

Seafood – Investment Perspectives

Astrup Fearnley Shipping & Energy Conference



17 January 2024

Nils Thommesen

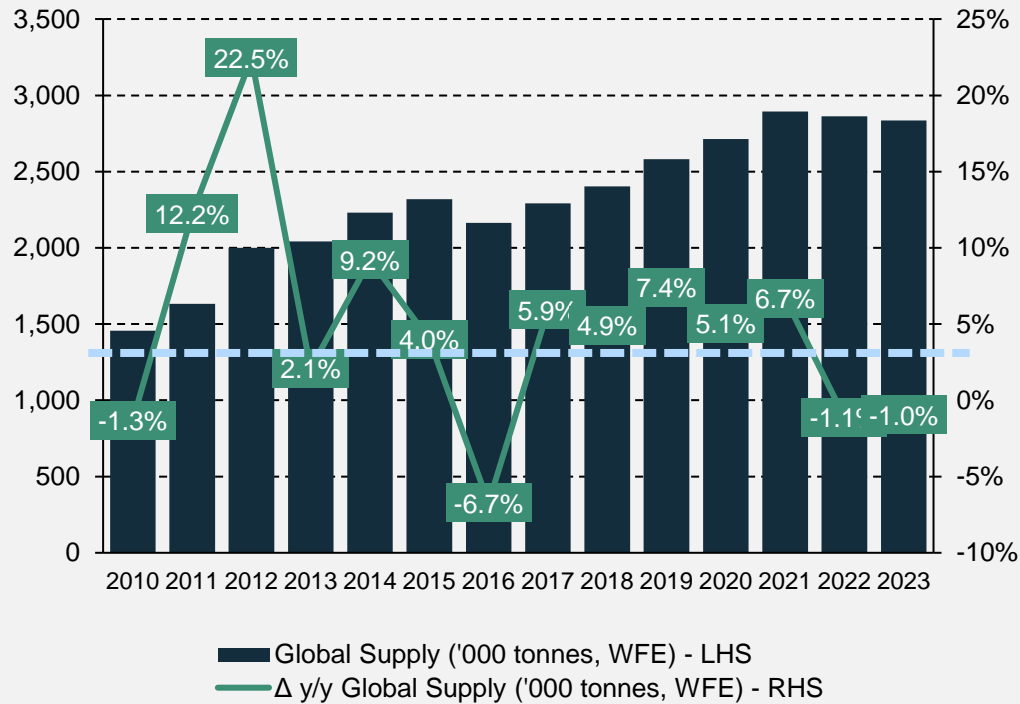
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No end to the supply-driven supercycle

Supply: 2010-2020 CAGR 6.4% | 2020-2030 2-3% CAGR?



Atlantic Salmon - Global Supply



Fish Pool Index (NASDAQ)



From cyclical...

...to secular

Source: Kontali, Fish Pool

Fundamentals setting the stage for a tight 2024

Biomass levels likely below or on par with the start of 2023



Biomass overview, y/y



• Norway

- Low seawater temperatures
- Jellyfish impacted losses, growth and avg. weights
- Potential for flat biomass y/y at the start of 2024

• Chile

- Lower smolt release in 2023 (-4% YTD)
- Fear of aggressive algae bloom season
- Believe in 3-5% lower biomass at the start of 2024

• Other

- UK – Challenging season over for now
- Canada – Limited growth in sight for '24
- Faroes – Volume recovery in the cards

Source: Norwegian Directorate of Fisheries, Aquabench

Potential for volume growth in 2024, but not a certainty

Growth rates in 1h24 and algae situation in Chile key factors to watch



Global Supply ('000 tonnes, WFE)	2020	2021	2022	2023E	2024E	2025E
Norway	1,369	1,532	1,517	1,493	1,553	1,599
UK	178	199	161	161	177	184
Ireland	16	16	19	17	18	18
Faroe Islands	81	106	100	90	105	113
Russia	11	23	19	24	24	24
Iceland	31	42	43	36	49	62
Total Europe	1,686	1,917	1,857	1,821	1,925	1,999
Chile	778	718	753	771	763	774
Canada	138	142	132	120	123	134
USA	20	19	20	19	19	19
Total Americas	936	879	904	909	904	927
Australia	83	88	89	90	92	92
Others	8	10	12	14	26	44
Total Global Harvest Volumes	2,713	2,894	2,862	2,835	2,947	3,062

Δ y/y Global Supply ('000 tonnes, WFE)	2020	2021	2022	2023E	2024E	2025E
Norway	3%	12%	-1%	-2%	4%	3%
UK	-6%	12%	-19%	1%	10%	4%
Ireland	2%	1%	18%	-12%	9%	0%
Faroe Islands	-7%	31%	-6%	-9%	16%	7%
Russia	-5%	109%	-20%	28%	0%	0%
Iceland	27%	33%	3%	-16%	36%	27%
Total Europe	1.6%	13.7%	-3.1%	-1.9%	5.7%	3.8%
Chile	13%	-8%	5%	2%	-1%	2%
Canada	0%	3%	-7%	-9%	3%	9%
USA	-4%	-5%	3%	-3%	-2%	0%
Total Americas	10.1%	-6.1%	2.9%	0.6%	-0.6%	2.5%
Australia	29%	6%	1%	2%	2%	0%
Other	22%	26%	17%	17%	86%	70%
Total Global Harvest Volumes	5.1%	6.7%	-1.1%	-1.0%	4.0%	3.9%

