



## **Blå bioøkonomi 28 januar 2016**

***“Hvor uendelig er potensialet – et blikk fra investorene?”***

**- Petter Dragesund, Partner Pareto Securities Corporate Finance**

# Global presence, investor reach and placing power

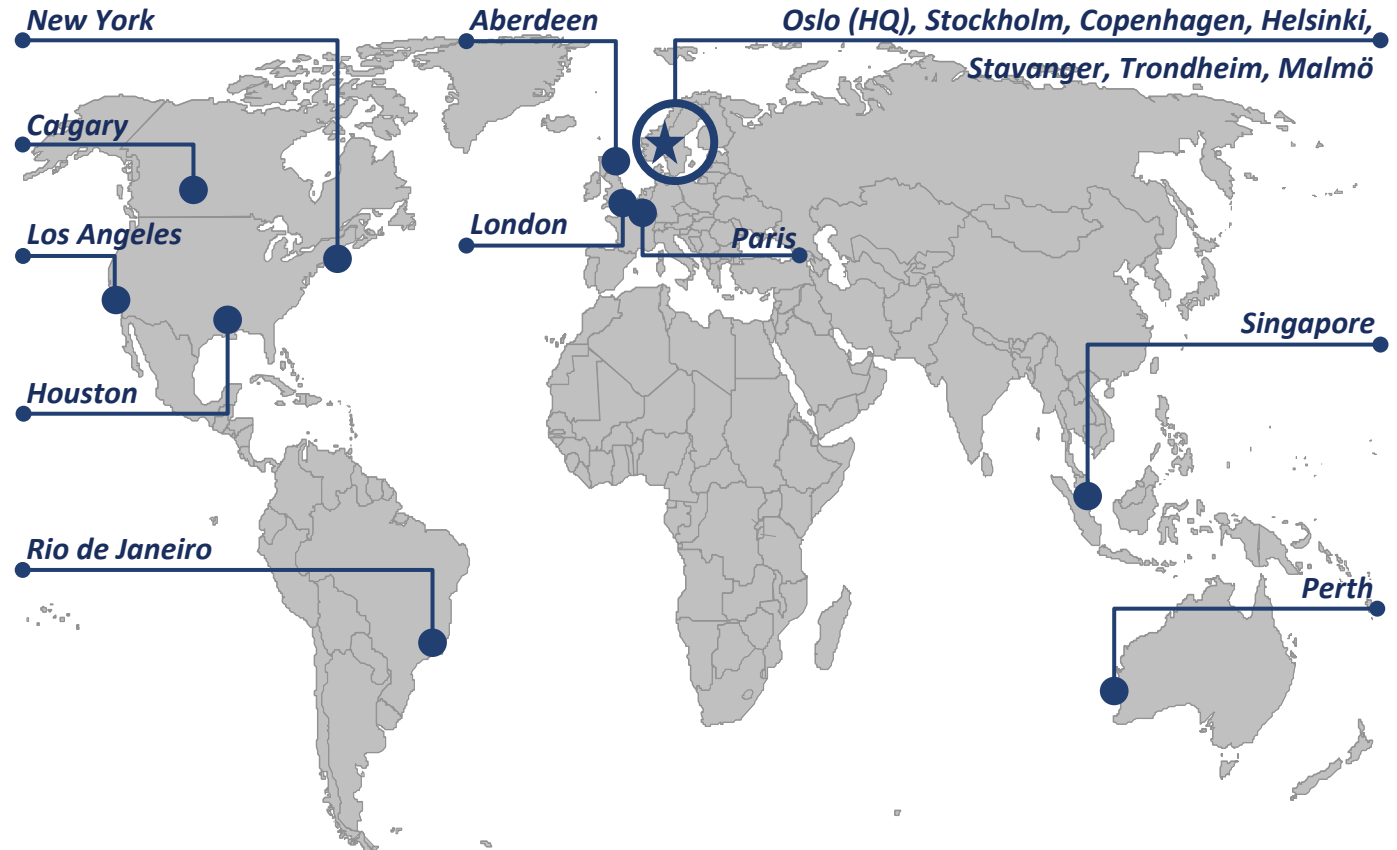
*Advising clients globally in equity and debt capital markets, M&A and financial restructuring*

**Global client base across our core industries**

**Global placing power with majority of capital raised from investors based in US, UK, Continental Europe and Asia**

- Hedge funds
- Credit funds
- Mutual funds
- Emerging market funds
- Special situation funds
- Distressed capital funds
- Industrials
- Proprietary trading desks
- Family offices
- Private wealth

**Pareto's global investor base also includes investors who are specialized within our core segments, and that other investment banks do not serve**



