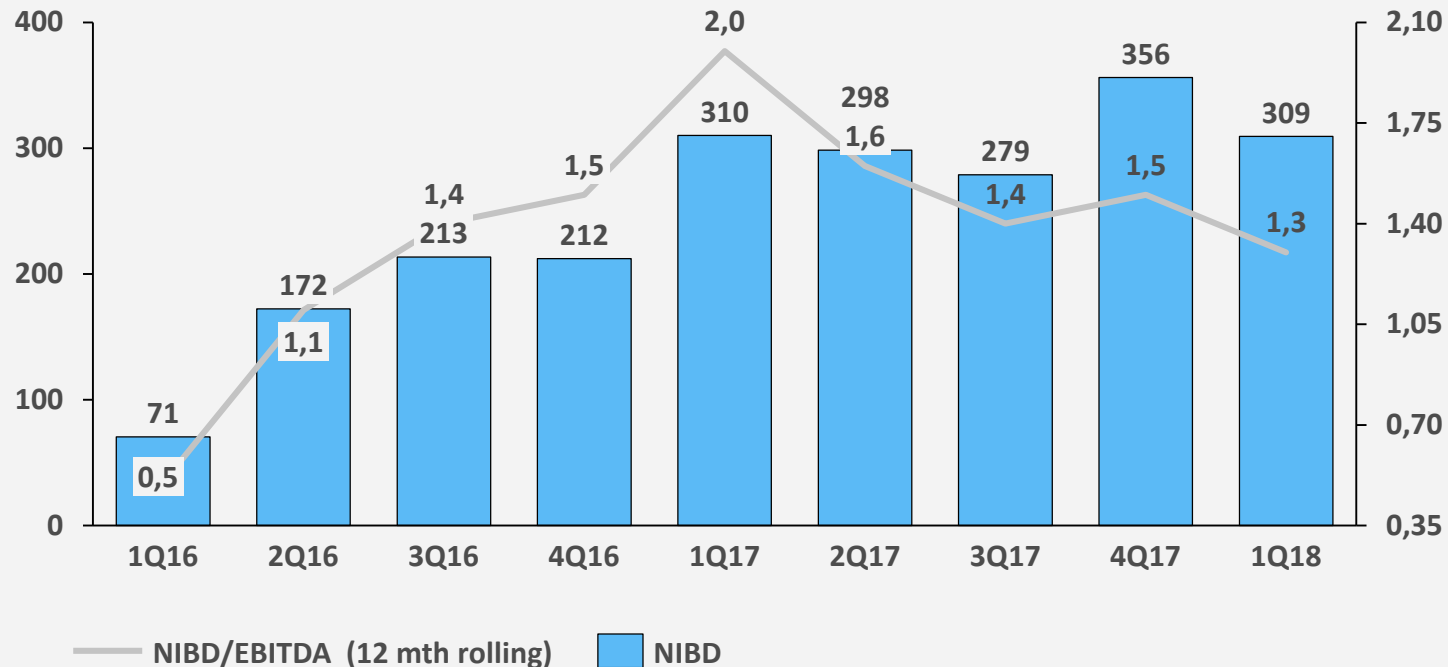
CAPEX breakdown 2018



\*Ordinary includes investment in new facilities in Helgeland Plast

# Net interest bearing debt/EBITDA of 1.3

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



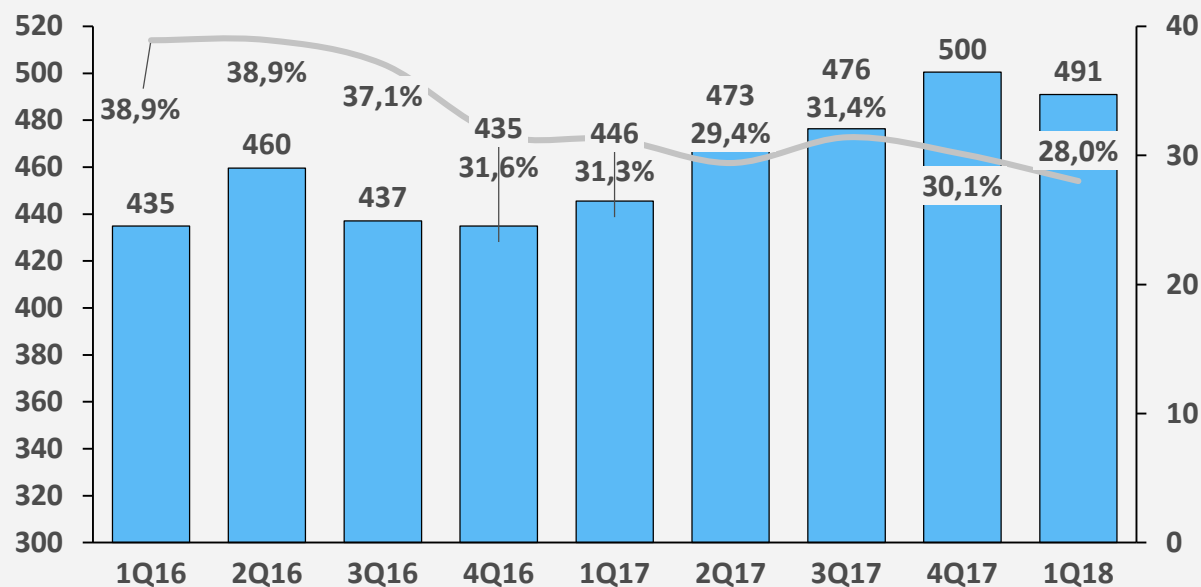
## Change in net interest bearing debt (TNOK)

