

# Q4 2017 Presentation

Oslo – March 1<sup>st</sup> 2018

Hallvard Muri, CEO

Simon Nyquist Martinsen, CFO



# Agenda

 Highlights

 Financial performance

 Outlook


 Q&A

BIOLOGY



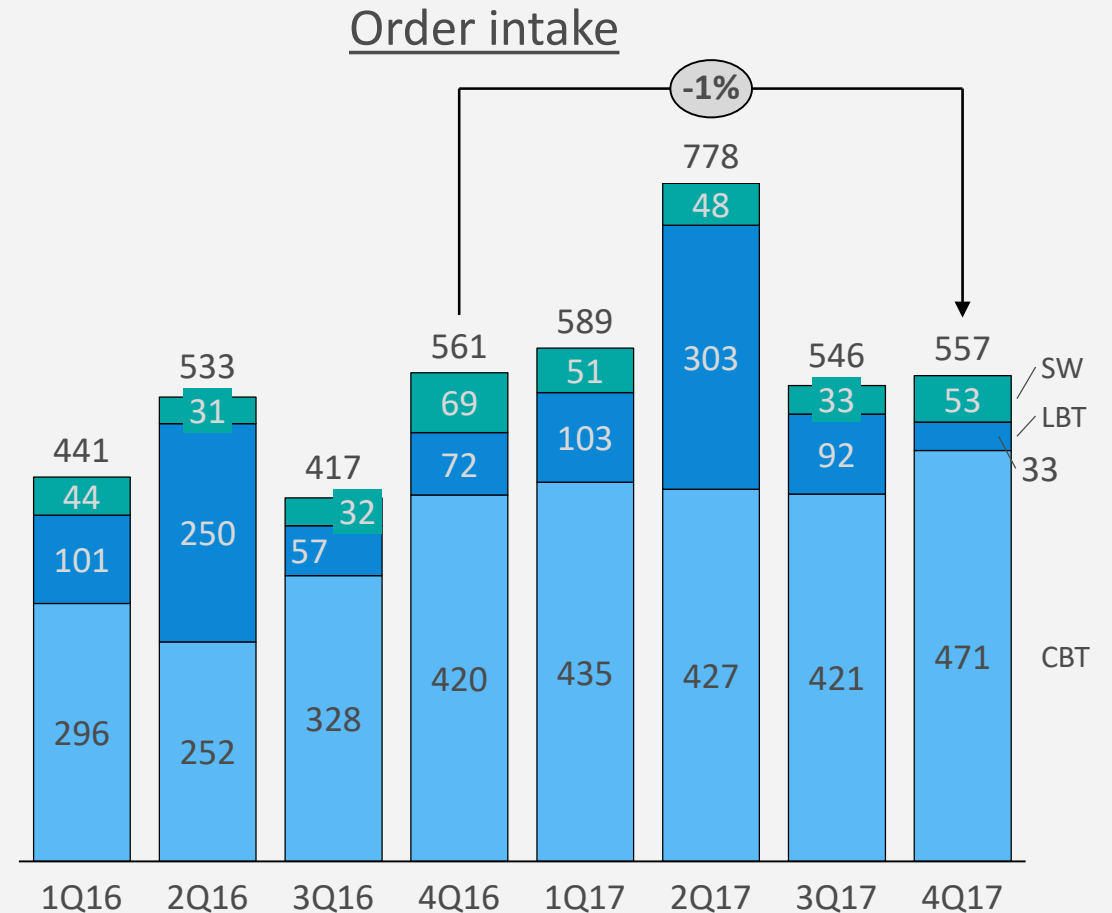
TECHNOLOGY



 **Highlights Q4 2017 – by CEO Hallvard Muri**

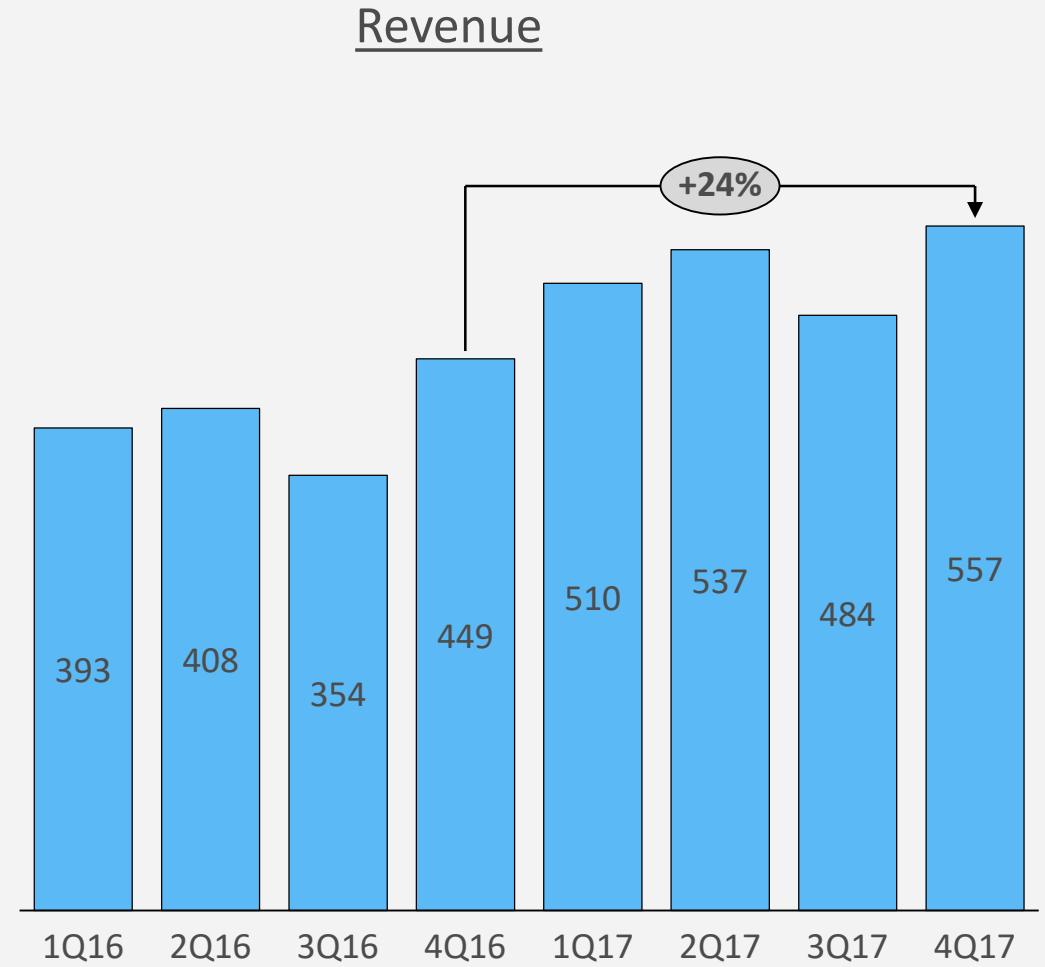
# Positive underlying development

- Overall order intake on same level as Q4 2016
- Strong quarter for Europe & Middle East with an order intake of 139 MNOK, material contracts in Scotland, Russia and Turkey
- Americas continue the good development with order intake of 138 MNOK in Q4 2017 (up from 66 MNOK in Q4 2016)
- Slow quarter on new orders for the Land Based segment as execution of some projects have been pushed into 2018
- 2017 order intake of 2.5 BNOK (full year 2016 of 1.95 BNOK)



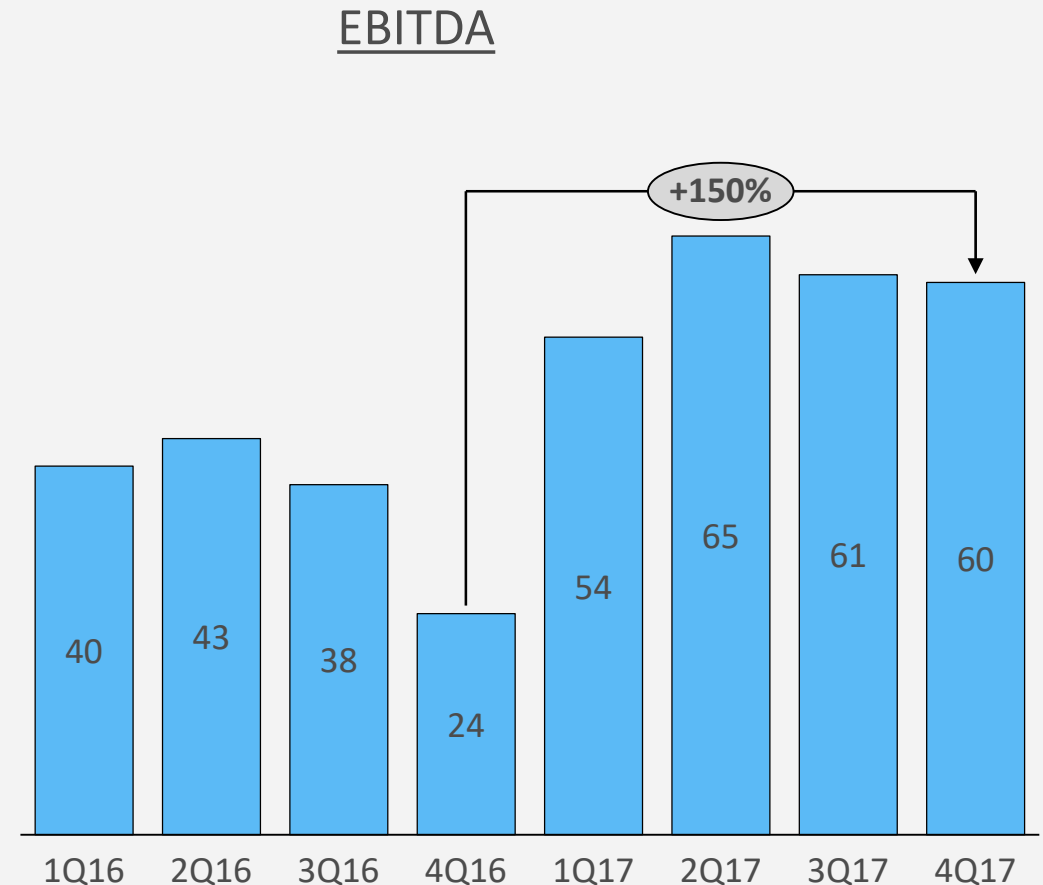
# High activity across all regions

- 24% increase in revenue compared to Q4 2016
- Continued high activity in the Nordic region
- Another strong quarter in Americas, revenue more than doubled from Q4 2016
- Land Based delivering on high order backlog, increasing revenue by 54,5% compared to Q4 2016
- Good quarter for service related business