# Pareto is the leading advisor for the seafood industry

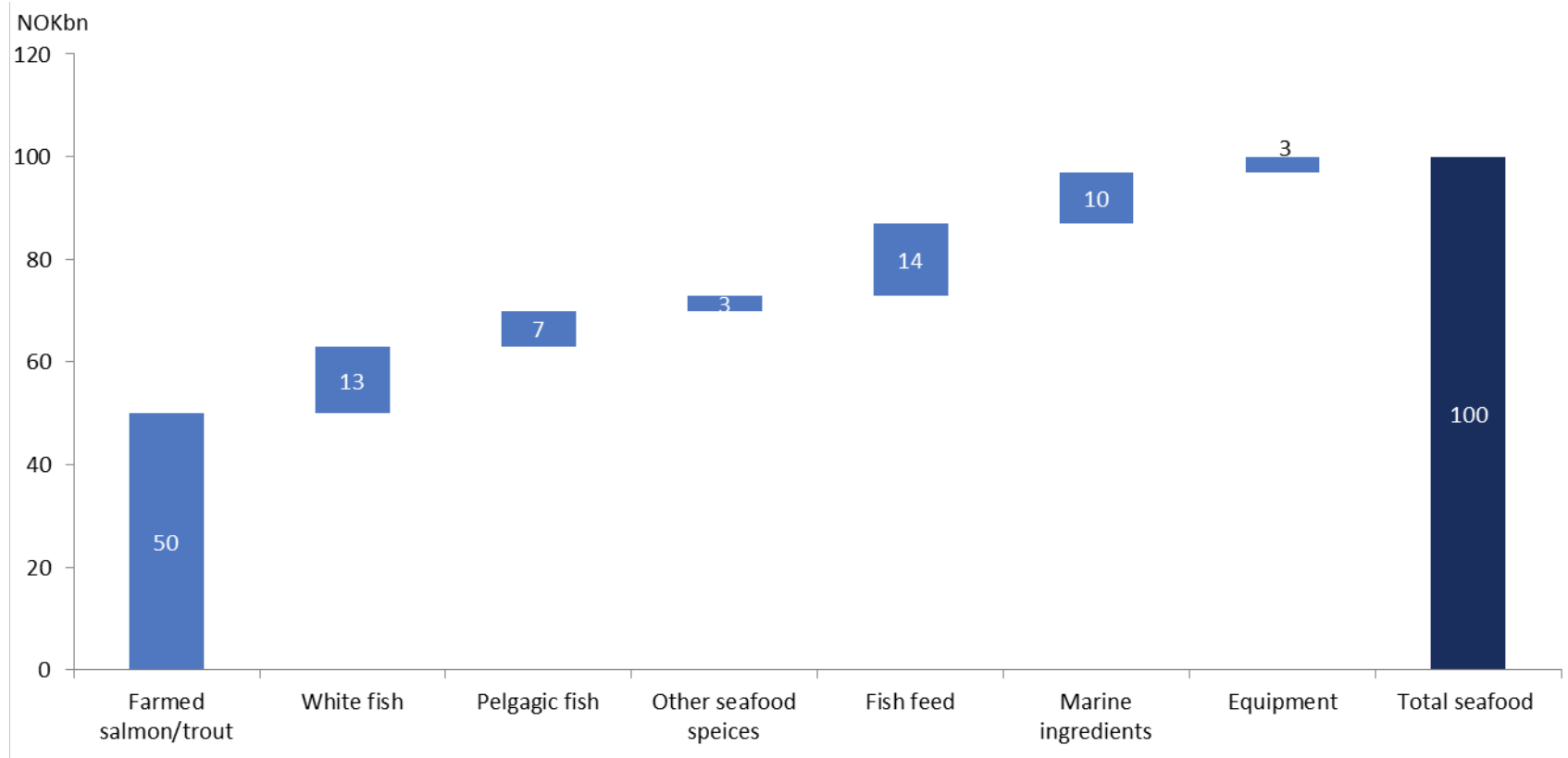
Selected seafood clients by year



\*Pareto seafood team clients at previous employer

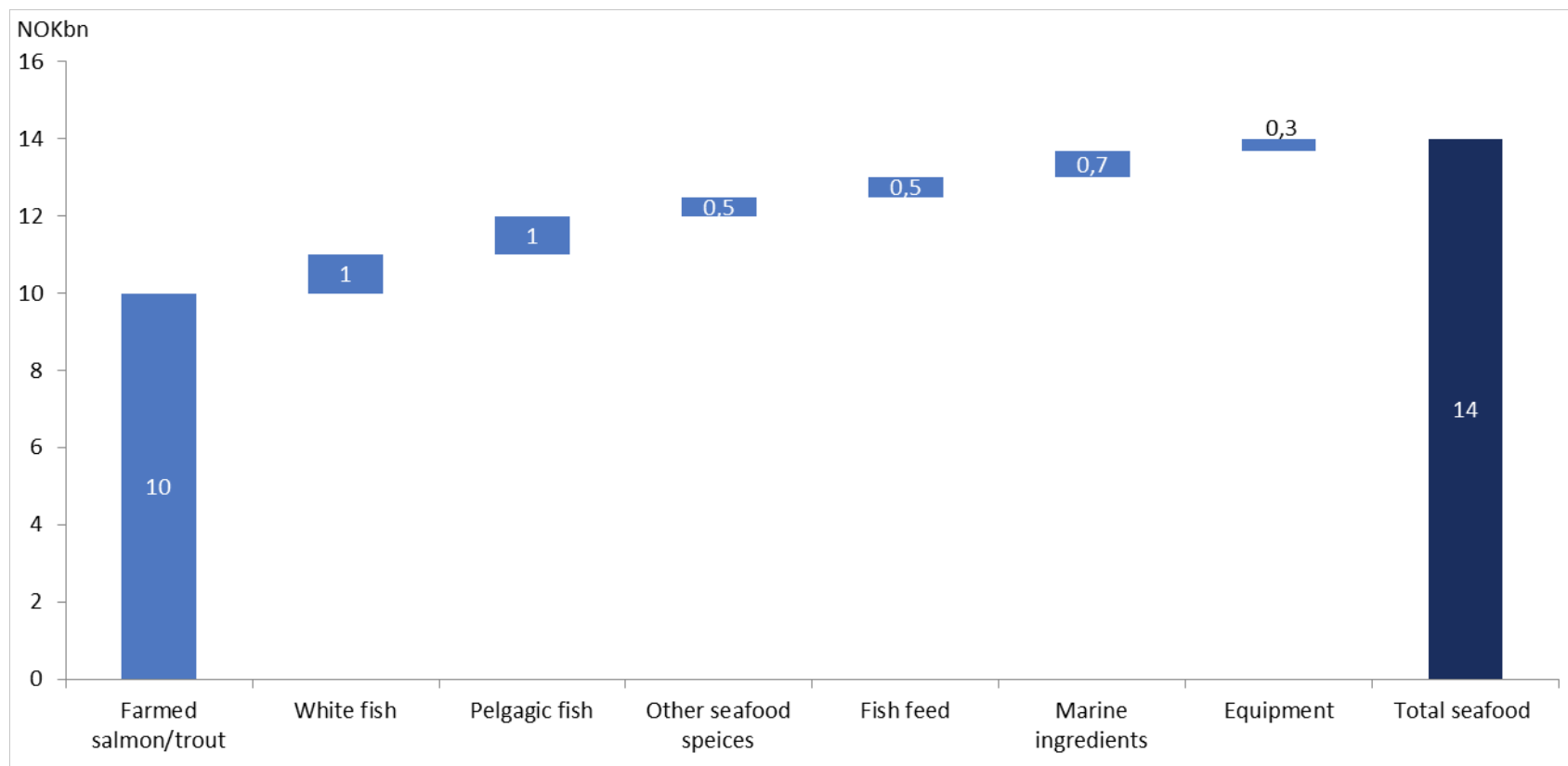
# Total revenue in the Norwegian seafood industry 2015 (est)

Salmon farming still the most important sector



Source: Pareto Securities

# Total EBIT by segments 2015(est)



Source: Pareto Securities

# Seafood stocks on Oslo Børs

*Increasing importance for the investor community*

## Oslo Børs 2005

Company	Mcap (NOKm)	% of total
1 Statoil	339,386	24.21
2 Norsk Hydro	179,455	12.80
3 Telenor	113,060	8.07
4 DnB NOR	96,255	6.87
5 Orkla	58,216	4.15
6 Yara International	30,923	2.21
7 Aker Kværner	22,810	1.63
8 Aker A-aksjer	22,726	1.62
9 Norske Skogindustrier	20,372	1.45
10 Royal Caribbean Cruises	18,144	1.29
11 Stolt Offshore	15,132	1.08
12 Storebrand	15,059	1.07
13 Fred. Olsen Energy	14,864	1.06
14 Stolt-Nielsen,	14,693	1.05
15 Schibsted	13,919	0.99
40 Cermaq	5,064	0.36
60 Pan Fish	2,891	0.21