<b>Net interest bearing debt 31.12.2017</b>	<b>356 080</b>
EBITDA	-59 172
Income taxes paid	5 497
Net interest paid	2 926
Capex	25 517
Acquisitions / Divestments	1 983
Long-term financial assets	-957
Paid dividend	19 355
Buyback own shares	-
Sale of fixed assets	-2 728
Currency effects	6 416
Other changes in working capital	-45 546
<i>Net change</i>	-46 709
<b>Net interest bearing debt 31.03.2018</b>	<b>309 371</b>

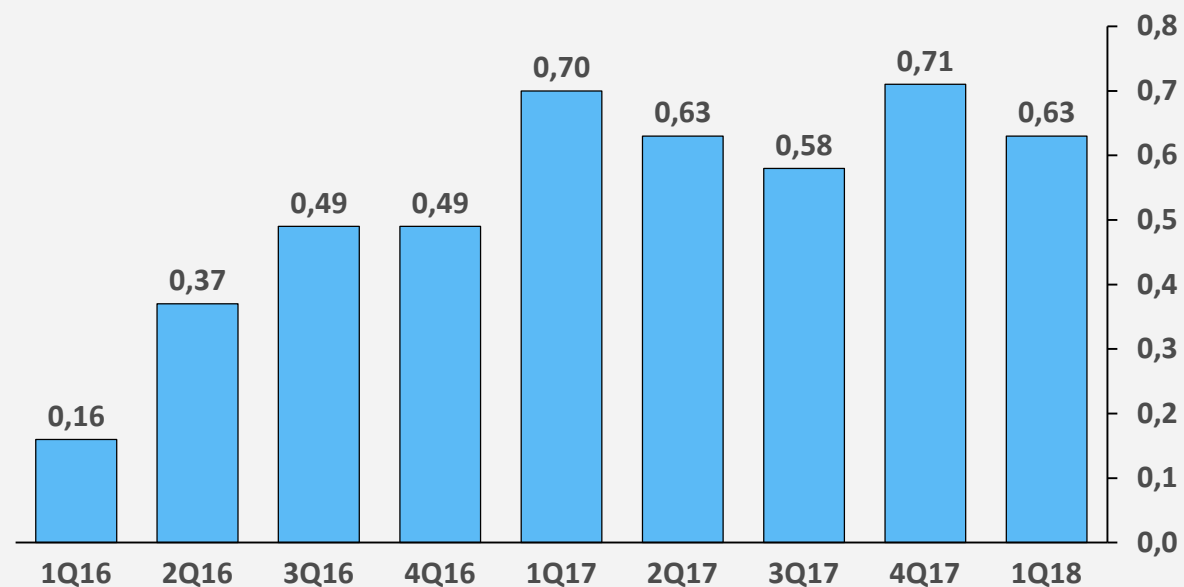


# Group financial profile – remains strong, continued

## Equity and Equity / Total Balance

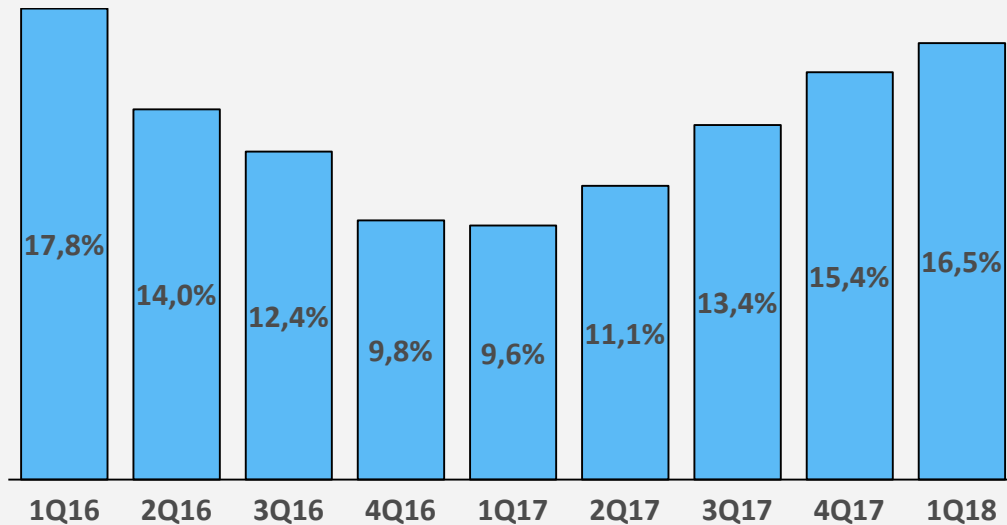


## NIBD / Equity

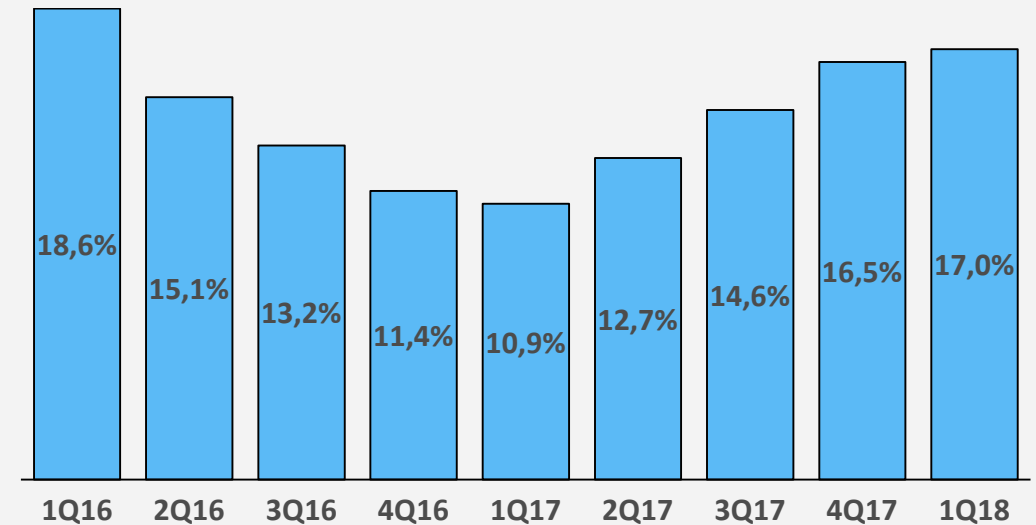


# Group financial profile – remains strong, continued

## ROCE



## ROACE



# 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>Q1</b>	<b>Q1</b>	<b>YTD</b>	<b>YTD</b>	<b>Total</b>
Net cash flow from operations	46 664	43 049	46 664	43 049	195 535
Net cash flow from change in working capital	45 546	-74 738	45 546	-74 738	-122 851
Net cash flow from operational activities	92 211	-31 689	92 211	-31 689	72 684