Source: Kontali, Fearnley

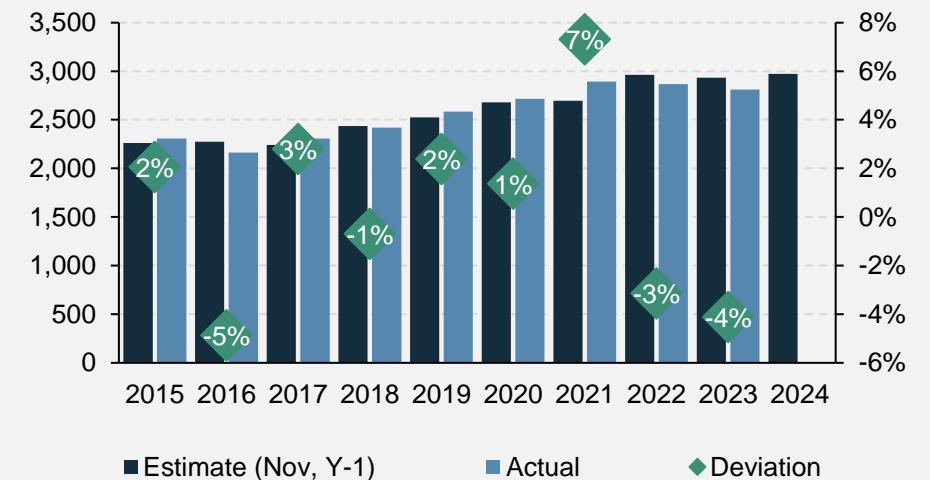
• We estimate 4% supply growth in 2024

- Assumes:
 - Productivity improvements in Norway
 - Normal biology in Chile

• Recent years have seen declining productivity in Northern Europe

- No growth scenario is still plausible in 2024

Global harvest volumes | Estimate vs. actual

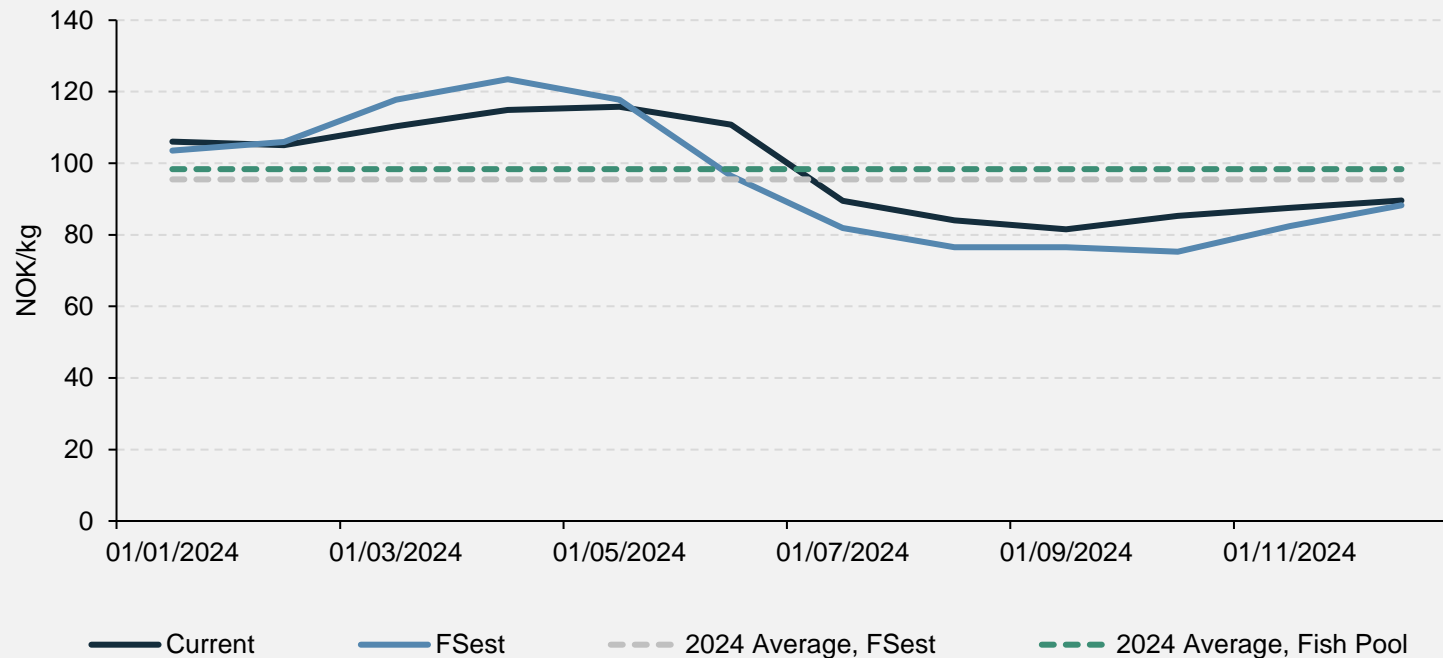


Prices expected to remain high, but how high?