61 Lerøy Seafood Group	2,875	0.21
65 Fjord Seafood	2,625	0.19
78 Aker Seafoods	2,092	0.15
166 Domstein	381	0.03
<b>Total Seafood</b>	<b>15,928</b>	<b>1.15</b>

## Oslo Børs 2010

Company	Mcap (NOKm)	% of total
1 Statoil	441,946	24.42
2 Telenor	157,168	8.68
3 DnB NOR	133,399	7.37
4 Yara International	97,481	5.39
5 Seadrill	87,550	4.84
6 Norsk Hydro	69,078	3.82
7 Royal Caribbean Cruises	58,709	3.24
8 Orkla	58,340	3.22
9 Gjensidige Forsikring	29,250	1.62
10 Acergy	27,878	1.54
11 Aker Solutions	27,194	1.50
12 Subsea 7	22,442	1.24
13 Marine Harvest	22,057	1.22
14 Petroleum Geo-Services	19,787	1.09
15 Storebrand	19,639	1.09
24 Lerøy Seafood Group	10,834	0.60
27 Austevoll Seafood	10,055	0.56
33 Cermaq	8,325	0.46
40 SalMar	6,334	0.35
66 Morpol	3,612	0.20
71 Copeinca	3,261	0.18
78 Bakkafrost	2,418	0.13
81 Grieg Seafood	2,088	0.12
127 Aker Seafoods	769	0.04
131 Norway Pelagic	687	0.04
156 Sølvtrans Holding	370	
168 AKVA Group	277	0.02
185 Domstein	130	0.01
194 Codfarmers	91	0.01
<b>Total Seafood</b>	<b>71,308</b>	<b>3.94</b>