# Operational leverage taking effect

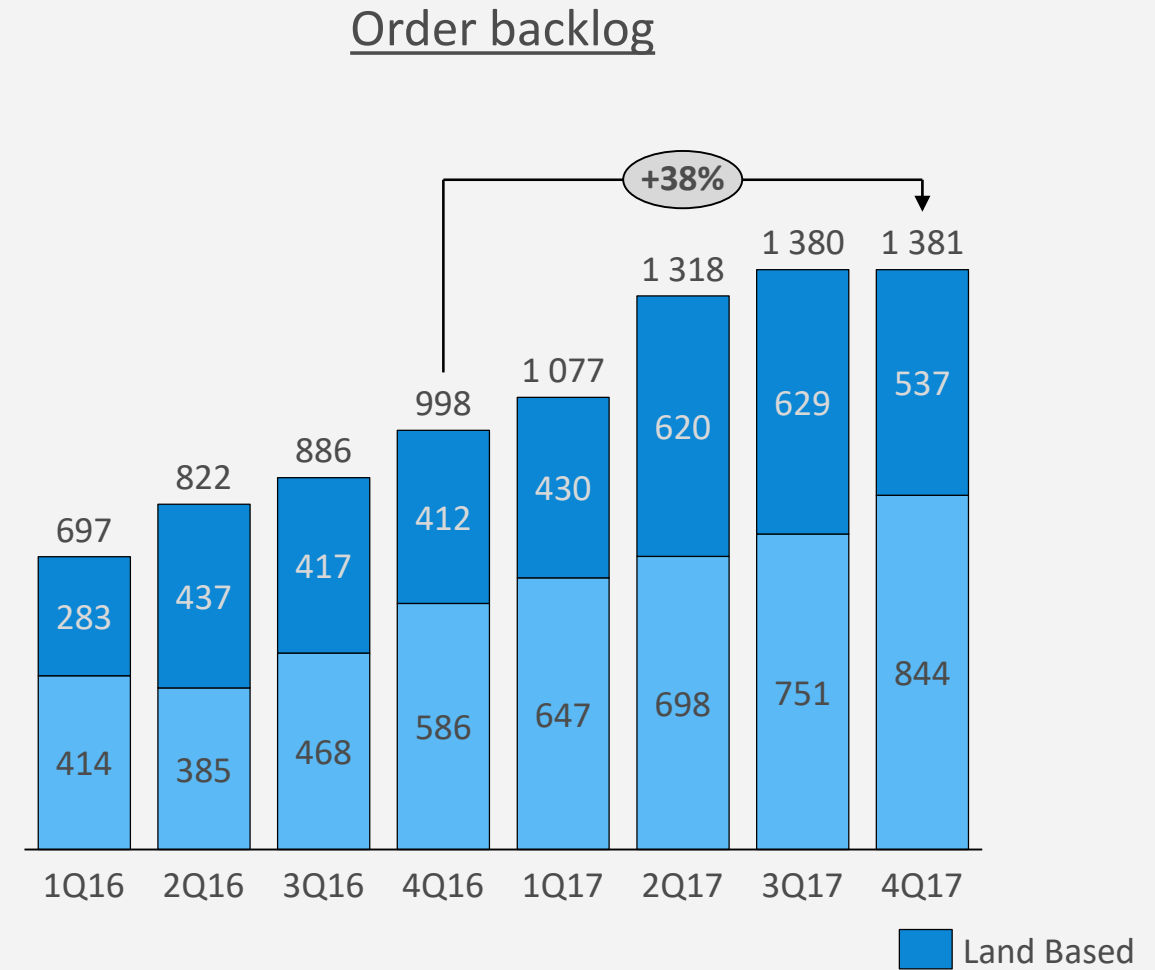
- EBITDA increase of 150% compared to Q4 2016
- EBITDA margin of 10,8%, up from 5,3 % in Q4 2016
- Another strong quarter in the Nordic region, with ASA Nordic and AKVA Marine Services as the main contributors
- Land Based segment ends a strong quarter with an EBITDA of 13 MNOK (10,8 % EBITDA margin)
- Americas (AKVA group Chile, North America and Australasia) ends the quarter with an EBITDA of 10 MNOK, more than doubled from Q4 2016



# Tenth quarter in a row with growth in order backlog

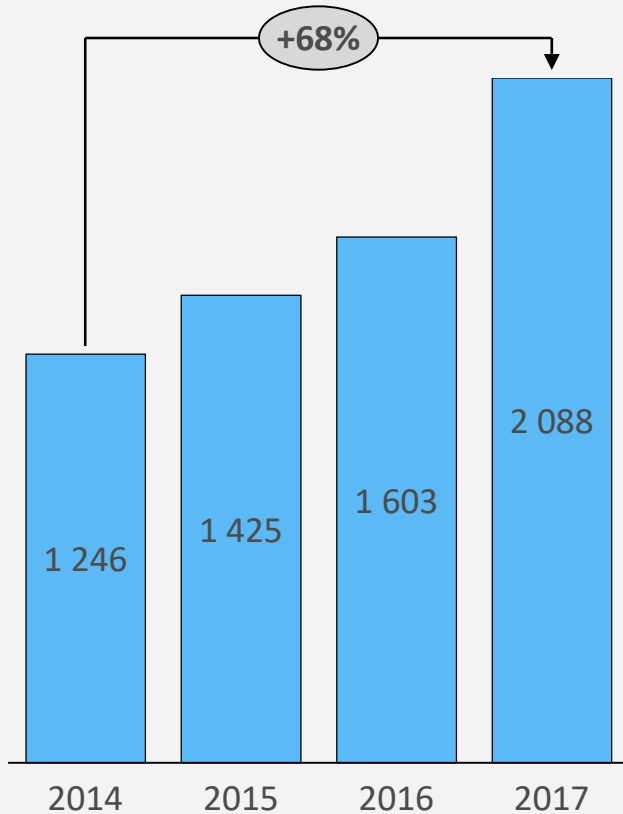
- **Fourth quarter 2017 – Highlights**

- Strong platform for further positive development
- Order backlog end of December of 1.38 BNOK
- EBITDA of 60 MNOK in the quarter
- Dividend of 0.75 NOK per share to be paid out in March 2018