Volatile start to 2024 – see short-term upside risk to CS expectations



NASDAQ - FSest and Forward Prices



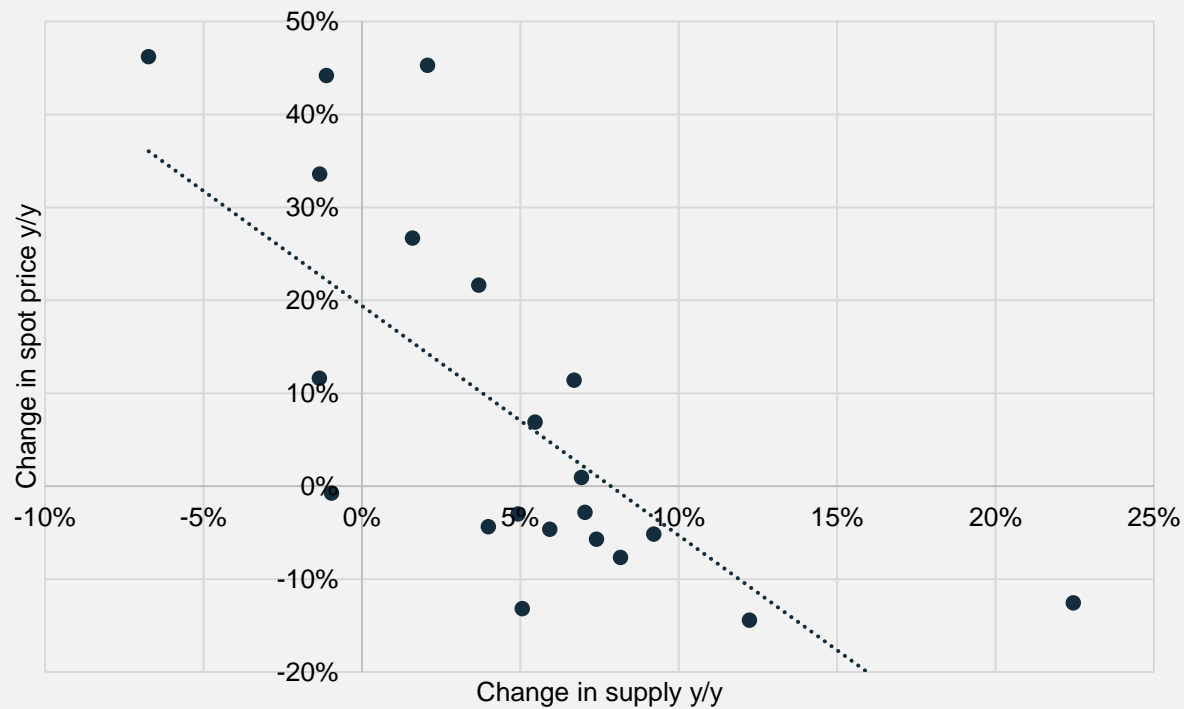
- **Positive outlook on prices (supply driven)**
- **FSest NOK 95/kg | FishPool NOK 98/kg**
- **Short-term potential for upwards revisions to 2024 CS at ~NOK 90/kg**
 - NOK 90/kg at current FX represents close to zero demand growth

Source: Fish Pool, Fearnley

Supply outlook supports continuously high prices



Global Supply Change vs. Salmon Price EUR/kg



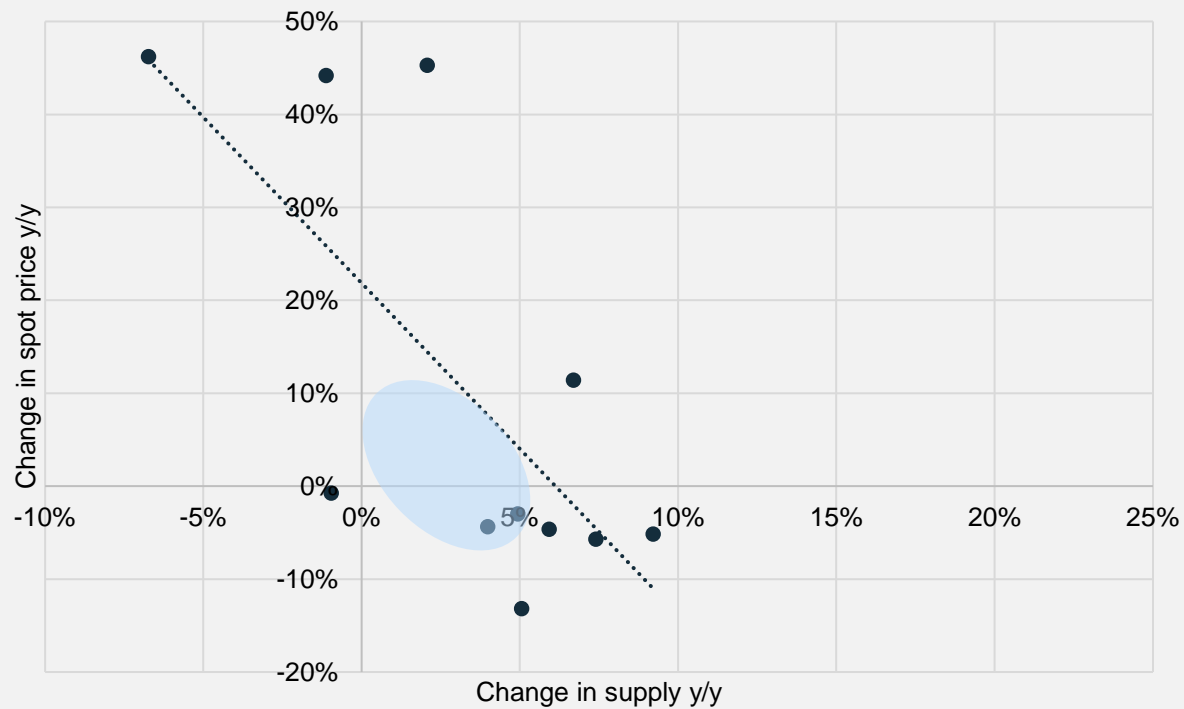
- **Historic spot price neutral supply growth: 8%**
- **Demand growth of salmon of 10% p.a. according to the largest salmon farmers**
- **Market primarily growing through increased consumption per capita**

Source: Kontali, Fish Pool, Fearnley

Supply outlook supports continuously high prices



Global Supply Change vs. Salmon Price
EUR/kg



- **10-year spot price neutral supply growth: 6%**
- **Growing volume base and higher price level**
- **Expect continued demand growth, perhaps at a lower pace**
 - Still, 2-3% supply growth in this decade screens undemanding