## Oslo Børs Jan. 2016

Company	Mcap (NOKm)	% of total
1 Statoil	341,823	20.65
2 Telenor	216,961	13.11
3 DNB	159,052	9.61
4 Yara	92,621	5.60
5 Orkla	70,153	4.24
6 Gjensidige Forsikring	67,100	4.05
7 Norsk Hydro	59,815	3.61
8 Marine Harvest	52,660	3.18
9 Schibsted	29,701	1.79
10 Salmar	18,581	1.12
11 Lerøy Seafood	17,956	1.08
12 Kongsberg Gruppen	16,140	0.98
13 Subsea 7	15,573	0.94
14 Frontline	14,865	0.90
15 Storebrand	14,343	0.87
17 Bakkafrost	13,514	0.82
24 Austevoll Seafood	11,149	0.67
57 Norway Royal Salmon	3,453	0.21
61 Grieg Seafood	3,149	0.19
68 Havfisk	2,353	0.14
87 Sino Agro Foods	1,409	0.09
93 AKVA Group	1,237	0.07
108 The Scottish Salmon Co	890	0.05
113 NTS	759	0.05
159 Hofseth BioCare	322	0.02
<b>Total seafood</b>	<b>127,432</b>	<b>7.70</b>



# Leading companies are being picked up by int'l giants

*Often at a considerable valuation premium*



- ▶ NOK 850m
- ▶ 9x EBITDA



- ▶ USD 345m (NOK 2,070m)



*cermaq*

- ▶ NOK 11,100m (USD 1.75bn)
- ▶ 11x EBITDA



- ▶ EUR 1,350m (NOK 12,700m)
- ▶ 17x EBITDA



- ▶ NOK 205-235m
- ▶ 17-19x EBITDA



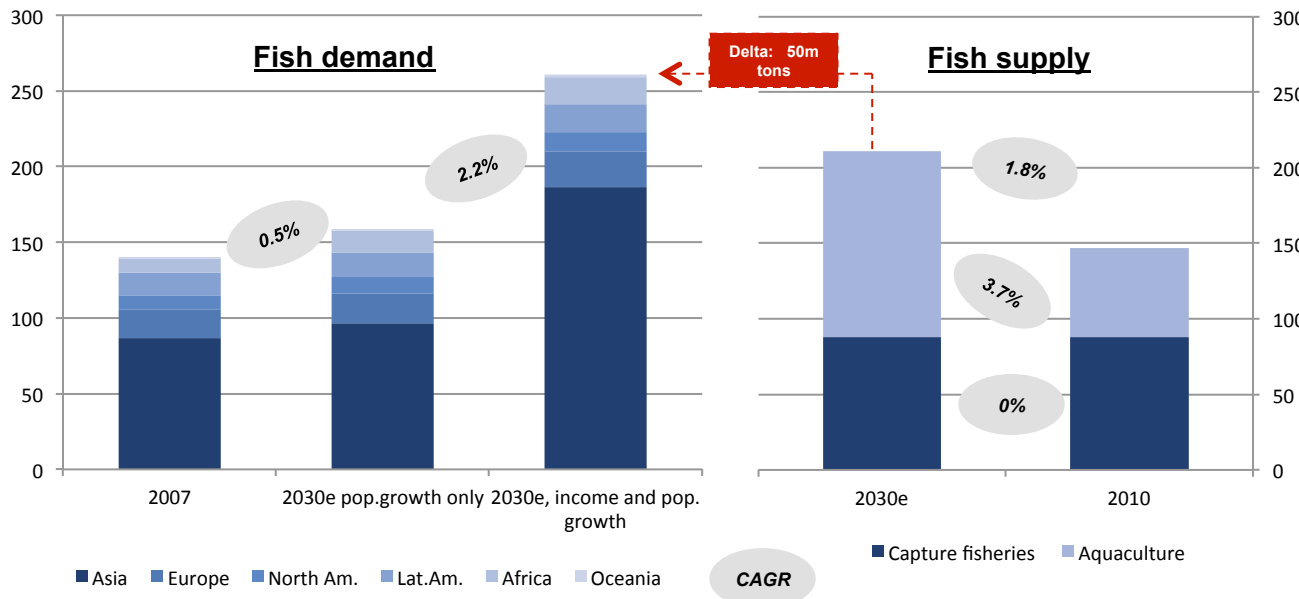
- ▶ NOK 4,854m
- ▶ 7.7x EBITDA



- ▶ USD 765m (NOK 6,500m)
- ▶ 10x sales! 42x EBITDA

# Why Pareto is focusing on this industry . . .

## 2030 FAO projections (mill. tons)



- Increasing world demand will require more seafood supply
- However, the seafood sector is small in the financial markets. Hence competence and insights is much needed by investment banks in order to bring capital to the seafood sector and companies
- Pareto is playing a key role in making new and existing initiatives materialise

