Oslo Børs – IPO ready

03 MAY 2022

→ *Please refer to important disclosures on the last 8 pages of this document*

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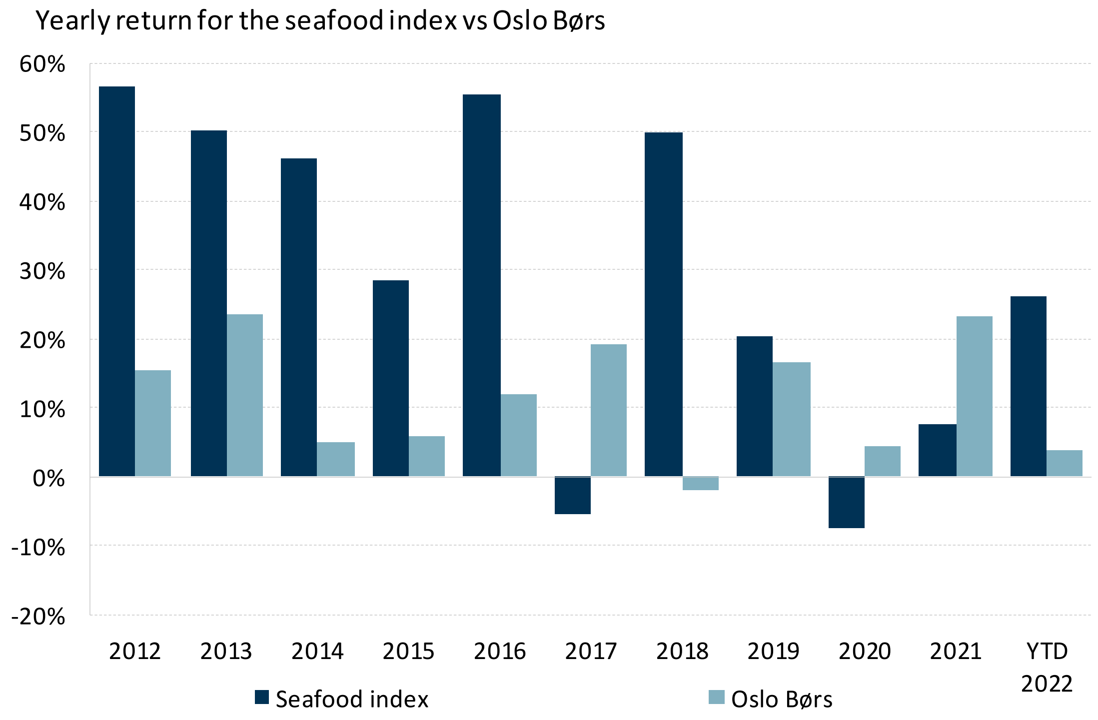
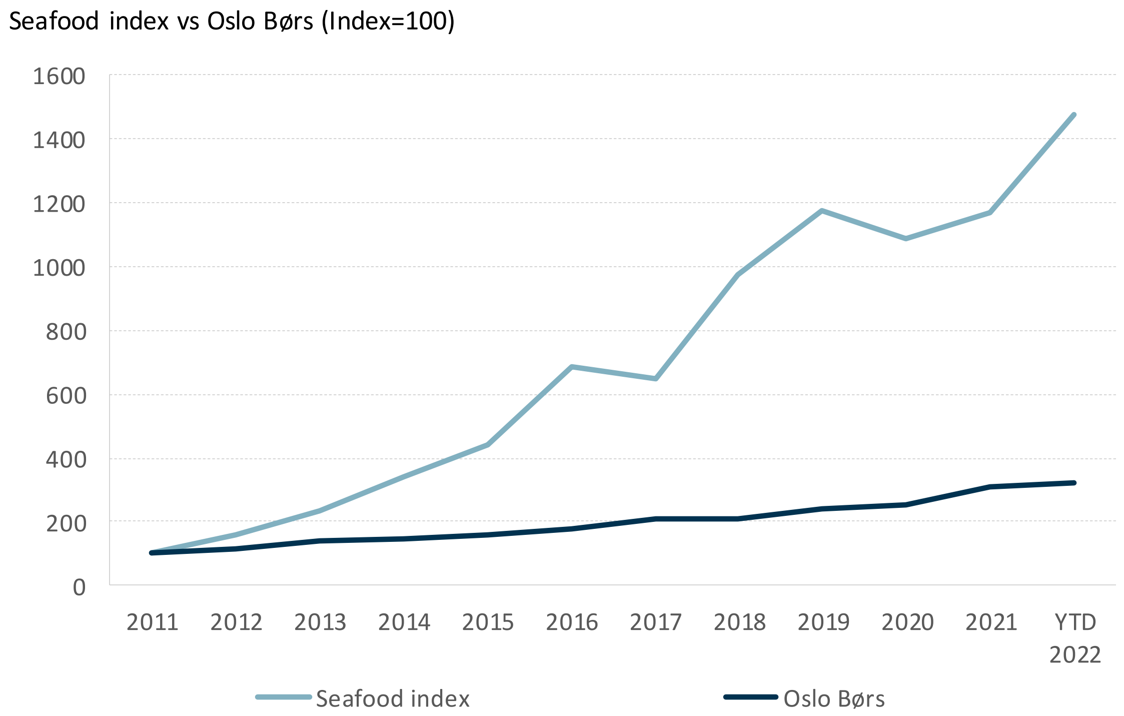
Seafood shares have outperformed OSEBX