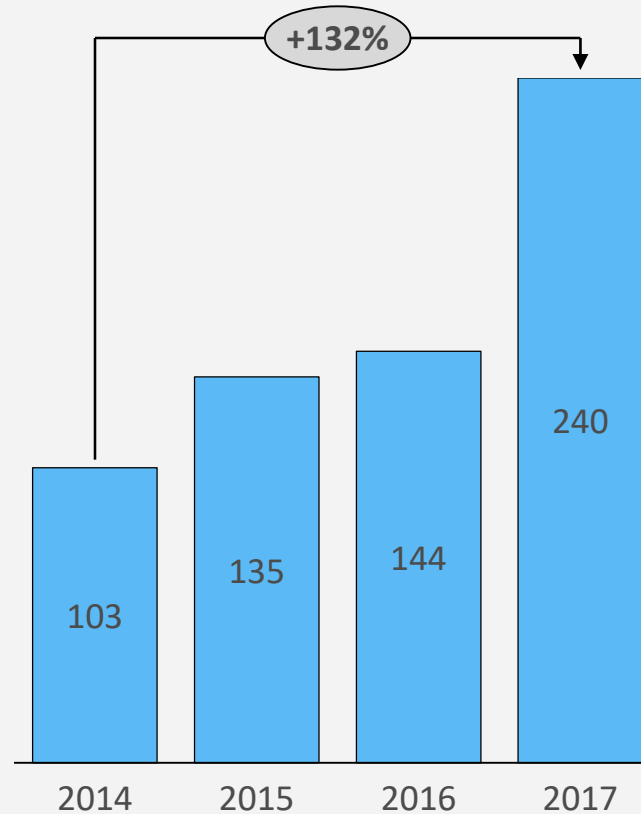


# Operational leverage and profitable growth

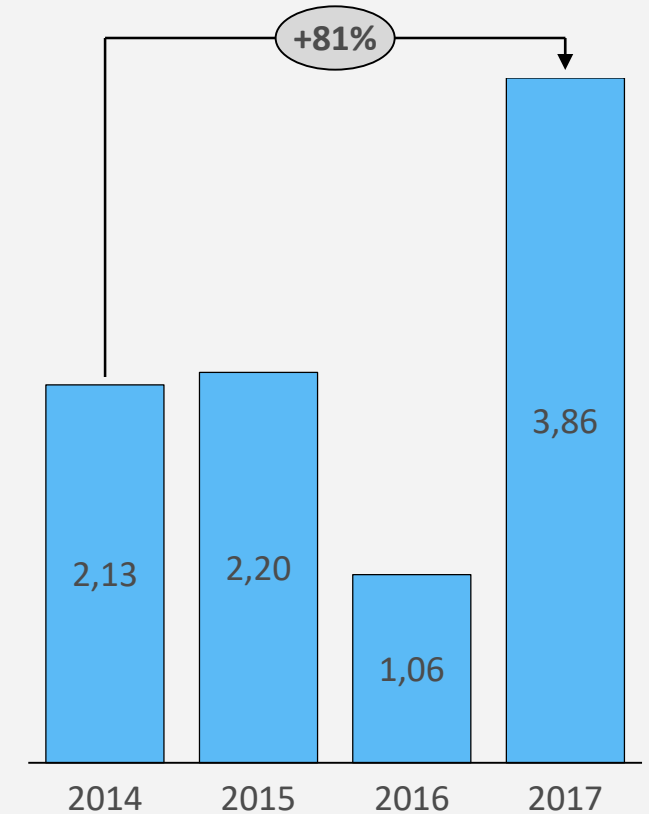
Revenue



EBITDA



EPS



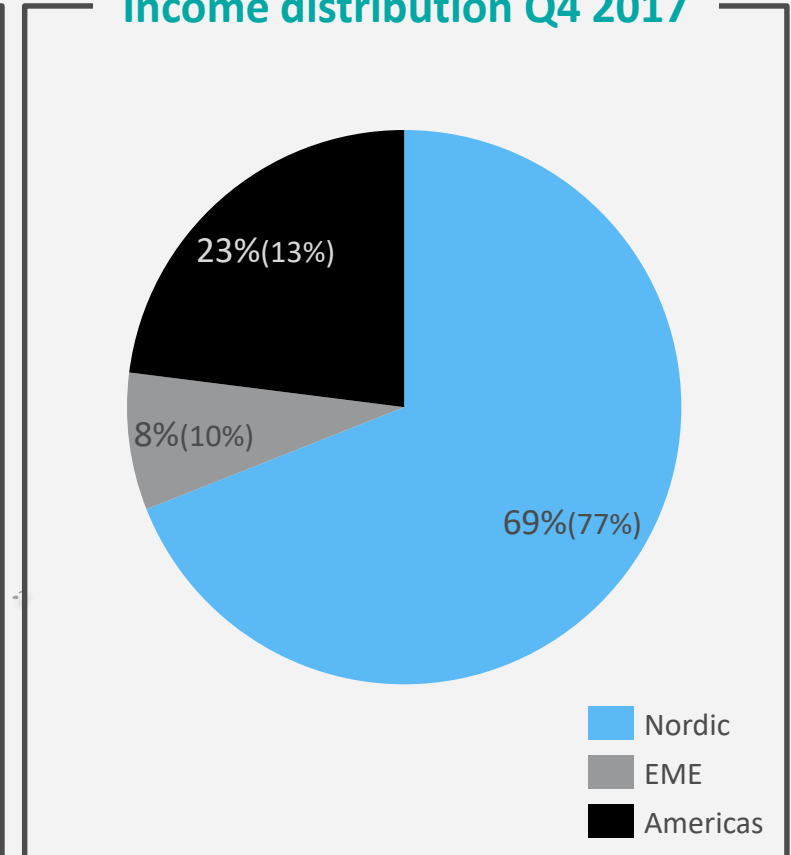


# Where do we deliver

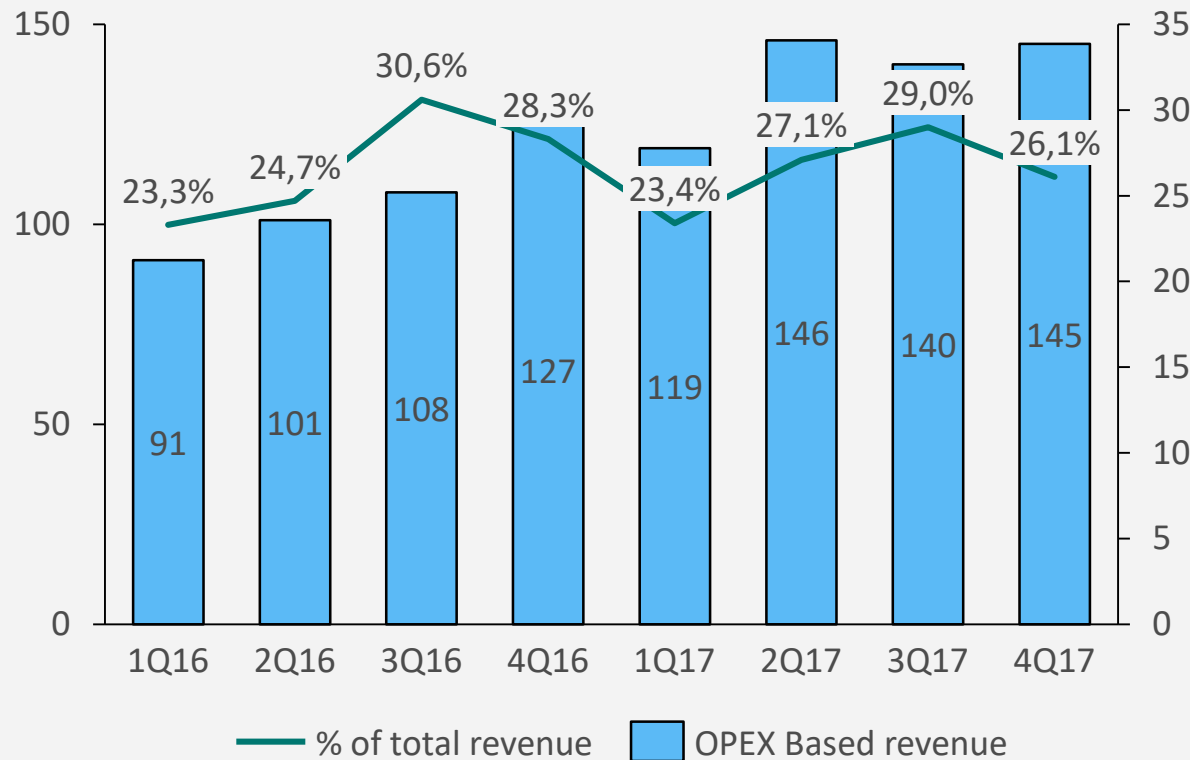
## AKVA group's geographical regions



## Income distribution Q4 2017



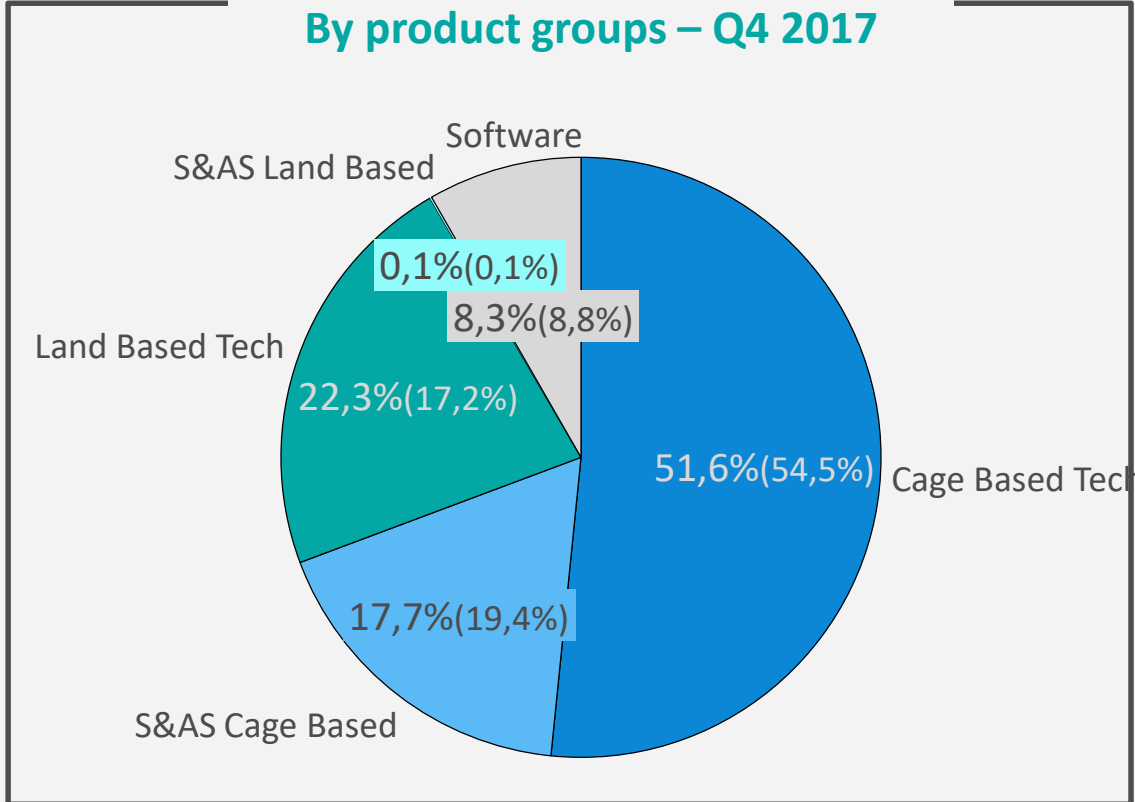
# Development in OPEX based revenue



- Growing revenue in the Marine Service business in Norway is contributing to the positive development
- The Marine Service business in Chile has started and plans to grow this segment going forward
- Continued good development for the rental business in Scotland in 2017
- Marketing and sales activity slowly starting to yield effect for Software segment
- MNOK 123 (29%) absolute increase in revenue compared to 2016

# Revenue by product group and species

By product groups – Q4 2017



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

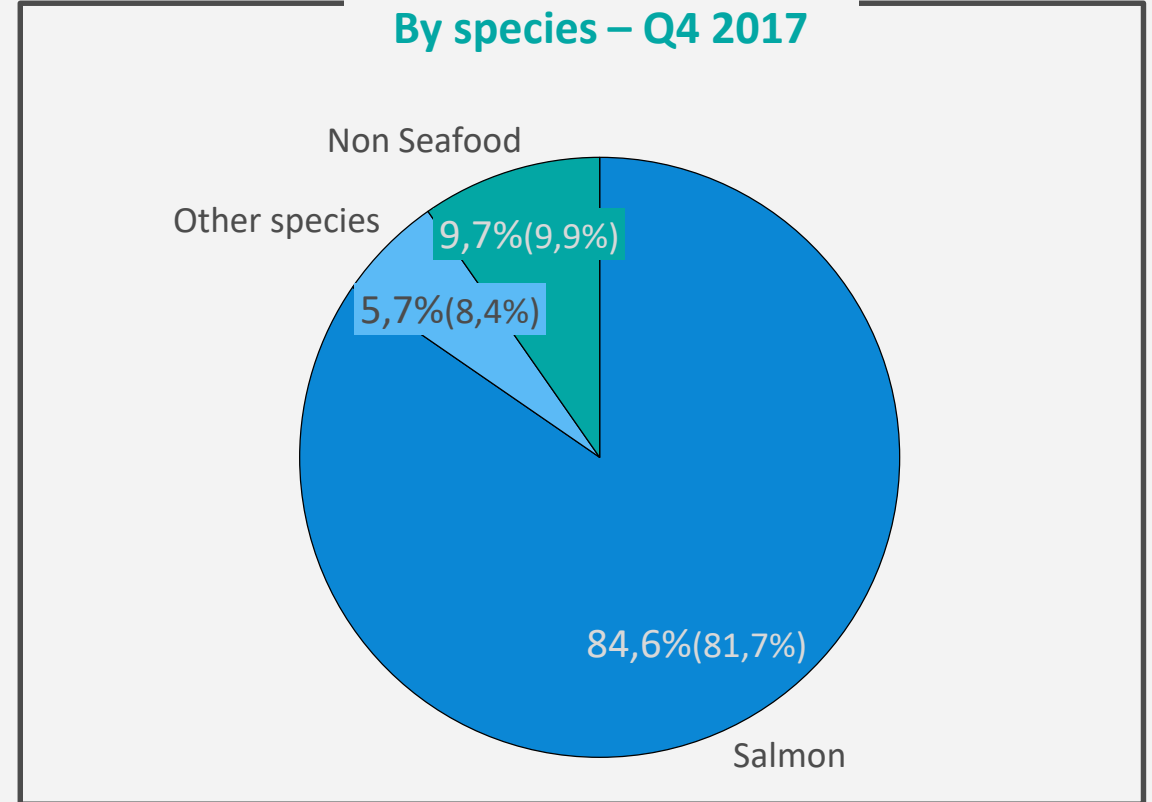
**S&AS Cage Based** = Service and after sales for cage based aquaculture

**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 2017



**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 positive development in Chile
- Encouraging improvement in Russian market
- Post smolt: strong pipeline in Norway and improved outlook in other salmon markets as well, but decision processes takes time
- Increased focus on the Mediterranean markets for Bass and Seabream is starting to yield results
- Good activity in Marine Service segment
- Completed upgrade of manufacturing lines at Helgeland Plast
- Atlantis: appeal for two licenses rejected. Granted one license
- 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