Net cash flow from investment activities	-23 306	-22 831	-23 306	-22 831	-102 672
Net cash flow from financial activities	-56 013	19 761	-56 013	19 761	-22 346
Net change in cash and cash equivalents	12 892	-34 759	12 892	-34 759	-52 334
Net foreign exchange differences	-2 841	174	-2 841	174	3 759
Cash and cash equivalents at the beginning of the period	116 969	165 543	116 969	165 543	165 543
Cash and cash equivalents at the end of the period	127 020	130 958	127 020	130 958	116 969

# Balance sheet

BALANCE SHEET (MNOK)	2018	2017	2017
	31.03	31.03	31.12

<b>ASSETS</b>	<b>1 755</b>	<b>1 425</b>	<b>1 663</b>
Intangible non-current assets	589	573	596
Tangible non-current assets	251	189	246
Financial non-current assets	7	3	7
Inventory	247	204	238
Receivables	534	327	459
Cash and cash equivalents	127	131	117
<b>LIABILITIES AND EQUITY</b>	<b>1 755</b>	<b>1 425</b>	<b>1 663</b>
Equity	491	445	500
Minority interest	1	0	1
Long-term interest bearing debt	346	370	351
Short-term interest bearing debt	91	71	122
Non-interest bearing liabilities	827	539	689