## Demographics support higher demand for proteins

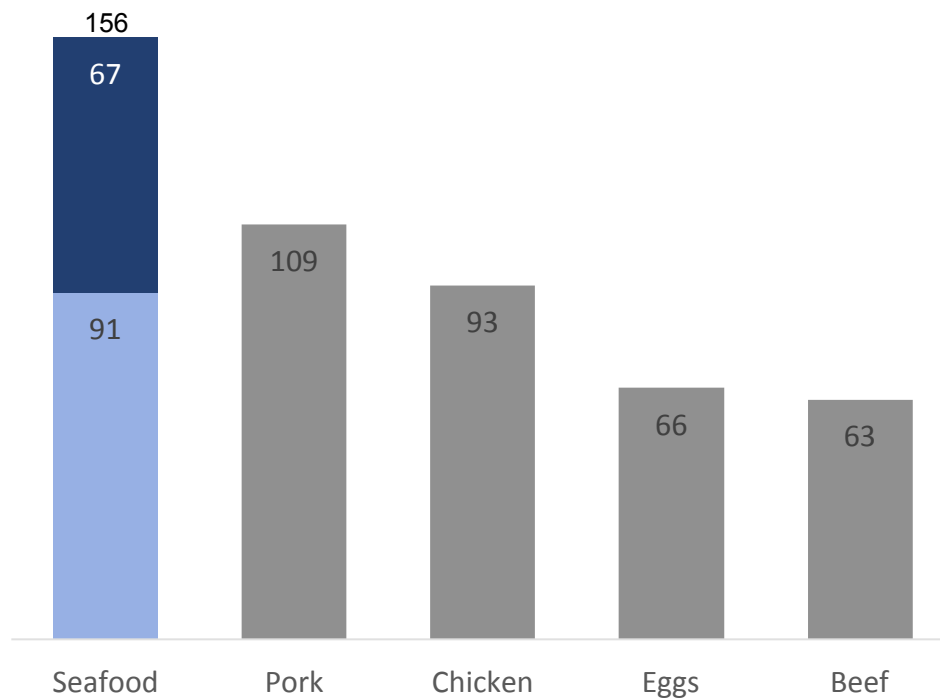


Source: FAO

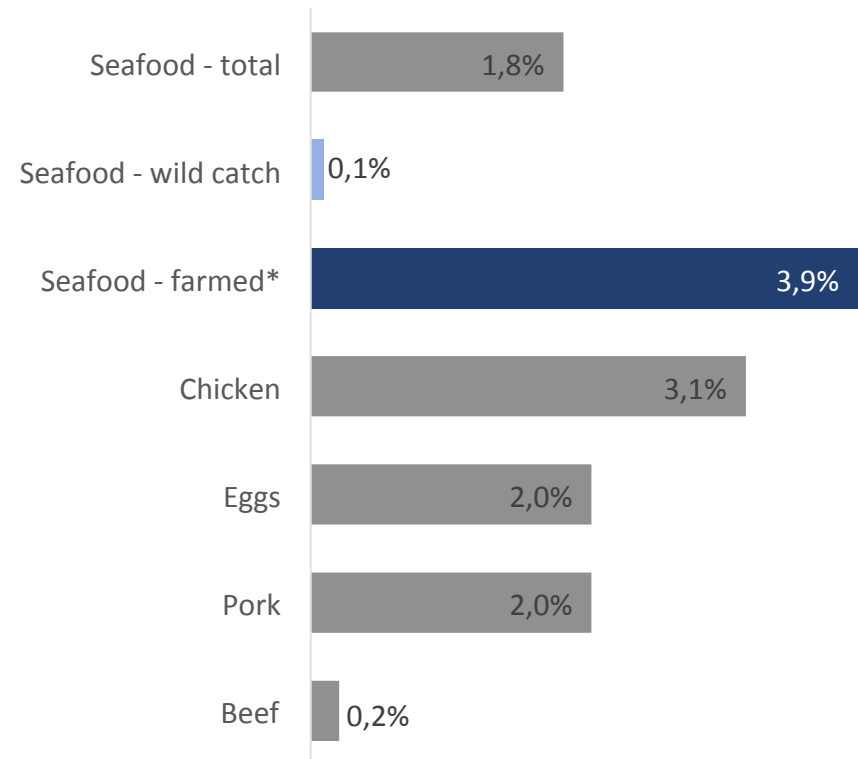


# The largest and fastest growing\* protein source

## Global protein supply (2012 mill MT)

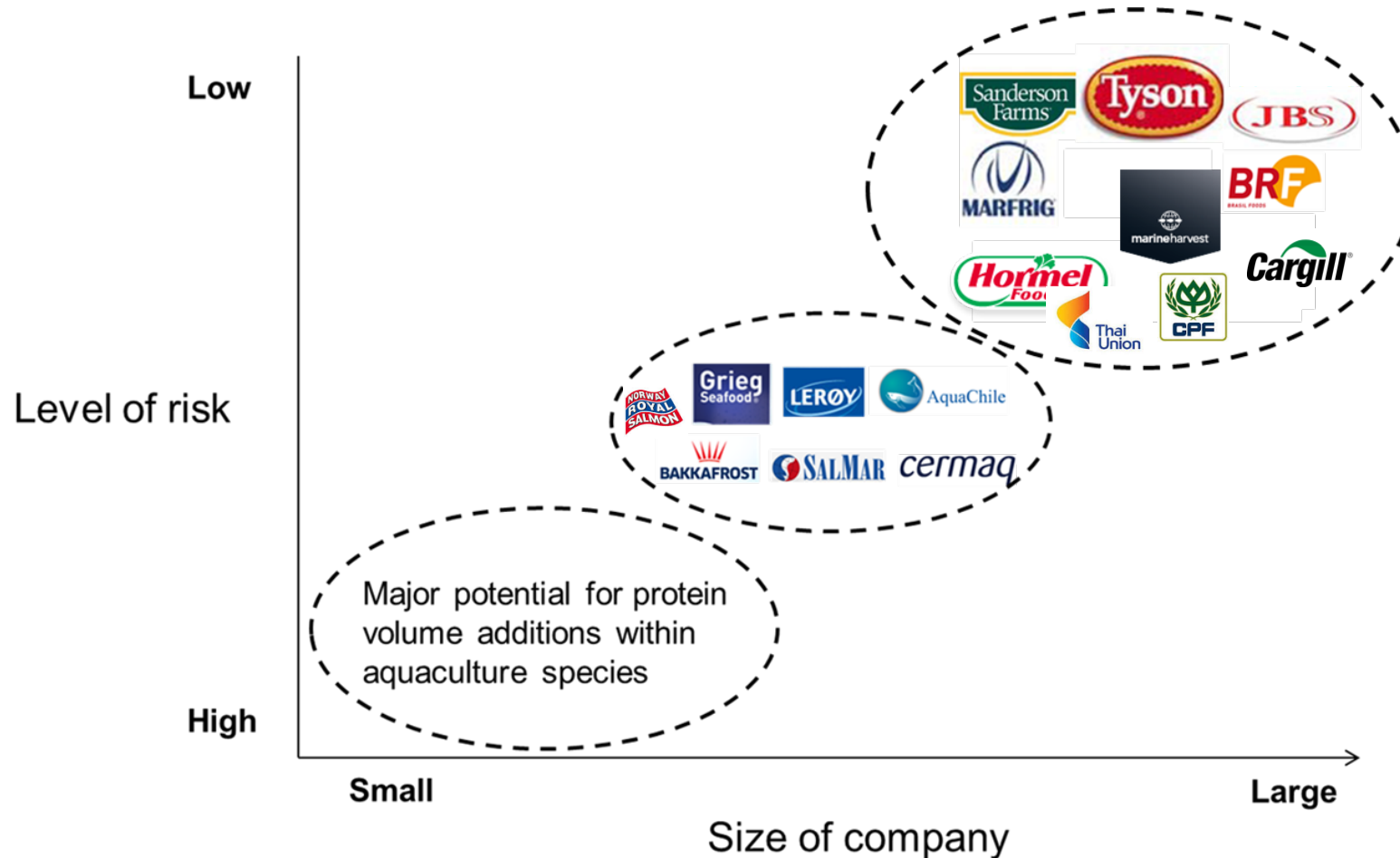


## Projected growth of protein supply (2013-2020)



# Seafood is still a small industry compared to the mature and integrated meat protein industry

Marine Harvest is the only salmon farmer that can be compared to large proteins co's in terms of size & risk level