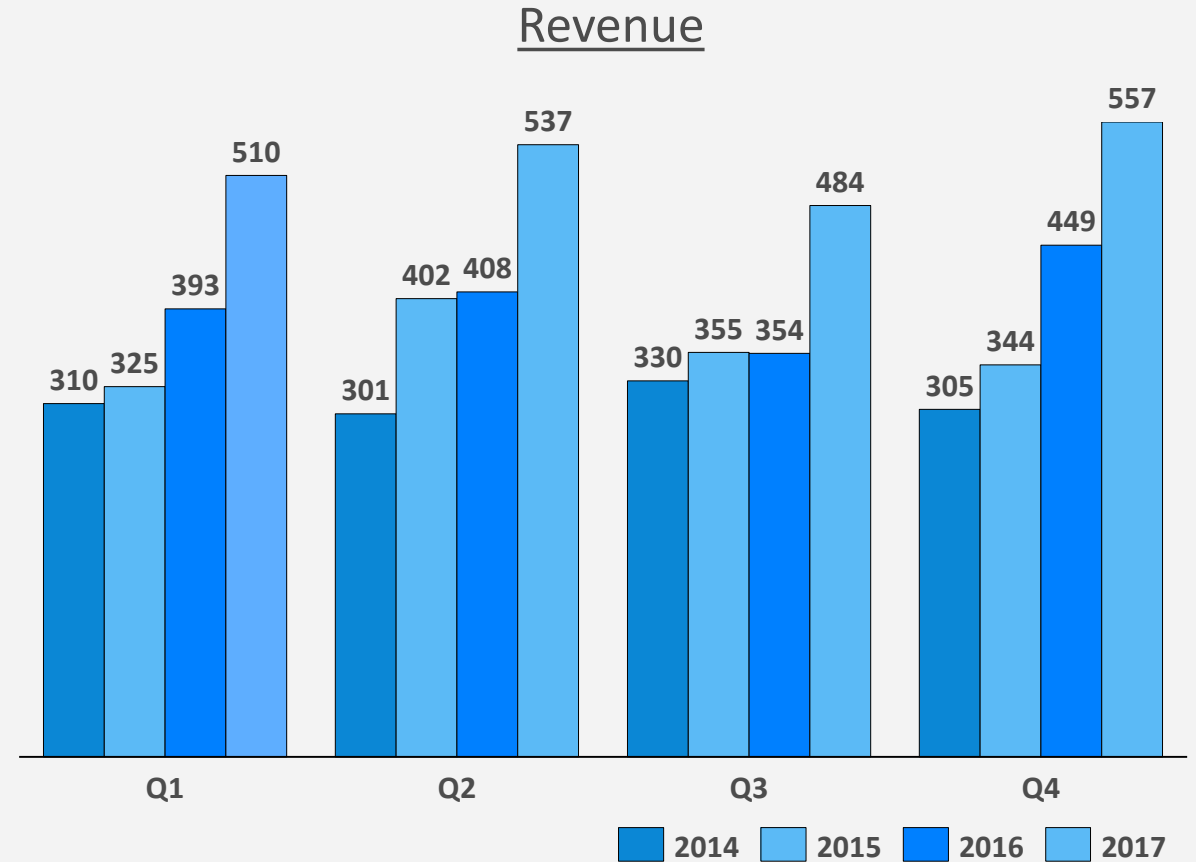
Air to the salmon  
Artificial air space



 Financial performance Q4 2017 – by CFO Simon Nyquist Martinsen

# Q4 2017 – Financial highlights

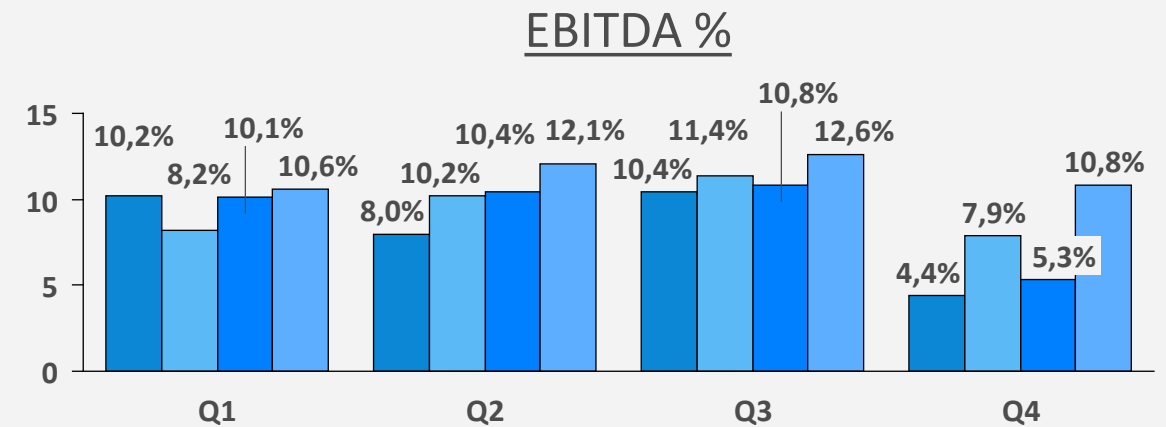
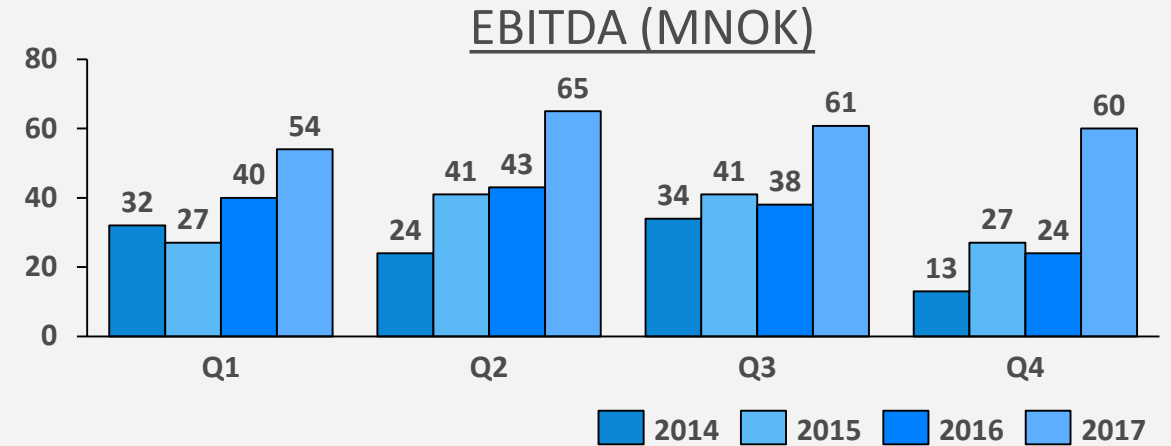
- 24% growth, strong contributions from Americas, Land Based and Europe & Middle East
- Last twelve months order intake and revenue now at 2,470 MNOK and 2,088 MNOK respectively
- The order book has grown to 1,381 MNOK at the end of 2017, which is 383 MNOK higher than at the end of 2016



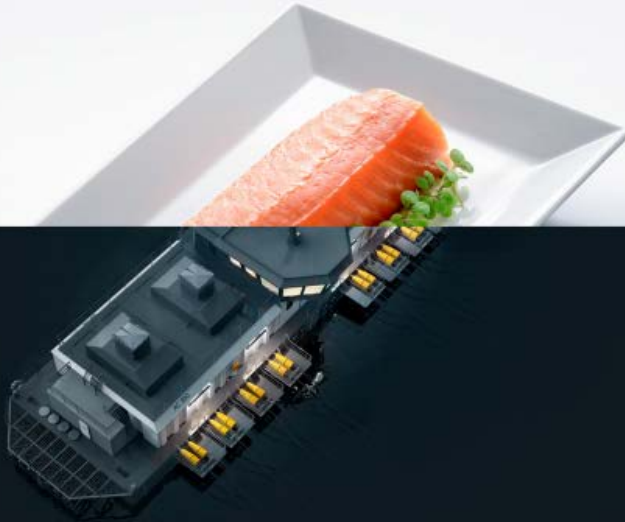


# Q4 2017 – Financial highlights

- A very strong Q4, which historically has been low season
- As in Q3, AKVA Marine Services is a strong contributor to EBITDA with a total of 11 MNOK in the quarter
- The entities in the Americas region has another strong quarter with an EBITDA of 10 MNOK in the quarter, doubled compared to Q4 2016
- The margins in the Land Based segment is increasing, with an EBITDA margin of 10,8 % in Q4



## 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

- Another very strong quarter for AKVA Marine Services
- Helgeland Plast and Sperre also growing compared to Q4 2016

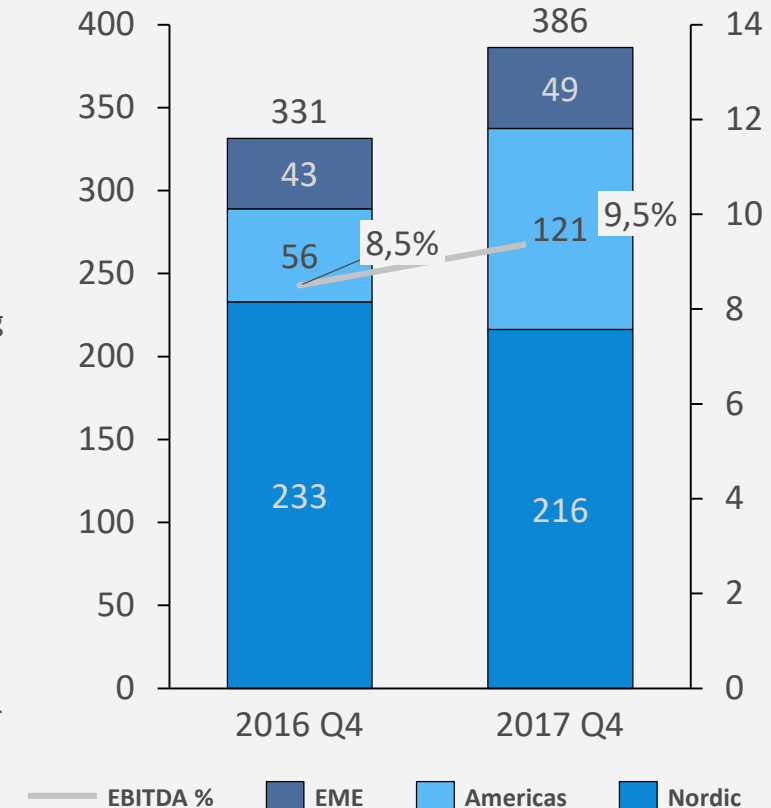
## Americas

- The activity in Chile has increased during the year, and the EBITDA for the quarter ended at 6 MNOK
- The operation in North America and Australasia is ending the quarter with an EBITDA of 4 MNOK, compared to 3 MNOK last year

## EME

- UK ended the fourth quarter with an order intake of 56 MNOK, giving solid momentum into 2018
- Turkey, Greece, Spain and Middle East delivers according to plan in the quarter
- Major sales won in Russia in the quarter. The backlog for export to “emerging markets” is now at 77 MNOK

## Revenue and EBITDA %



## BIOLOGY



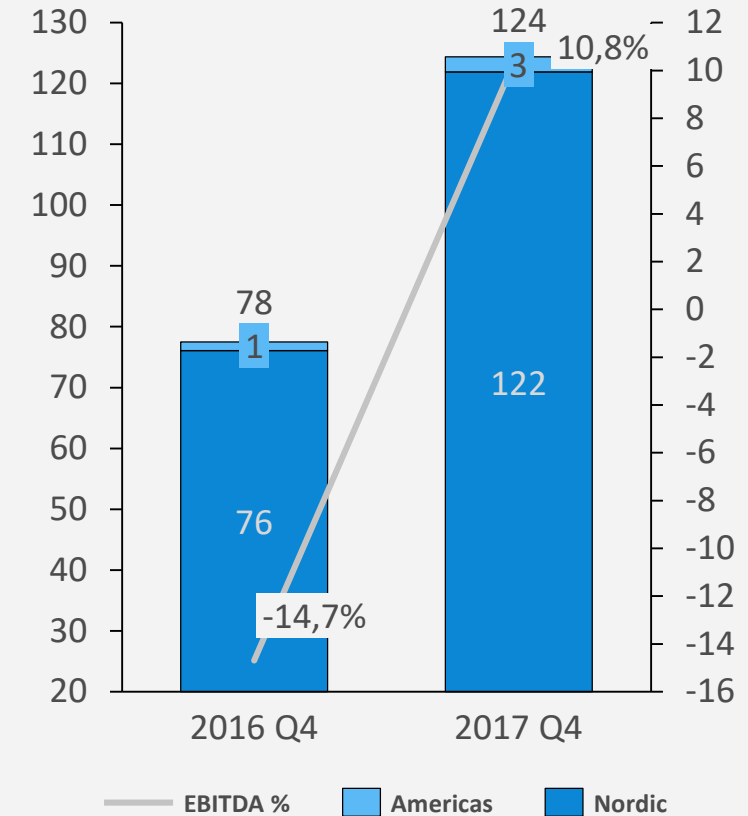
## TECHNOLOGY

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 Q1/Q2
- Revenue increases as projects in the order book are starting to be delivered
- Margins are improving compared to Q4 last year and Q3 in 2017
- Order backlog of 537 MNOK by the end of Q4