# 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
1 199 372	4,6 %	VERDIPAPIRFONDET ALF		NOR
525 414	2,0 %	VPF NORDEA KAPITAL		NOR
470 246	1,8 %	EIKA NORGE		NOR
432 232	1,7 %	STATOIL PENSJON		NOR
422 623	1,6 %	VPF NORDEA AVKASTNING		NOR
381 300	1,5 %	MP PENSJON PK		NOR
301 188	1,2 %	NORDEA 1 SICAV		LUX
300 000	1,2 %	NORDEA NORDIC SMALL		FIN
274 300	1,1 %	METZLER EURO SMALL +		IRL
268 315	1,0 %	VERDIPAPIRFONDET NOR		NOR
202 611	0,8 %	MERTOUN CAPITAL AS		NOR
201 756	0,8 %	SIX SIS AG	Nominee	CHE
187 729	0,7 %	VERDIPAPIRFONDET DNB		NOR
150 000	0,6 %	DAHLE BJØRN		NOR
146 500	0,6 %	FORTE TRØNDER		NOR
145 653	0,6 %	ROGALAND SJØ AS		NOR
124 016	0,5 %	OLE MOLAUG EIENDOM AS		NOR
107 871	0,4 %	VERDIPAPIRFONDET EIK		NOR
<b>22 944 231</b>	<b>88,8 %</b>	<b>20 largest shareholders</b>		
2 890 072	11,2 %	Other		
<b>25 834 303</b>	<b>100,0 %</b>	<b>Total number of shares as per 31.03.2018</b>		

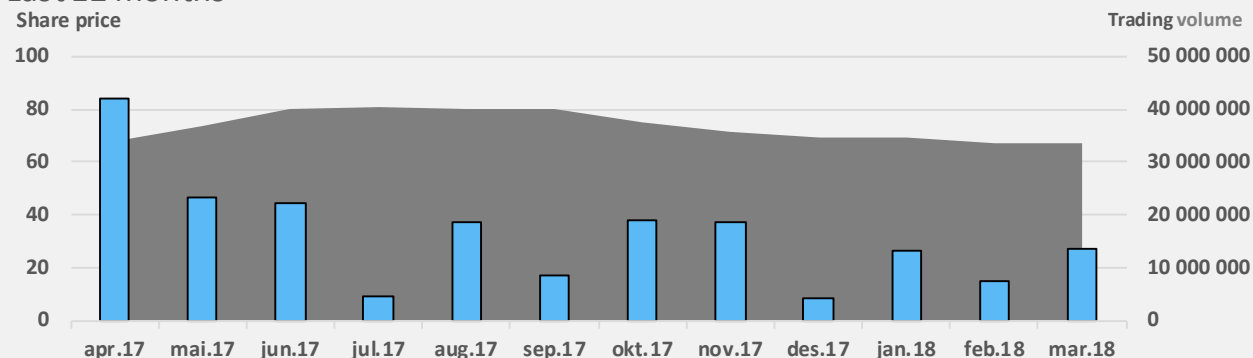
## Origin of shareholders, 5 largest countries

No of shares	%	Origin	No of shareholders
20 066 404	77,7 %	Norway	1015
3 940 461	15,3 %	Great Britain	19
452 085	1,7 %	Luxembourg	5
380 526	1,5 %	Finland	6
343 352	1,3 %	Ireland	4
651 475	2,5 %	Other	110

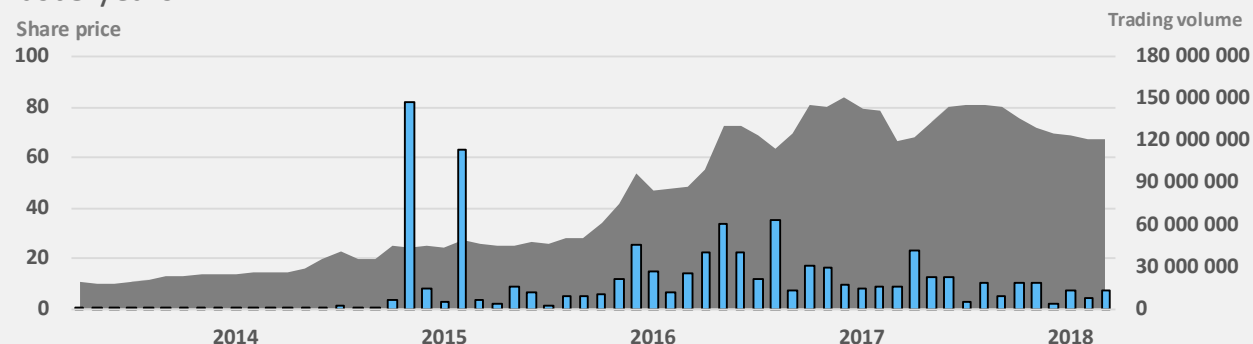
Total number of shareholders: 1 159 - from 27 different countries