Source: Kontali, Fish Pool, Fearnley

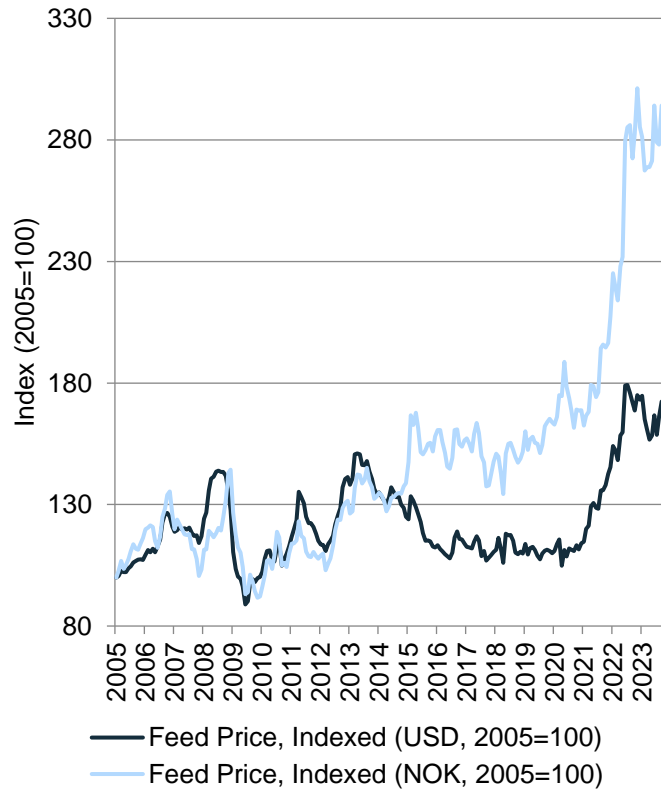
Costs set to remain at high, but could come down in 2025

Prices for marine ingredients at high levels. Lower prices on normalized conditions in 2025 could lower farming cost



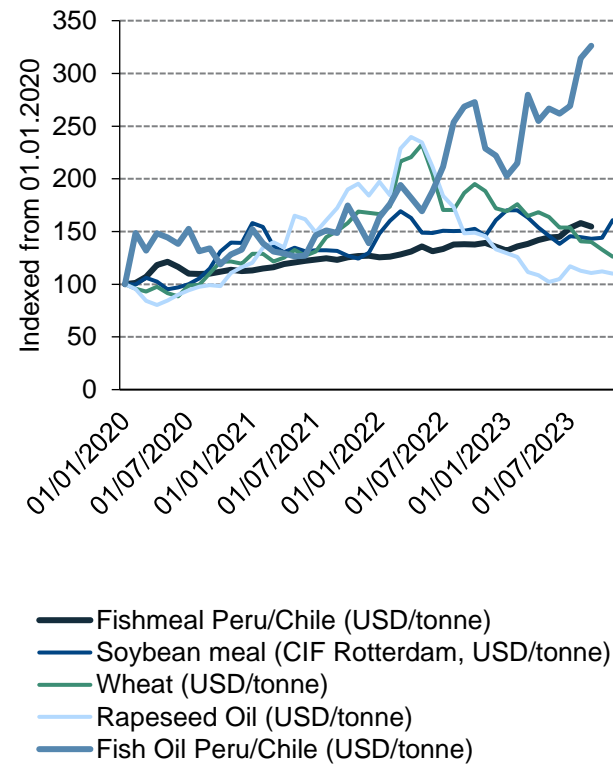
Feed prices remain at high levels entering 2024

FS Feed Price Index



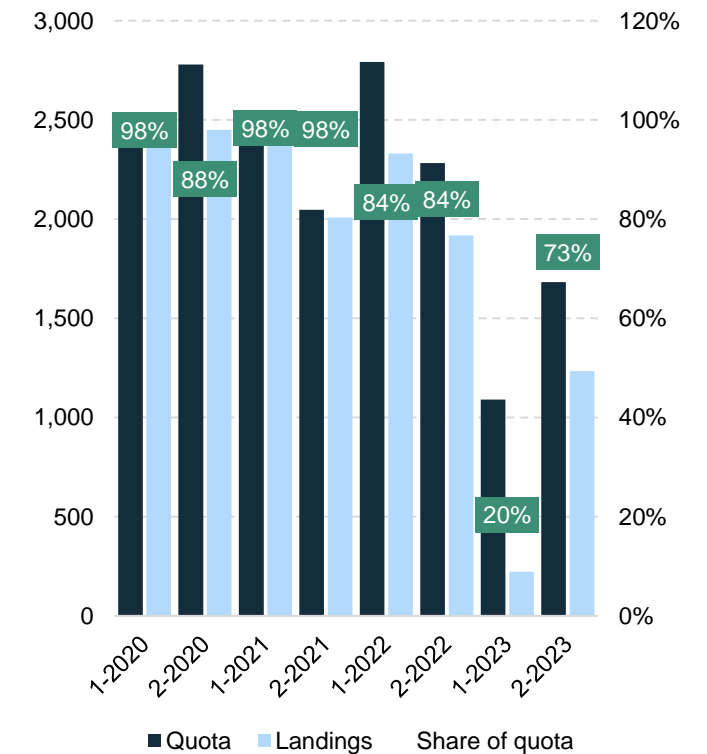
Commodity prices: vegetable down, marine up