## Revenue and EBITDA %



## BIOLOGY



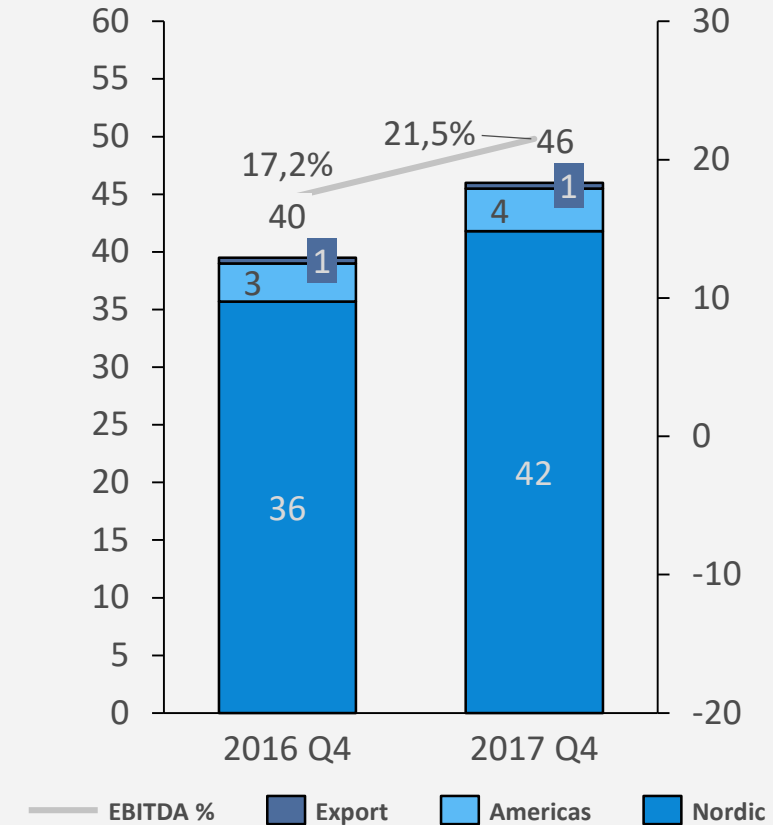
## TECHNOLOGY

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 year with a total EBITDA of 14 MNOK, and with an order intake of 42 MNOK
- Wise Ehf ends the quarter with an EBITDA of 5 MNOK compared to 4 MNOK in the same quarter in 2016
- 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)	2017 Q4	2016 Q4	2017 YTD	2016 Total	2016 Total
Order backlog	1 381	998	1 381	998	998
Order intake	557	561	2 471	1 952	1 952
<b>P&amp;L</b>					
<b>OPERATING REVENUES</b>	<b>557</b>	<b>449</b>	<b>2 088</b>	<b>1 603</b>	<b>1 603</b>
Operating costs ex depreciations	497	425	1 848	1 459	1 459
<b>EBITDA</b>	<b>60</b>	<b>24</b>	<b>240</b>	<b>144</b>	<b>144</b>
Depreciation and amortization	21	20	83	69	69
<b>EBIT</b>	<b>39</b>	<b>3</b>	<b>157</b>	<b>75</b>	<b>75</b>
Net interest expense	-2	-2	-11	-7	-7
Other financial items	-3	-5	-10	-20	-20
Net financial items	-5	-7	-22	-26	-26
<b>EBT</b>	<b>33</b>	<b>-3</b>	<b>136</b>	<b>49</b>	<b>49</b>
Taxes	6	5	36	21	21
<b>NET PROFIT</b>	<b>27</b>	<b>-8</b>	<b>100</b>	<b>28</b>	<b>28</b>
<b>Net profit (loss) attributable to:</b>					
Non-controlling interests	-0,2	-0,2	0,1	0,1	0,1
Equity holders of AKVA group ASA	27	-8	100	28	28
Revenue growth	24,1 %	30,4 %	30,2 %	12,5 %	12,5 %
EBITDA margin	10,8 %	5,3 %	11,5 %	9,0 %	9,0 %
EPS (NOK)	1,06	-0,30	3,86	1,06	1,06

- Of which Land Based is 537 MNOK

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

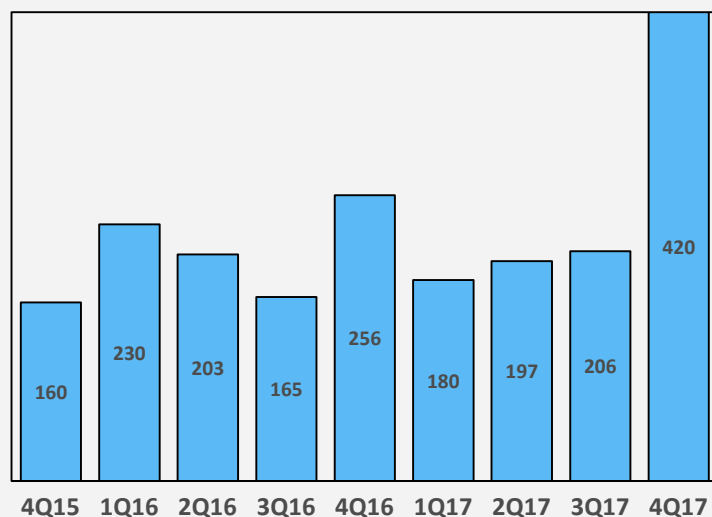
- Increased due to higher net debt

- 3 MNOK relates to investment in Atlantis Subsea Farming AS

- Minority shareholders (49%) in Wise Blue AS

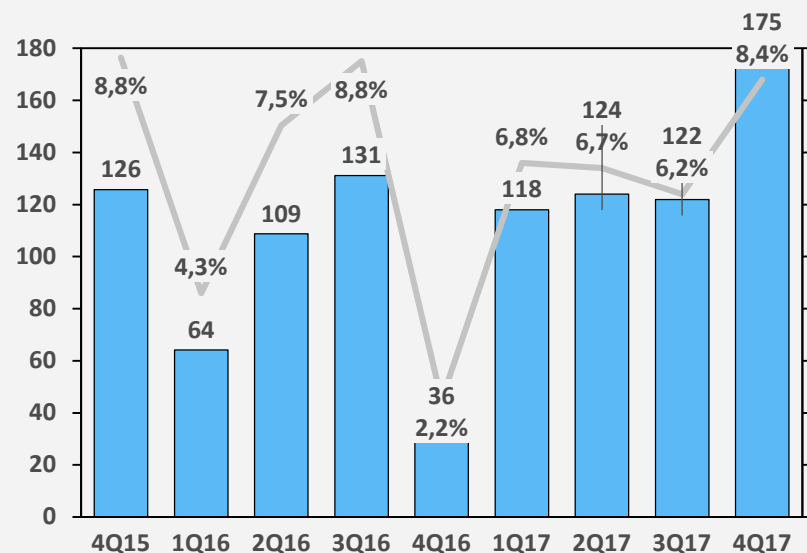
# Group financial profile – remains strong

## Available cash



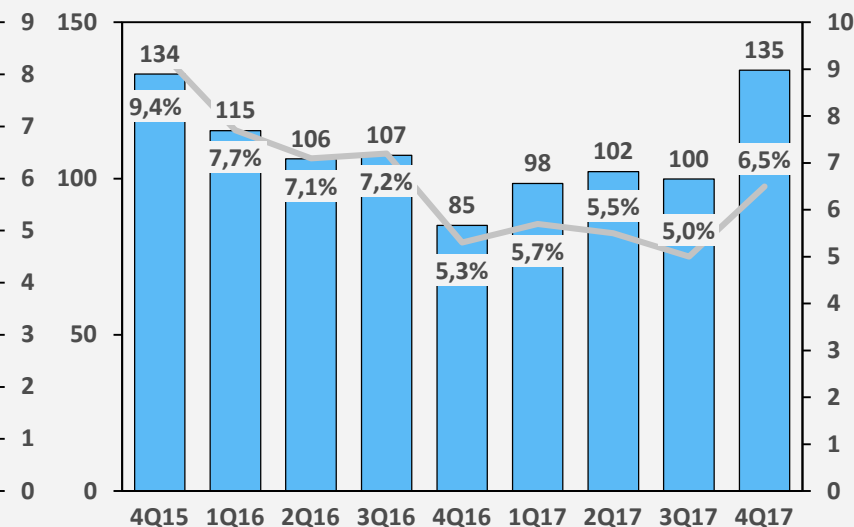
- Including 96 MNOK of a 200 MNOK credit facility in Danske Bank, as of Q4 2017 and a 200 MNOK revolving credit facility
- Refinancing of long term loans, increased credit facility and established a revolving credit was finalized in October 2017

## Working capital



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

## Average working capital

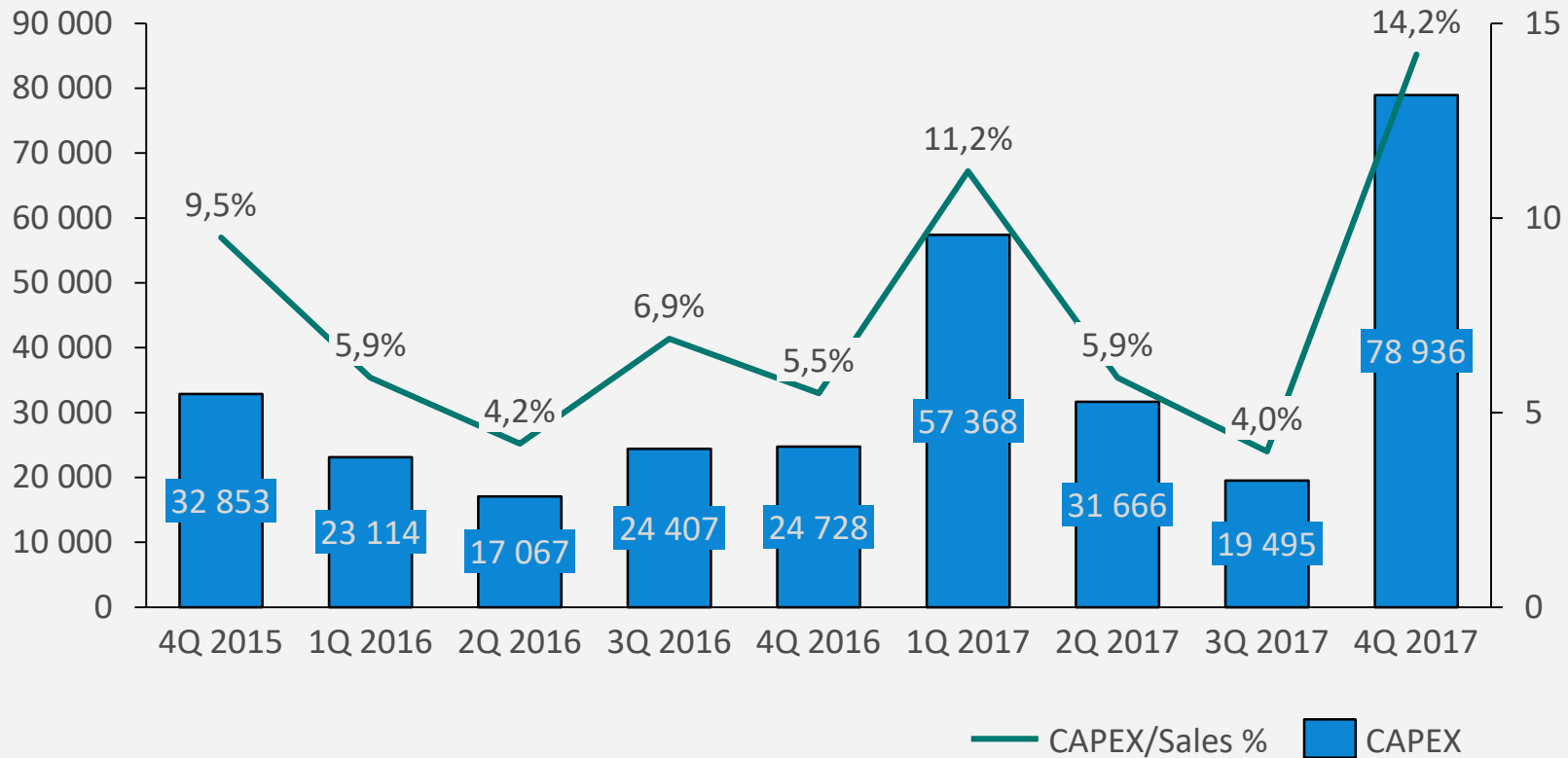


- The graph shows 12 months average working capital and average working capital relative to last twelve months revenue