## Share development

### Last 12 months



### Last 5 years



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 Outlook – by CEO Hallvard Muri

# AKVA group in brief



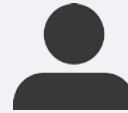
Leading  
technology  
and service  
partner



Listed on  
Oslo stock  
exchange  
since 2006



Deliveries  
in 65  
countries  
over 40  
years



Companies  
in 11  
countries.  
998  
employees



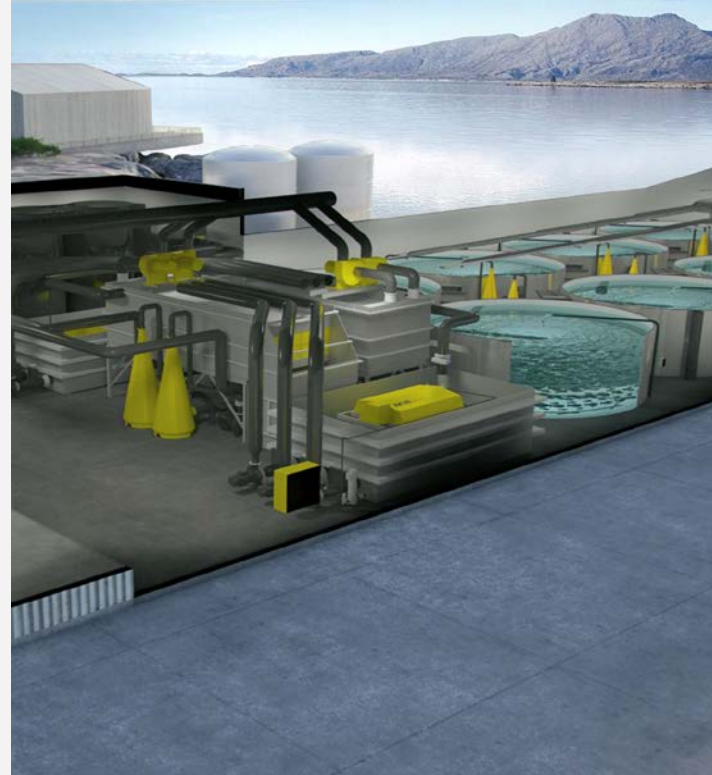