Raw material price development



Low 2023 volumes to impact prices in 2024

Peru Anchovy Fisheries



Estimates and Valuations



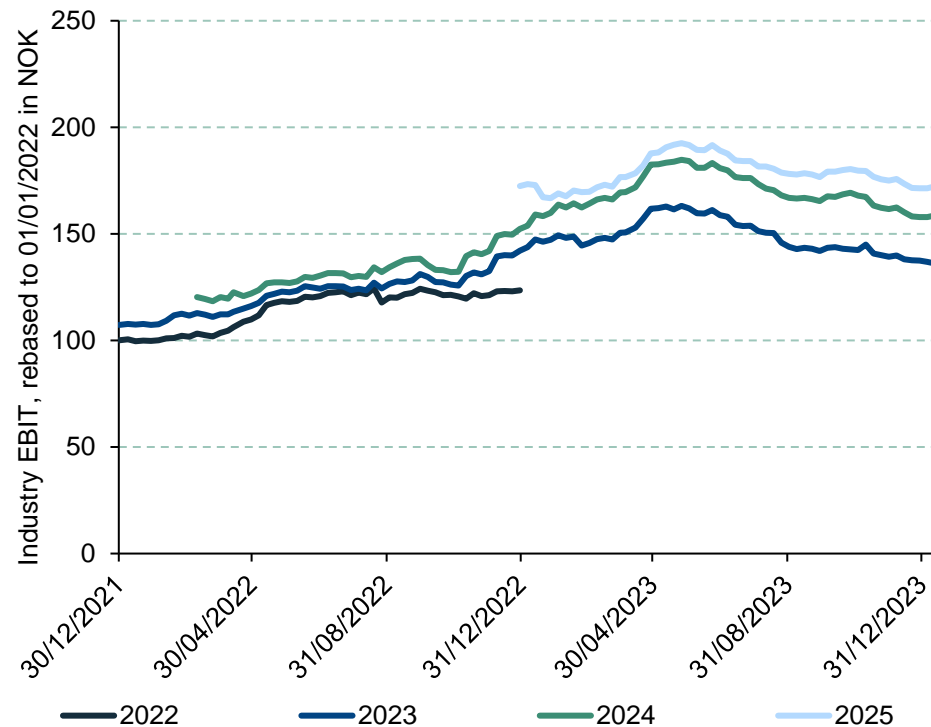
Estimate revisions

Higher prices and currency have driven expectations higher. Biology / cost offsetting some of the earnings momentum



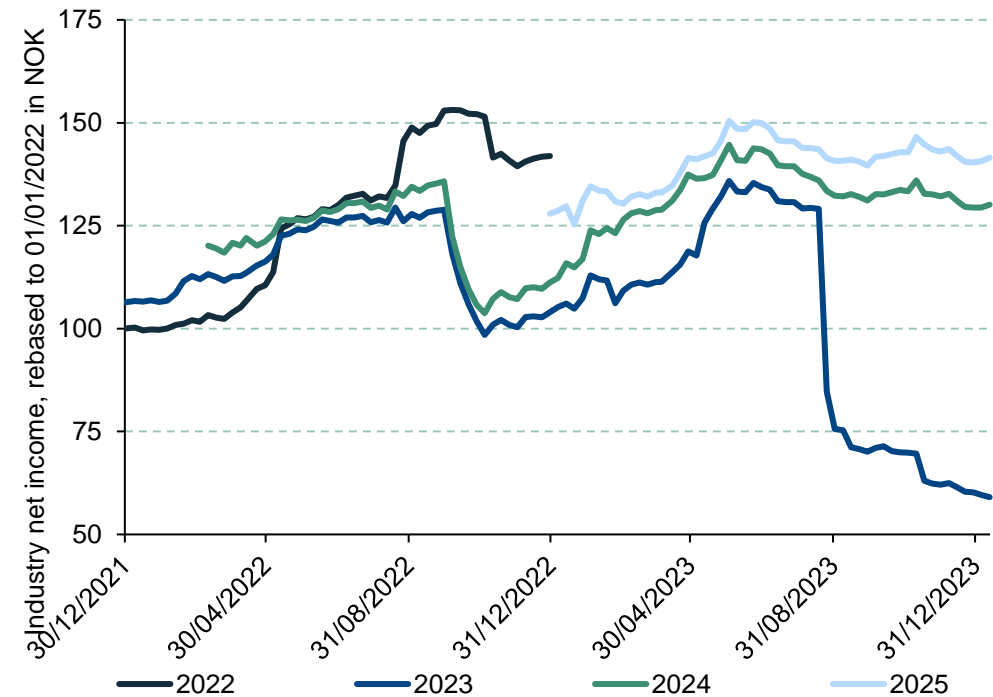
Strong fundamentals have driven (expected) EBIT higher