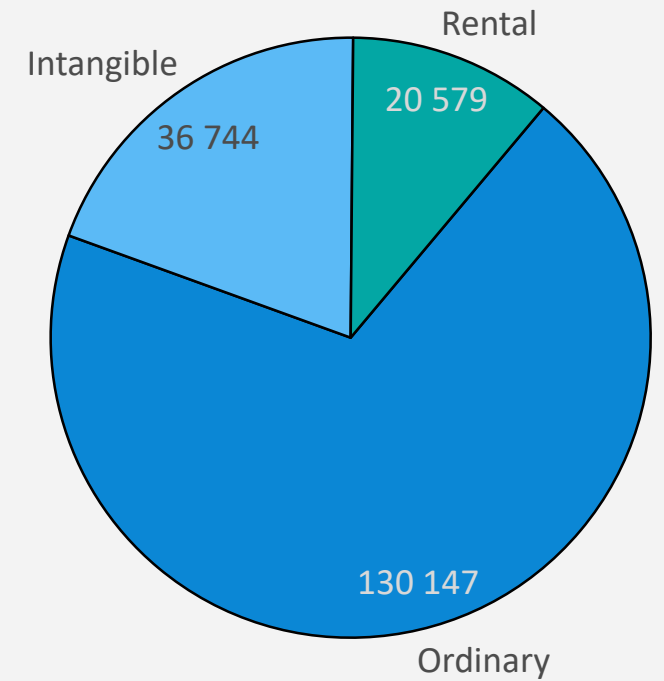
# CAPEX

CAPEX and CAPEX/Sales %

(TNOK)



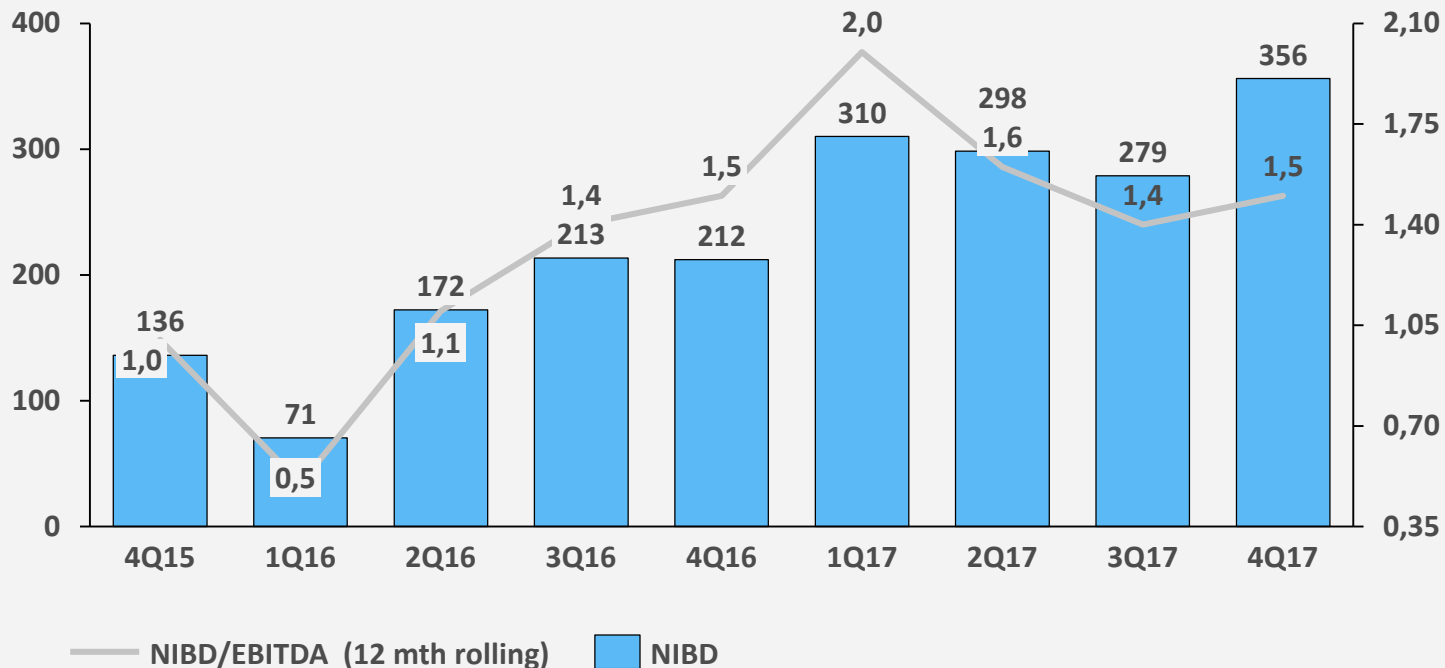
CAPEX breakdown 2017



\*Ordinary includes investment in new facilities in Helgeland Plast

# Net debt/EBITDA of 1.5

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



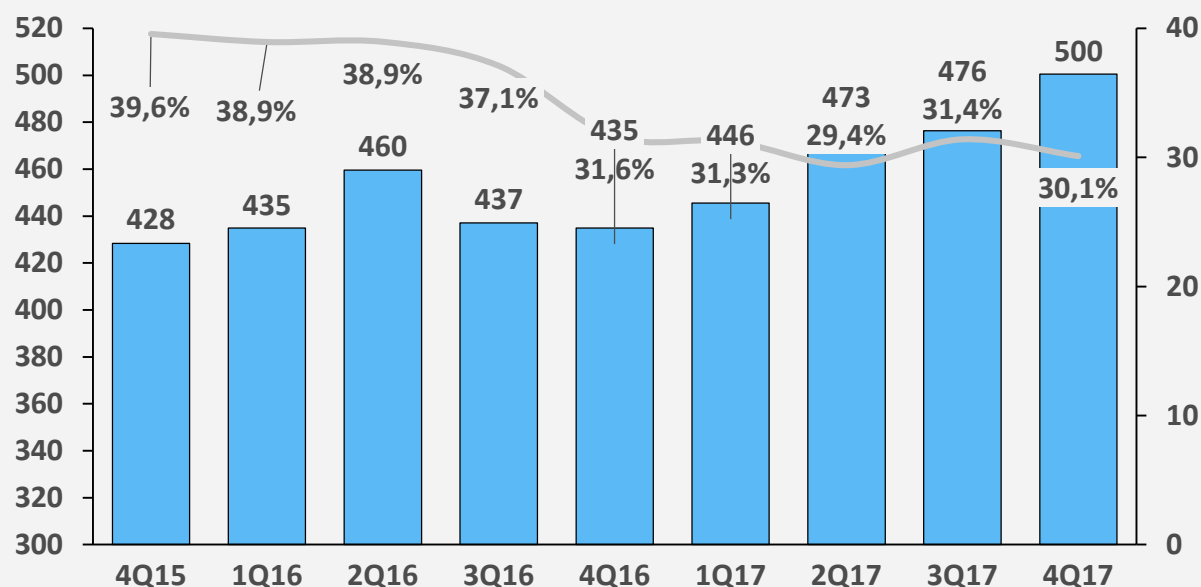
## Change in net debt (TNOK)

<b>Net debt 30.09.2017</b>	<b>278 762</b>
EBITDA	-59 961
Income taxes paid	17 900
Net interest paid	2 257
Capex	78 936
Acquisitions / Divestments	5 200
Long-term financial assets	-4 660
Paid dividend	-
Buyback own shares	-
Sale of fixed assets	-5 895
Currency effects	966
Other changes in working capital	42 574
<i>Net change</i>	77 318
<b>Net debt 31.12.2017</b>	<b>356 080</b>