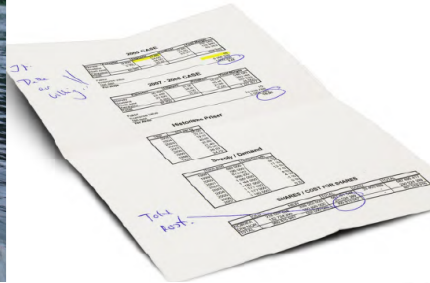


# The early mover – did he really see this coming . . . ?

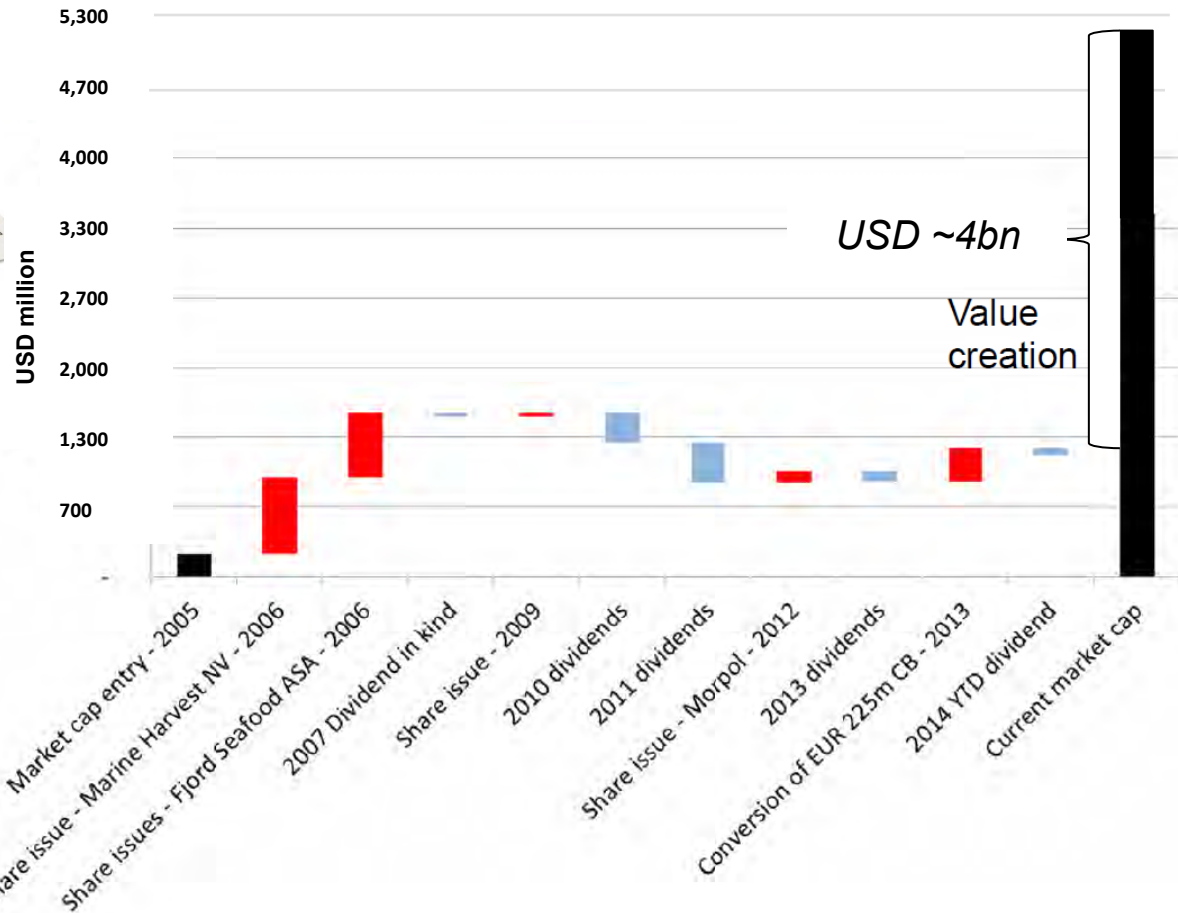
## Mr. Fredriksen’s “harvest story”



The original half page research



### Marine Harvest value creation history with Mr. Fredriksen



#### Lessons learned (quote from Fredriksen):

- SIZE creates flexibility to serve our large customers better
- SIZE reduces risk
- SIZE gives some purchasing power
- SIZE and a strong VAP division creates flexibility

Source: Presentation held by Mr. Tor Olav Trøim (previous Fredriksen employee) in March 2014  
 Values are based share capital before conversion of convertible bond in April 2015. The appropriate ownership for Mr. Fredriksen’s shares are hence 29.3%

# Norwegian and international marine ingredients focus

## Norway – several marine ingredients clusters

- BioPrawn
- Akva-Ren
- ArcticZymes
- Calanus
- CLAR
- OliVita
- AYANDA
- Cognis Scandinavia
- ConTra
- +++

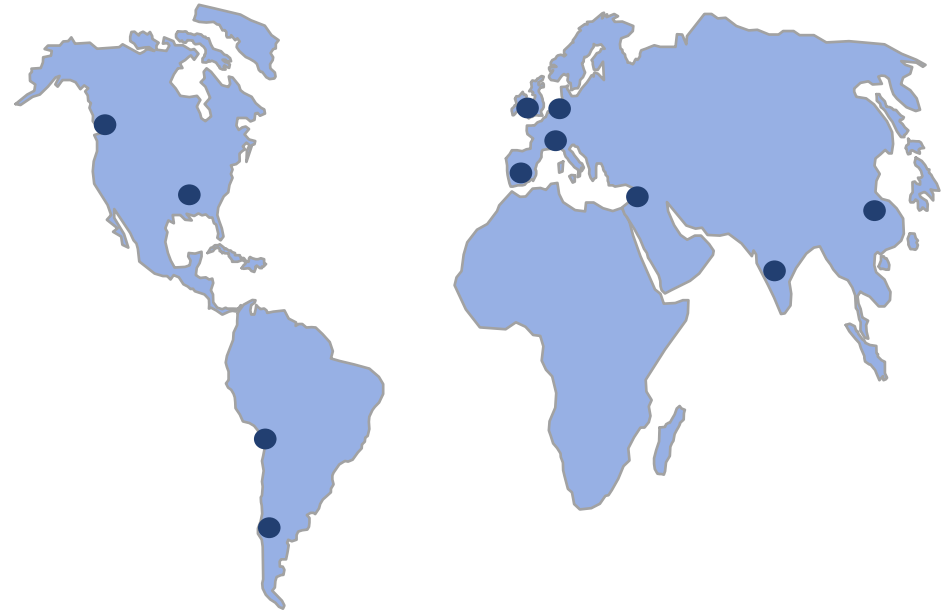
- Maritex
- Sigmarine
- Nordlaks
- Algea
- Axellus Den.
- Aquarius
- Marealis
- Eximo