Consolidated industry EBIT



Pre-tax earnings more than offsetting resource tax impact on Net Income

Consolidated industry net income



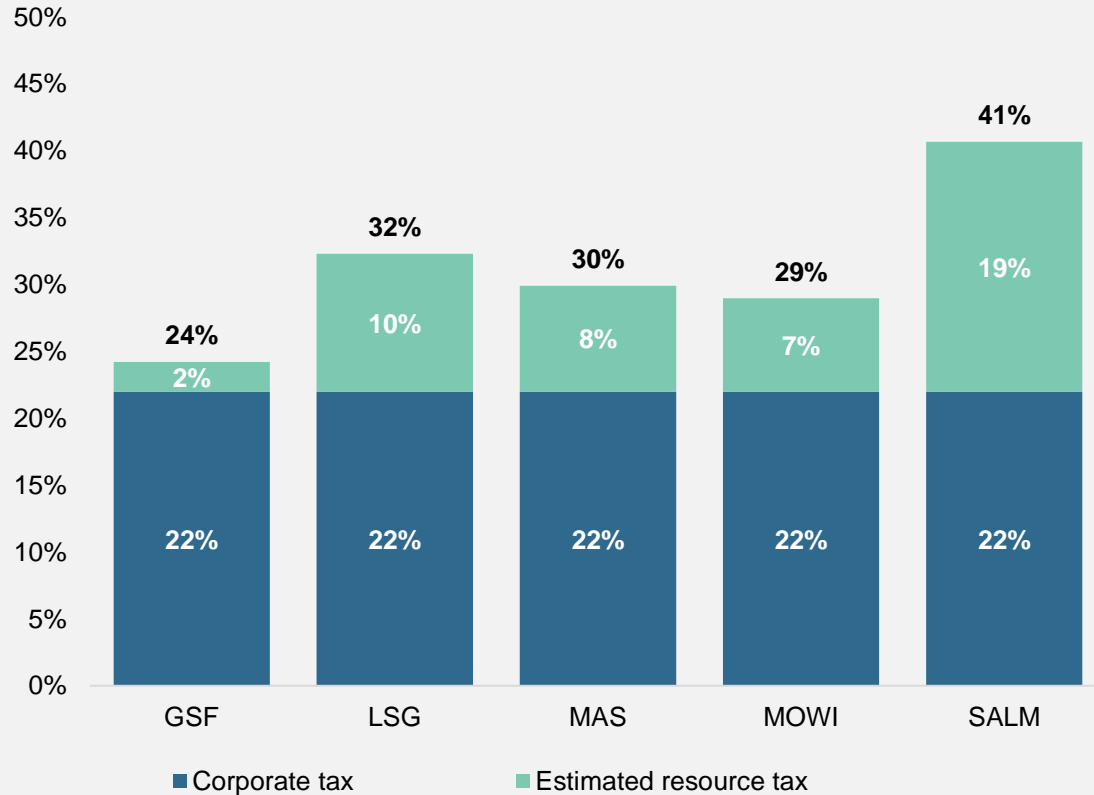
Source: FactSet, Fearnley

Resource tax of 25% concluded in 2023, but uncertainty remains

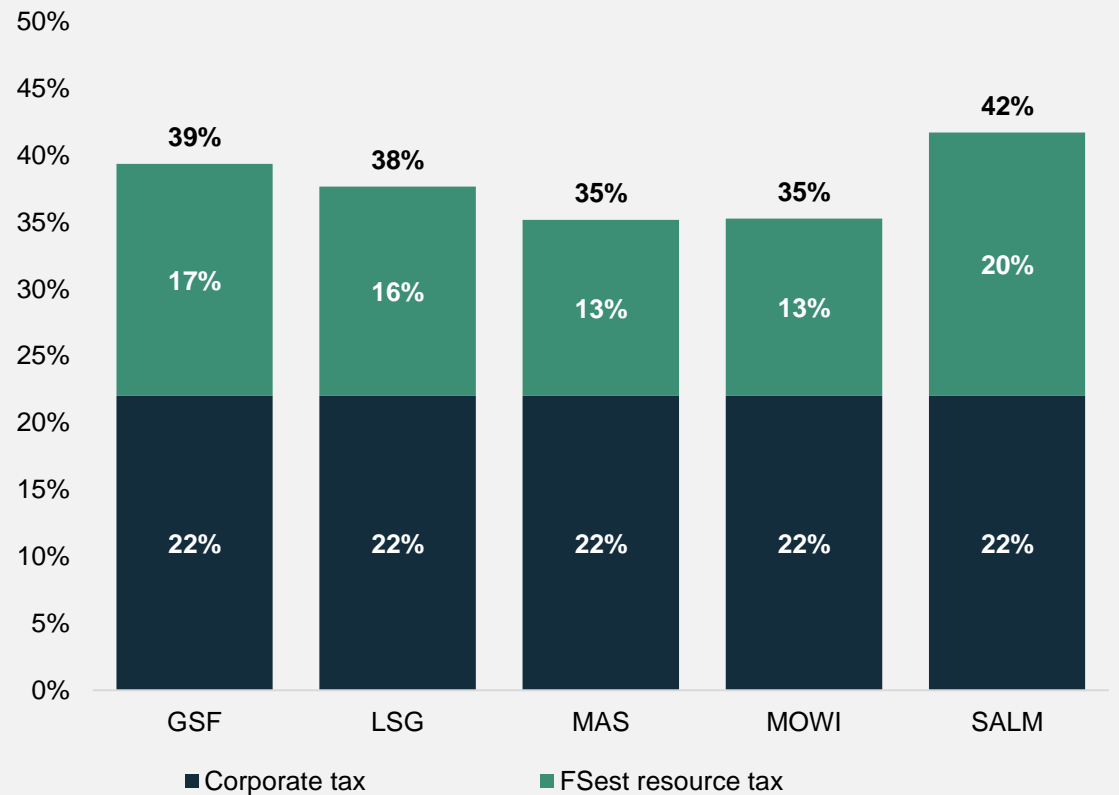
Transfer pricing and price calculations the largest uncertainties that remain. We remain on the conservative side