# Solutions

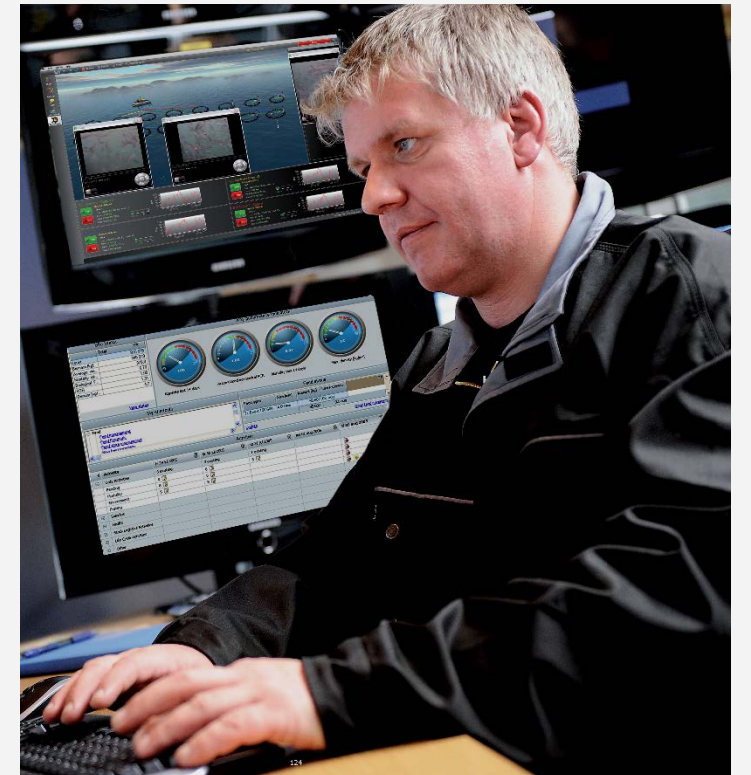
## Cage Based Technology



## Land Based Technology



## Software





CAPEX Based Revenue

CAGE BASED TECHNOLOGY



LAND BASED TECHNOLOGY



**SOFTWARE:** Fishtalk  
AKVAconnect  
Support

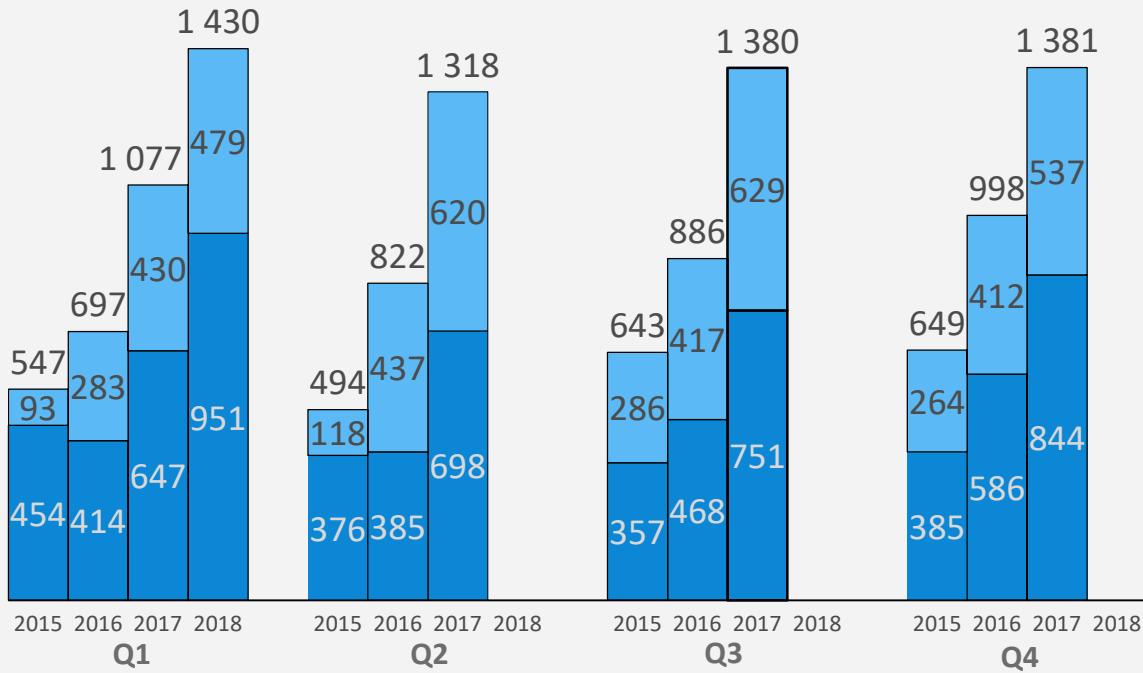


**MARINE SERVICES  
& AFTER SALE  
SERVICE:** Marine services  
Rentals  
After sale services

OPEX Based Revenue

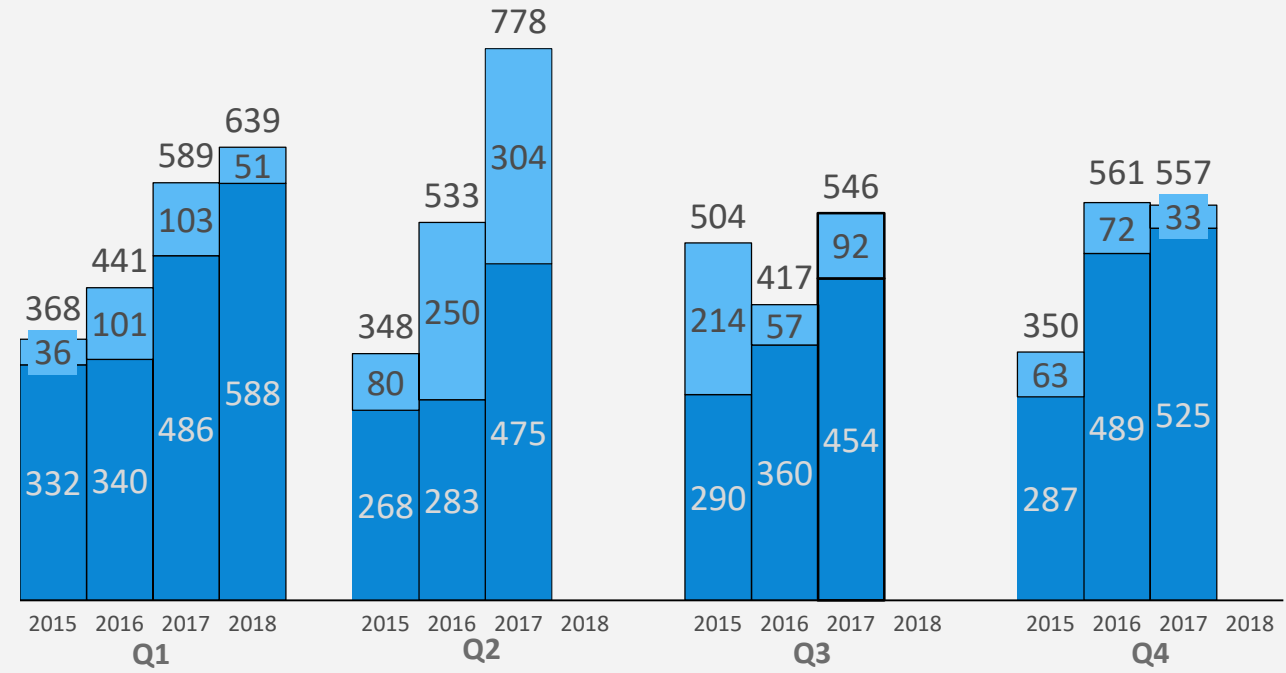
# Order backlog and inflow, 2015 through 2018