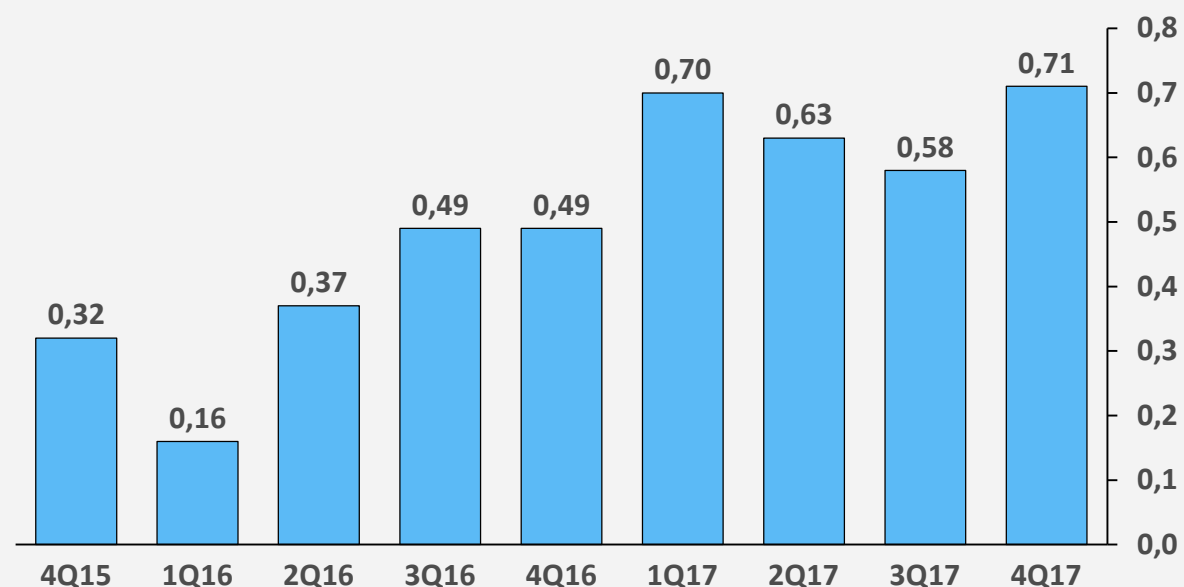


# Group financial profile – remains strong, continued

## Equity and Equity / Total Balance

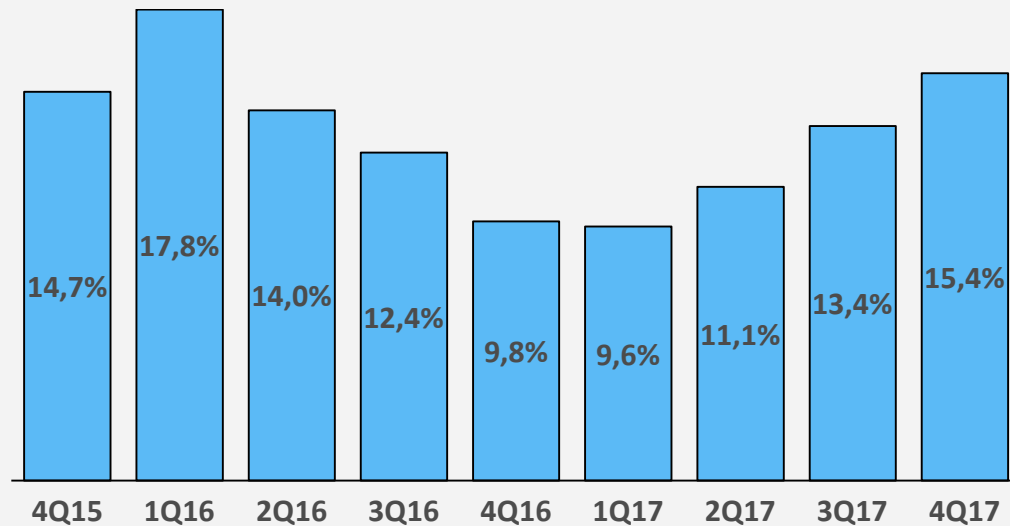


## NIBD / Equity

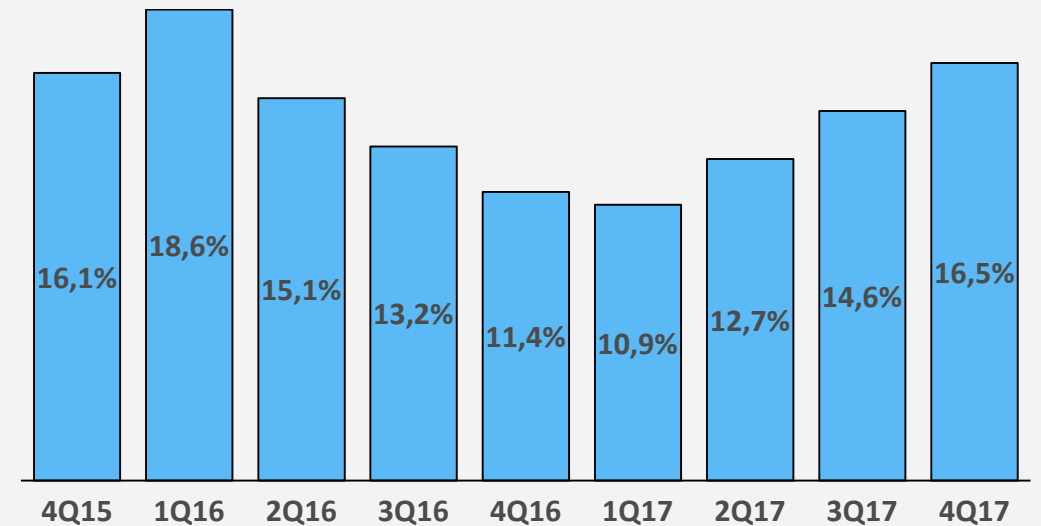


# Group financial profile – remains strong, continued

## ROCE



## ROACE



# Cash flow statement

<b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW</b> (NOK 1 000)	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>Q4</b>	<b>Q4</b>	<b>YTD</b>	<b>YTD</b>	<b>Total</b>
Net cash flow from operations	36 153	11 932	195 535	105 596	105 596
Net cash flow from change in working capital	-42 574	95 646	-122 851	106 050	106 050
Net cash flow from operational activities	-6 421	107 578	72 684	211 645	211 645
Net cash flow from investment activities	-27 983	-123 326	-102 672	-260 324	-260 324
Net cash flow from financial activities	23 979	52 070	-22 346	105 646	105 646
Net change in cash and cash equivalents	-10 426	36 322	-52 334	56 967	56 967
Net foreign exchange differences	4 163	3 034	3 759	-941	-941
Cash and cash equivalents at the beginning of the period	123 232	126 187	165 543	109 517	109 517
Cash and cash equivalents at the end of the period	116 969	165 543	116 969	165 543	165 543

# Balance sheet

BALANCE SHEET (MNOK)	2017	2016
	31.12	31.12

<b>ASSETS</b>	<b>1 663</b>	<b>1 376</b>
Intangible non-current assets	596	575
Tangible non-current assets	246	151
Financial non-current assets	7	6
Inventory	238	186
Receivables	459	292
Cash and cash equivalents	117	166
<b>LIABILITIES AND EQUITY</b>	<b>1 663</b>	<b>1 376</b>
Equity	500	435
Minority interest	1	0
Long-term interest bearing debt	351	348
Short-term interest bearing debt	122	30
Non-interest bearing liabilities	689	563



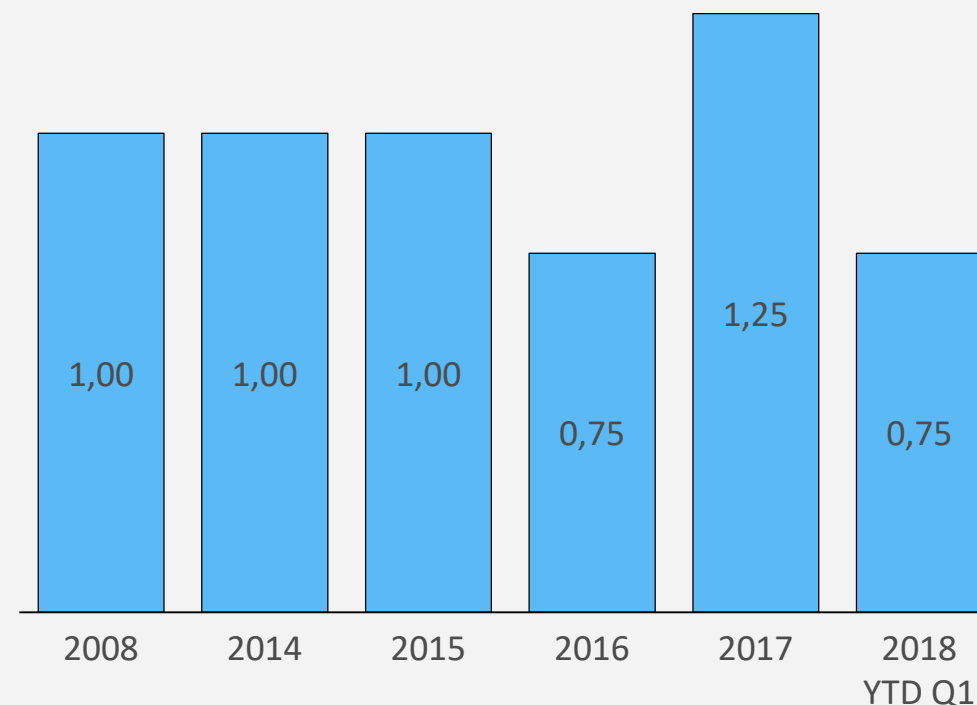
# Dividend and dividend policy

## *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 2018

## Cash Dividend



# 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 ALFRED BERG		NOR
525 414	2,0 %	VPF NORDEA KAPITAL		NOR
470 246	1,8 %	EIKA NORGE		NOR
461 232	1,8 %	STATOIL PENSJON		NOR
397 623	1,5 %	VPF NORDEA AVKASTNING		NOR
381 300	1,5 %	MP PENSJON PK		NOR
300 000	1,2 %	NORDEA NORDIC SMALL		FIN
300 000	1,2 %	MERTOUN CAPITAL AS		NOR
274 300	1,1 %	METZLER EURO SMALL +		IRL
267 071	1,0 %	NORDEA 1 SICAV		LUX
228 315	0,9 %	VERDIPAPIRFONDET NOR		NOR
192 213	0,7 %	VERDIPAPIRFONDET DNB		NOR
157 156	0,6 %	SIX SIS AG	Nominee	CHE
150 000	0,6 %	DAHLE BJØRN		NOR
147 147	0,6 %	FORTE TRØNDER		NOR
145 653	0,6 %	ROGALAND SJØ AS		NOR
140 625	0,5 %	OLE MOLLAUG EIENDOM AS		NOR
115 346	0,4 %	STATOIL FORSIKRING AS		NOR
<b>22 956 118</b>	<b>88,9 %</b>	<b>20 largest shareholders</b>		
2 878 185	11,1 %	Other		
<b>25 834 303</b>	<b>100,0 %</b>	<b>Total number of shares as per 31.12.2017</b>		

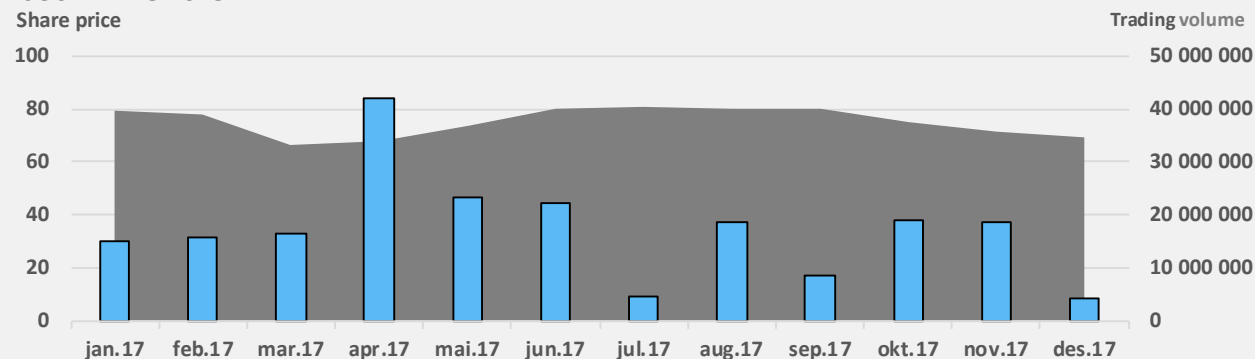
## Origin of shareholders, 5 largest countries

No of shares	%	Origin	No of shareholders
20 282 685	78,5 %	Norway	953
3 945 688	15,3 %	Great Britain	20
351 305	1,4 %	Luxembourg	5
343 352	1,3 %	Ireland	4
338 551	1,3 %	Finland	4
572 722	2,2 %	Other	109