- Biokraft
- Napro Pharma
- Firmenich Bjørge
- Polargodt
- G.C. Rieber Oils
- Fortuna Oils
- Hofseth Biocare
- Axellus
- Hordafor
- Biomega
- Aqua Bio Tech.
- Primex BioChem.
- Nutrimar
- +++

- ScanBio
- Berg Lipidtech
- Pharma Marin
- Algea
- Hydral
- Vital Seafood
- EPAX
- Fjordlaks
- Seagarden
- Rieber & Søn
- FMC Biopolymer
- MHG Ingredients

- Pronova Biopharma
- Aker Biomarine
- Regenetics
- Omegatri
- Eco Marine
- Marine Bioenergy
- +++

## International – global presence



- Martek (US)
- Neptune Technologies (US)
- OmegaBrite (UK)
- Solutex (Spain)
- Copalis (Switzerland)
- Copeinca (Peru)
- Diamante (Peru)
- Hayduk (Peru)
- Smit & Zoon (Netherlands)
- NCPC (China)
- Cellana (US)
- Algaeon (US)
- TripleNine Fish Protein (Denmark)
- +++

- Marine Ingredients (US)
- Ocean Nutrition Canada (Canada)
- Croda International (UK)
- Firmenich (Switzerland)
- LYSI HF (Iceland)
- TASA (Peru)
- Austral (Peru)
- Exalmar (Peru)
- Oniactive (India)
- ZMC (China)
- Ternion Bio Industries (US)
- Alga Technologies (Israel)

# From NOK 10 per kg to 1100 per kg final product

Production process and contribution margin - example for Romega 30 Premium (approximately 80% of revenues)



Purchase of raw materials	Transportation & logistics	Processing and packaging	Sales and distribution	
<p>Purchase of frozen Norwegian spring spawning roe from Norway Pelagic. When processed the roe contains 70% water/liquid and 30% solid matter. Of the solid matter a fraction of 13% provides the basis for Romega products 75% protein and 12% waste. The protein represents a high-quality bi-product, and sold separately.</p> <p>Cost per kg frozen roe 9,5 NOK/kg            Romega base yield (@ 65% phospholipid 3,9 %            Implied Romega 30% yield *) 8,5 %            Required roe volume per kg Romega 30 11,8 kg            Gross roe cost per kg Romega 30 product 112,4 NOK/kg</p> <p>Protein yield (75% of 30%) 22,5 %            Protein volume per kg Romega 30 product 2,7 kg            Protein sales price **) 7,0 EUR/kg            Protein value net of drying cost ***) { 16,6 EUR            149,1 NOK</p> <p>Purchase of fish oil for mix-in 230 NOK/L            Qty. fish oil per kg end product 0,5 l/kg            Cost of fish oil per kg end product 115 NOK/kg</p> <p><b>Raw material cost per kg end product 78 NOK/kg</b>            (raw material cost is net of sales price for protein as calculated above)</p>	<p>Transportation to Barcelona, Spain</p> <p>Average cost of 46 NOK/kg            (per kg end product)</p>	<p>Processing at Naturex plant in Spain, includes; unfreezing, ethanol extraction, inclusion of fish oil, and packaging. Separation and drying of protein which is sold separately.</p> <p>"All in" processing cost per kg of end product 56 EUR/Kg</p> <p>Production cost charged in 2014 = 56,14 EUR/Kg            This was recently increased to 62 EUR/kg, however, AN expect this to be reduced by 15% as volume increases from 2Q 2015.</p> <p>Longer term, the processing cost can potentially be reduced to 45 EUR/kg by changing to alternative provider of processing services, and longer term to 35 EUR/kg by investing in own facilities (possible at increased future volumes)</p>	<p>Assumed NOK/EUR 9,0 NOK/EUR</p> <p>Average price (based on 120 EUR/KG for distributors and 135 EUR/KG for end customers) { 125 EUR/kg            1125 NOK/kg</p> <p>COGS/kg (NOK) 628 NOK/kg</p> <p><b>Contribution margin 44 % 497 NOK/kg</b></p> <p>A potential reduction in production cost to EUR 45/kg will increase nominal contribution margin with 99 NOK/kg            Representing a profitability increase of 20 %</p>	

\*) The base yield represents 65% phospholipid concentration. The Romega 30 product contains 30% phospholipid, and is based on a mix-in of fish oil in order to arrive at a 30% phospholipid content.

Therefore the Romega 30 yield is adjusted to a 30% equivalent in this calculation - adjustment factor = [gross yield \* (65%/30%)]. \*\*) Actual prices in the range 5,8 - 12,5. \*\*\*) drying cost at 7 NOK/KG

## Summary - the future of seafood and bio marine industries

**The bio marine and seafood industries has grown tremendously over the past decade and now represents a NOK 100bn industry with high importance for Norway**

**The underlying drivers for are very promising with favourable regulation, health-oriented consumers, technological advancements and growing seafood supply**

**Strong investor interest and M&A activity at high valuations demonstrates clear investor interest**

**Important to build companies across all sub-sectors that can deliver unique product/process with scalability**



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