Reported YTD resource tax, 2023



FSest, 2024 resource tax



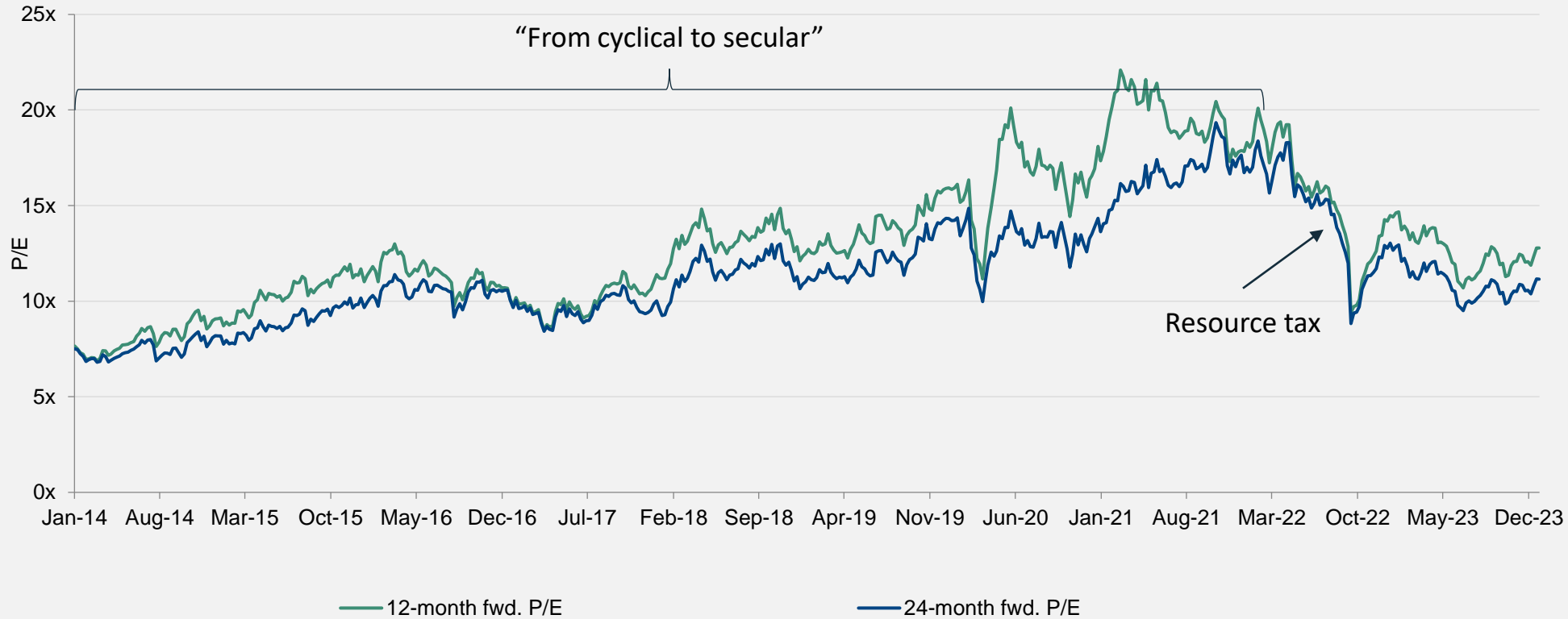
Source: Company data, Fearnley

Volatile pricing over the past 10 years

Volatility in historic pricing – margin contraction since 2022, offset by higher estimates



Salmon Farming - P/E



Peak earnings?
Back in the commodity
basket?
Political risk?