## Order backlog



- Strong order backlog, 1,430 MNOK
- 34% of total order backlog relates to Land Based Technology (LBT)

## Order intake



- Order intake of 639 MNOK in Q1 2018

Land Based Other

# Outlook – AKVA group

- Continuing positive outlook for most markets
- Land Based – focus on post smolt, high quote bank
- Execution of improvement programs, manufacturing, sourcing and logistics
- Increasing focus and growth outside Nordic Markets
- Expanding services and OPEX based business, investing in Marine Services
- Product improvements and optimization





# AKVA group has signed LOI to acquire Egersund Net

- The transaction is based on an enterprise value of 750 million NOK for all shares in Egersund Net AS
- The seller, Egersund Group, will receive 70 % in shares in AKVA group and the remaining based on cash/debt assumption
- In total, 7.5 million AKVA shares will be issued to Egersund Group, based on an AKVA price per share of NOK 70, which is NOK 2 above the last three months weighted average share price
- The transaction excludes properties currently held by Egersund Net
- The transaction is subject to due diligence, necessary government approvals and entering into of final transaction agreements
- The transaction is expected to be completed in Q3 2018



# Egersund Net complement AKVA group's product offering

- Strategic transaction to become a more complete and innovative supplier
  - Further optimize the total system; cage, net and moorings
  - Offer more complete and efficient services
  - Optimize products' life-cycle, including marine operations
  - More efficient customer interactions and interfaces
- Synergies mainly within sales, both in Nordic and in export markets
- Transaction will strengthen AKVA group's share of opex based business



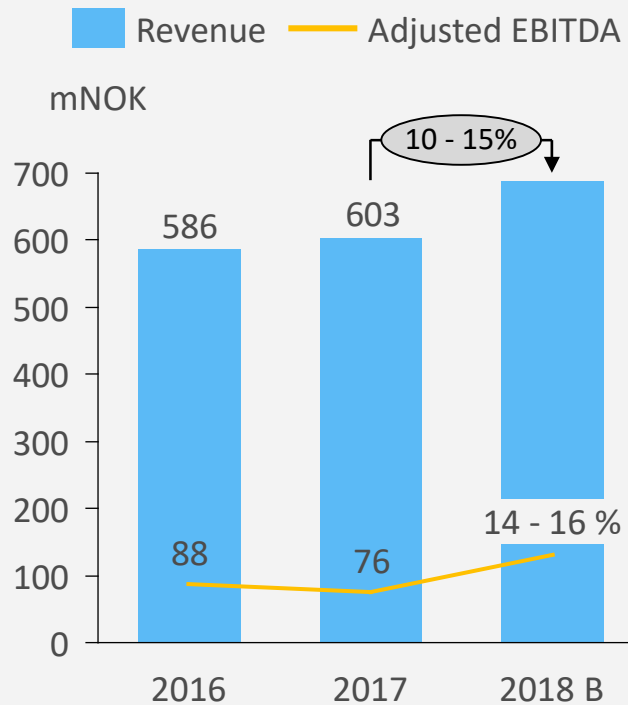
# Egersund Net overview

## Products and Services

- Nets and mooring solutions for the fish farming industry
- In addition to traditional fish farming nets, Egersund offers top nets, tube nets and special products such as sweep nets, fish sorting and mort collector nets
- Full range services; wash/disinfection, repair and antifouling/coating