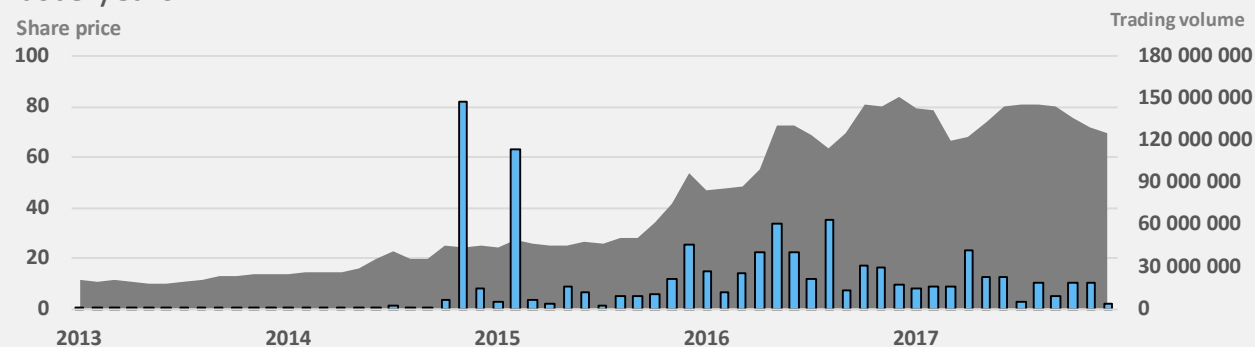
Total number of shareholders: 1 095 - from 25 different countries

## Share development

### Last 12 months




### Last 5 years



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 Outlook – by CEO Hallvard Muri

# AKVA group in brief



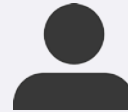
Leading  
technology  
and service  
partner



Listed on  
Oslo stock  
exchange  
since 2006



Deliveries  
in 65  
countries  
over 40  
years



Companies  
in 11  
countries.  
956  
employees



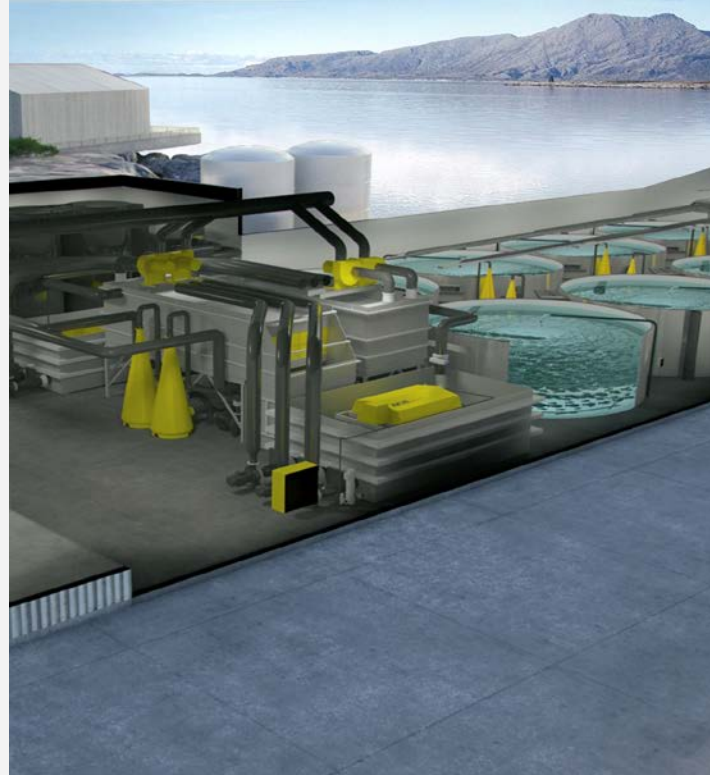


# Turn-key solutions

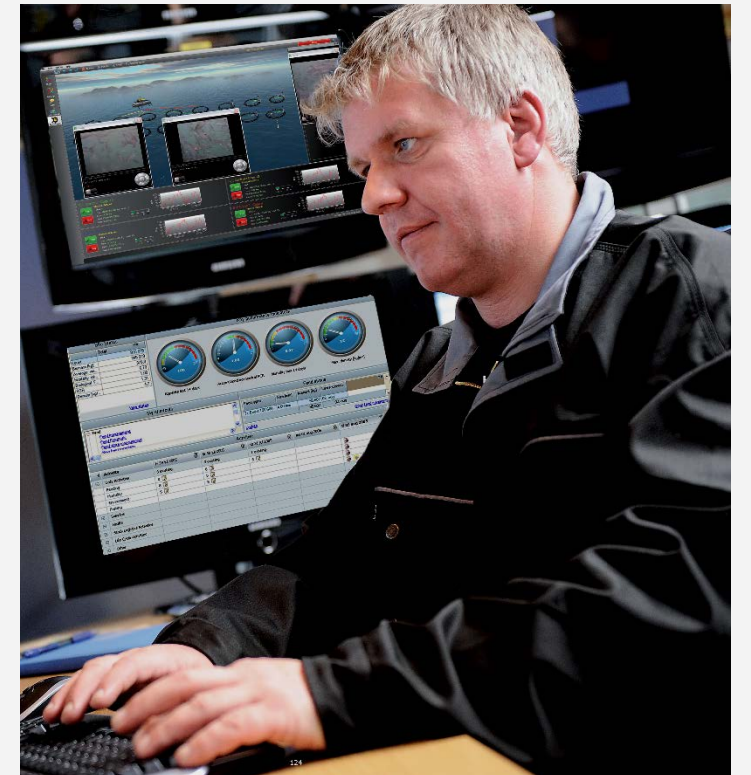
## Cage Based Technology



## Land Based Technology



## Software



CAPEX Based Revenue

CAGE BASED TECHNOLOGY



LAND BASED TECHNOLOGY



**SOFTWARE:** Fishtalk  
AKVAconnect  
Support

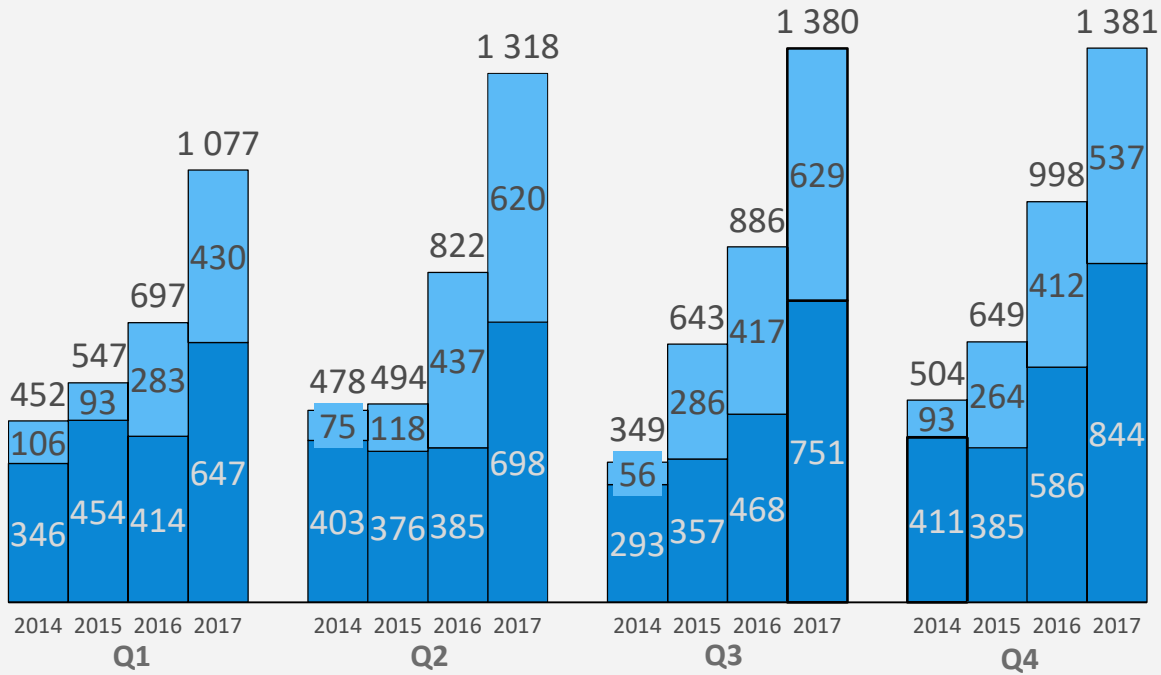


**MARINE SERVICES  
& AFTER SALE  
SERVICE:** Marine services  
Rentals  
After sale services

OPEX Based Revenue

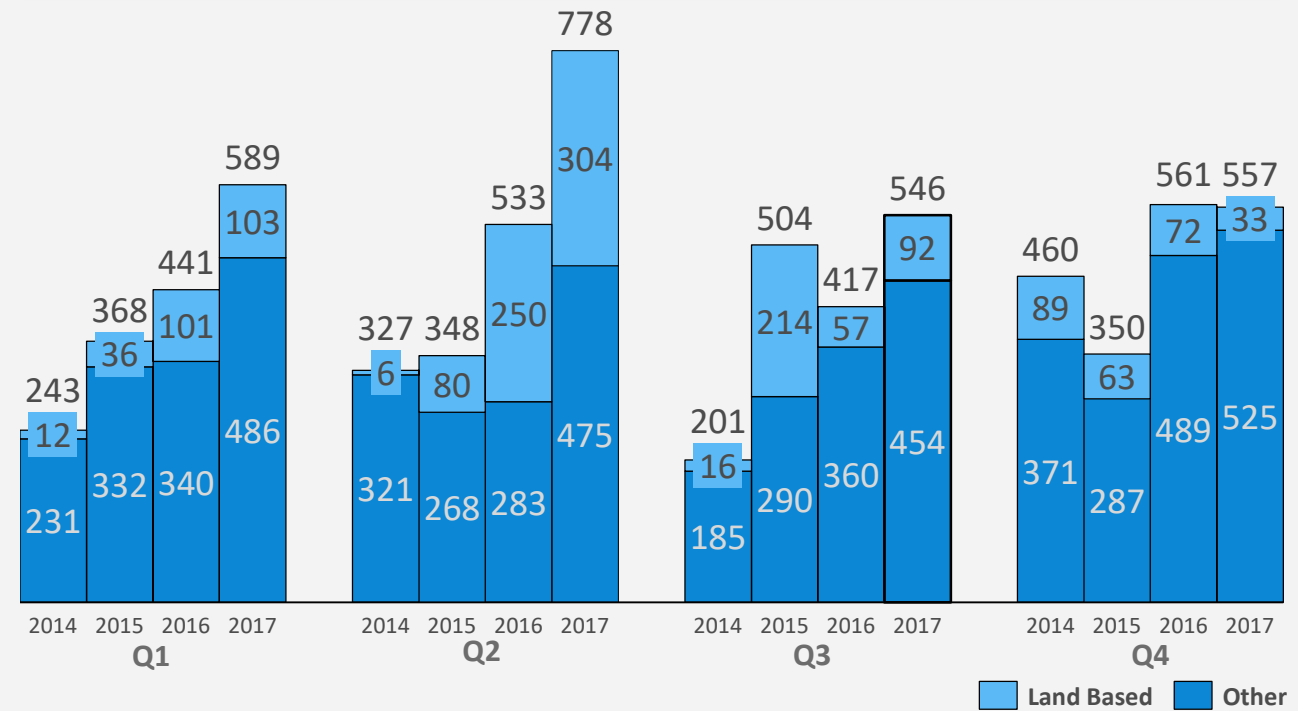
# Order backlog and inflow, 2014 through 2017

## Order backlog



- Strong order backlog, 1,381 MNOK
- 39% of total order backlog relates to Land Based Technology (LBT)

## Order intake



- High market activity and order intake of 557 MNOK

# 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 outside Nordic Markets
- Expanding services and OPEX based business
- Product improvements and optimization





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