Source: FactSet

Volatile pricing over the past 10 years

Salmon farming fetches lower multiples than comparable industries



12-month fwd. P/E



Source: FactSet

Volatile pricing over the past 10 years

Salmon farming fetches lower multiples than comparable industries



12-month fwd. P/E



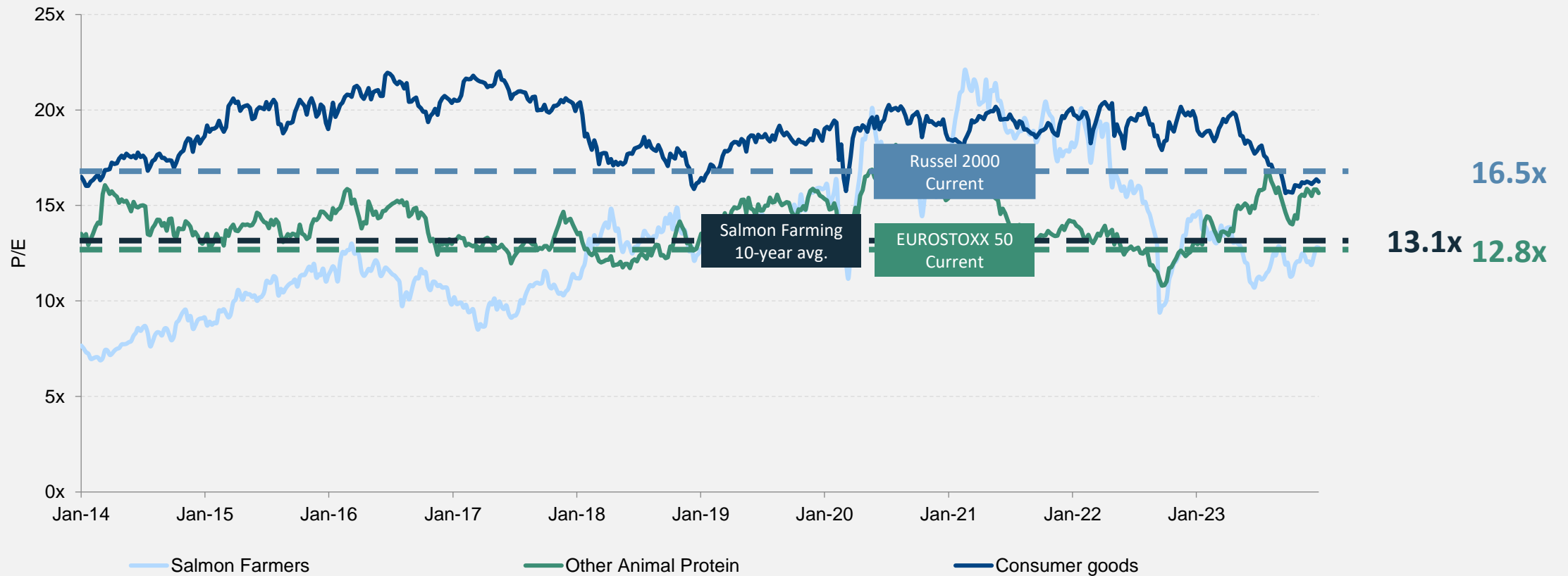
Source: FactSet

Volatile pricing over the past 10 years

Salmon farming fetches lower multiples than comparable industries



12-month fwd. P/E



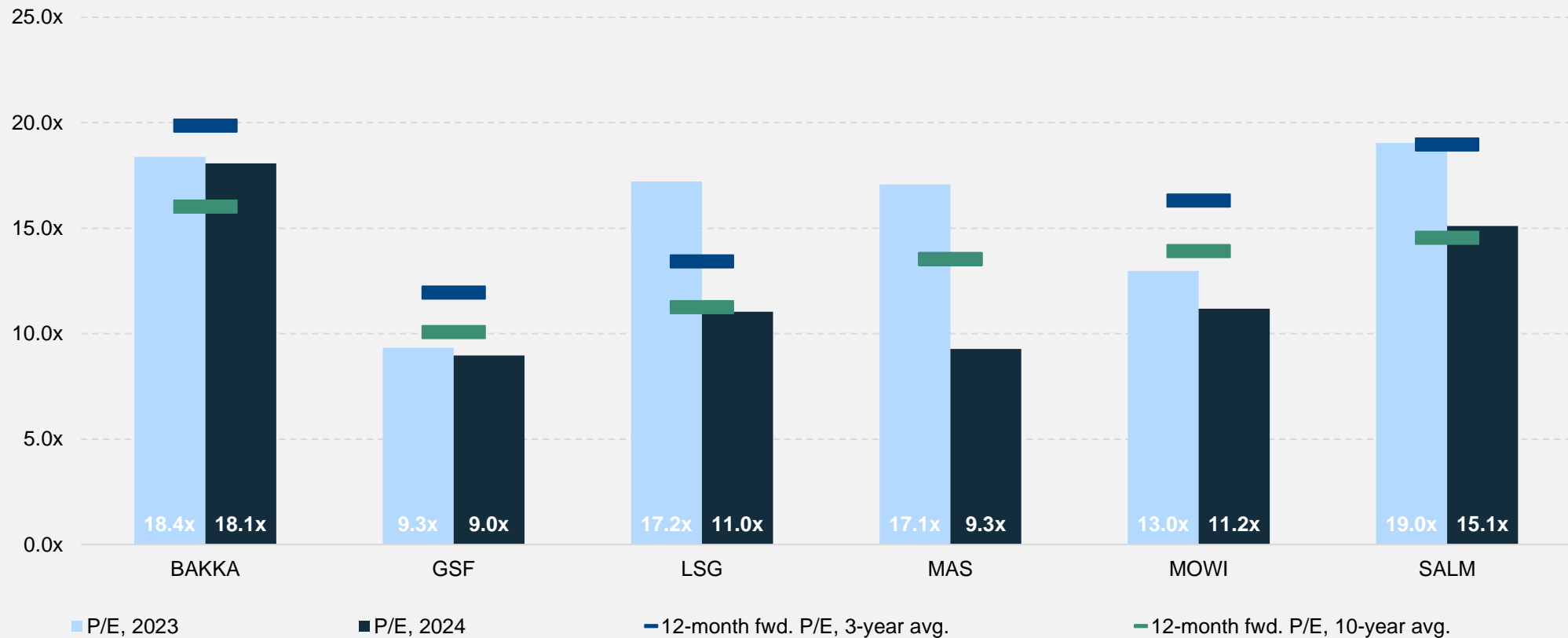
Source: FactSet, Bloomberg

Valuations in line with historic averages

MOWI stands out as the share with the most attractive pricing vs. historic levels



P/E - Current, peak and 3-year avg.



Source: FactSet, Fearnley

Sector: Overweight | Top pick: MOWI

Good risk/reward with depressed valuations into years of undersupply



Highly attractive long-term fundamentals

- Supply / Demand
- Valuations

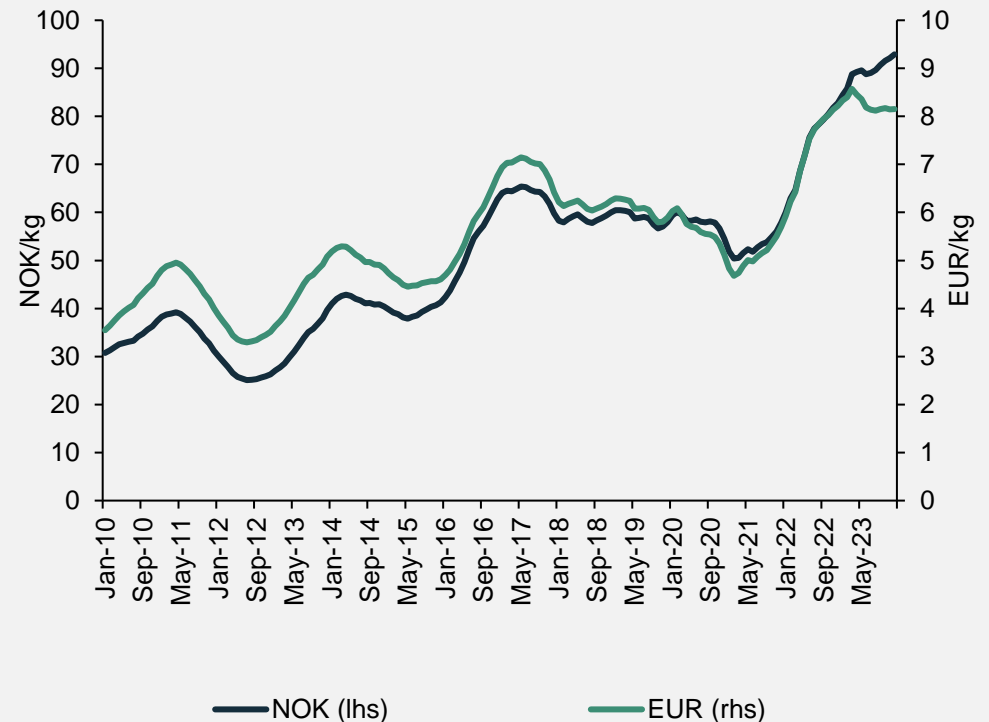
Potential for short-term headwinds

- Currency movements – stronger NOK negative all else equal
- Short-term demand

Cause for concern

- Biology adversely impacting margins (price/volumes/cost)
- Reputational risk (business development and multiples)

NASDAQ Salmon Index
12m trailing



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Issued by Fearnley Securities on March 17, 2023.

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[Link to previous reports](#)

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	Equities	Bonds	Equities	Bonds
Company Name				
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DNO ASA	600	-	-	-
Euronav NV	500	-	-	-
Green Minerals	40	-	-	-
Måsøval AS	1.000	-	-	-
Northern Ocean	2.000	-	-	-
SeaBird Exploration	226	-	-	-
Siem Offshore Inc	550	-	-	-

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Last updated 31 December 2023

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- Biofish Holding AS
- Borr Drilling Ltd
- d'Amico International Shipping SA
- Diamond Offshore Drilling Inc
- Edda Wind ASA
- Havila Kystruten AS
- Himalaya Shipping Ltd
- Hunter Group ASA
- Kyoto Group AS
- Maha Energy AB
- Odfjell Drilling Ltd
- Okea ASA
- Reach Subsea ASA
- Seadrill Limited
- Seanergy Maritime Holdings Corp.
- SFL Corporation Ltd
- Shelf Drilling Ltd
- Stainless Tankers ASA
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- Transocean Limited

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Last updated 31 December 2023

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