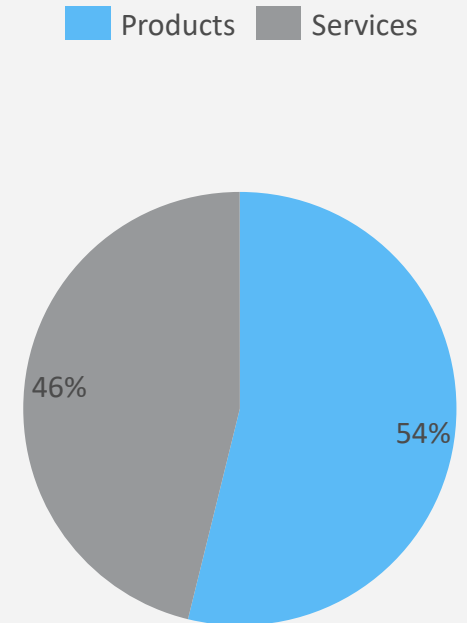


## Revenue and EBITDA



\* Pro forma

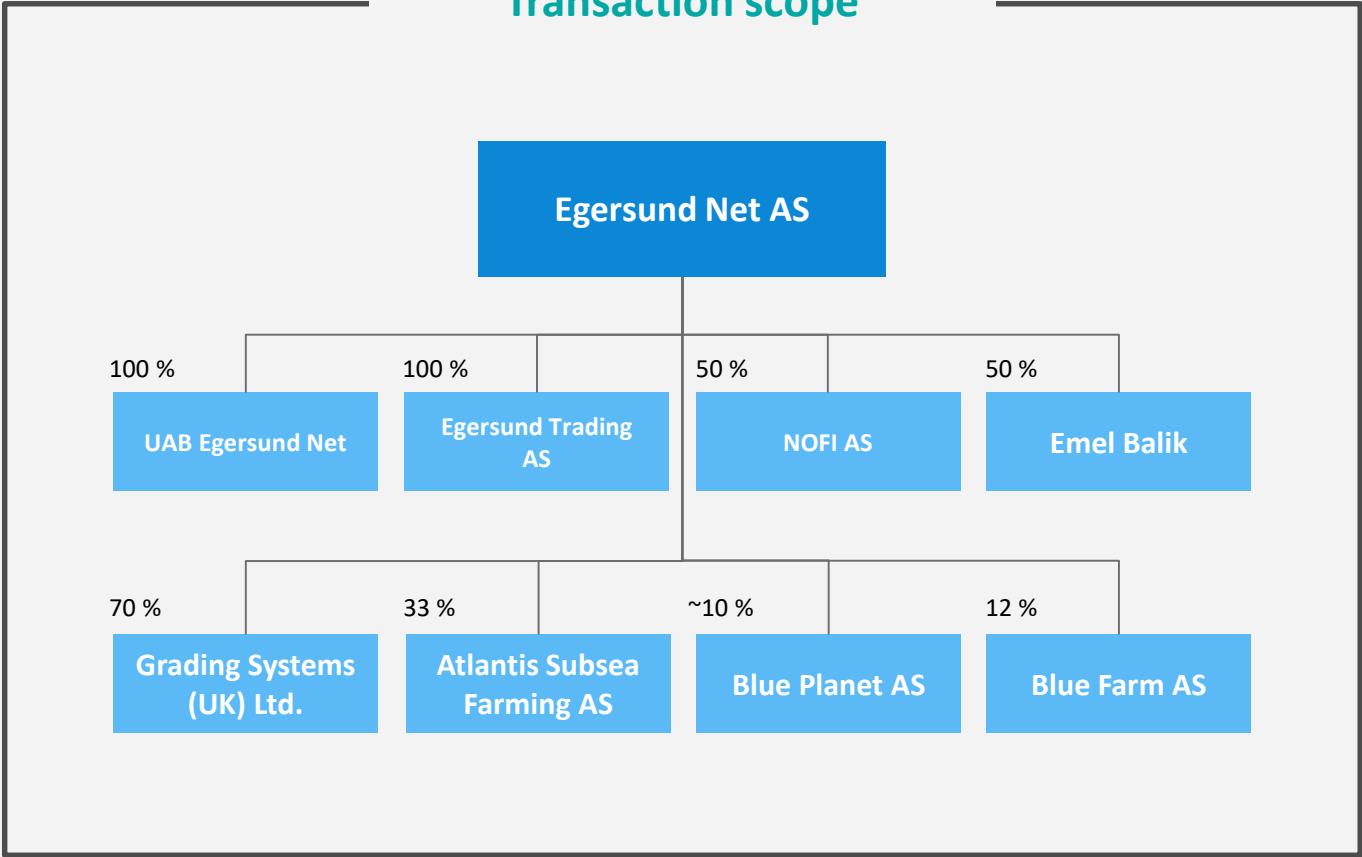
## Revenue composition



\* Egersund Net AS, 2017

# Egersund Net overview

## Transaction scope



## Locations







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