Strong earnings and multiple expansion the main drivers

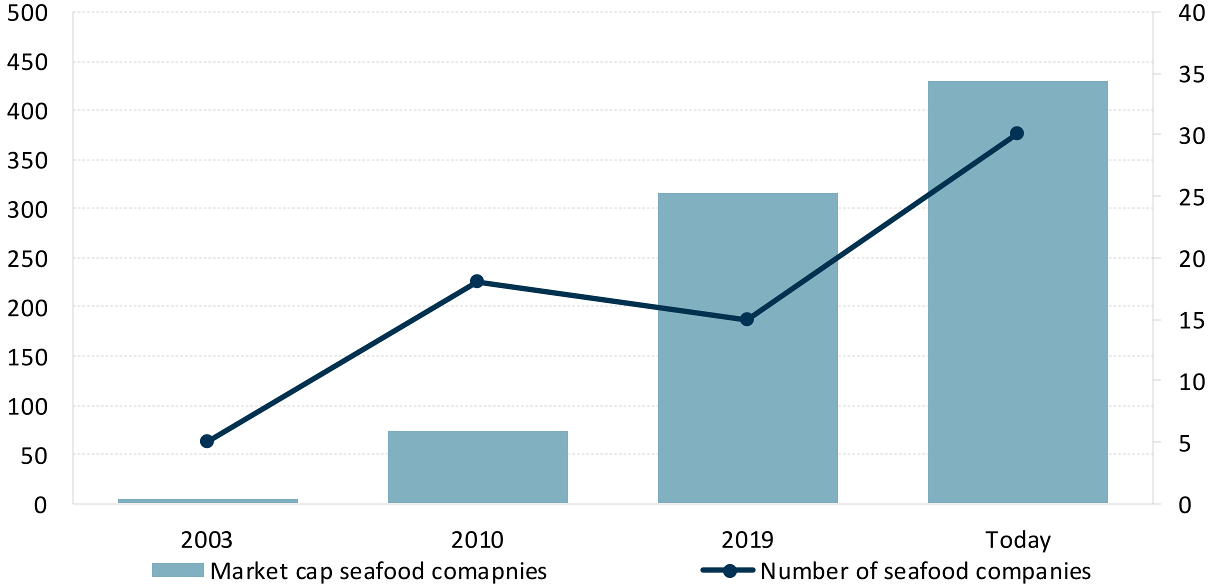




Several new companies in the seafood space listed the last year

Number of seafood companies and total market cap of seafood sector has increased significantly last 10 years

Development in market cap and number of seafood companies on Oslo Børs



- New seafood companies listed on Oslo Børs in 2020/2021:

ArcticFish, AKER BIOMARINE, ANDFJORD™, barramundi group, BioFish, CLEANSEAS, FRØY, Gigante Salmon, ICE FISH FARM, Icelandic Salmon, THE KINGFISH COMPANY, NORCOD PEOPLE | COD | NATURE, NORDIC AQUA PARTNERS, NORDIC HALIBUT, Måsøval, PROXIMAR SEAFOOD, SALMON EVOLUTION, STATT TORSK

Outlook for the salmon sector

TP's and recommendations – LSG and GSF top picks

We also see upside in more risky cases such as farming in Iceland and land based farmers

	Rec.	Target price	Share price	Ups. to target
Salmon farmers				
AFISH	BUY	110	85	29 %
ASA	BUY	45	26	72 %
BAKKA	HOLD	640	648	-1 %
GSF	BUY	150	141	7 %
IFISH	BUY	45	33	36 %
ISLAX	BUY	180	148	22 %
LSG	BUY	95	89	7 %
MOWI	BUY	270	267	1 %
NRS	BUY	250	246	2 %
NTS	HOLD	120	125	-4 %
PROXI	BUY	12	8.9	35 %
SALM	HOLD	740	773	-4 %
SALME	BUY	12.5	8.7	44 %
SACAM	BUY	55	44	26 %
Other seafood				
AKBM	BUY	60	54	11 %
AKVA	BUY	100	87	15 %
AUSS	BUY	165	150	10 %
BMK	na	na	45	
NOHAL	BUY	40	28	44 %

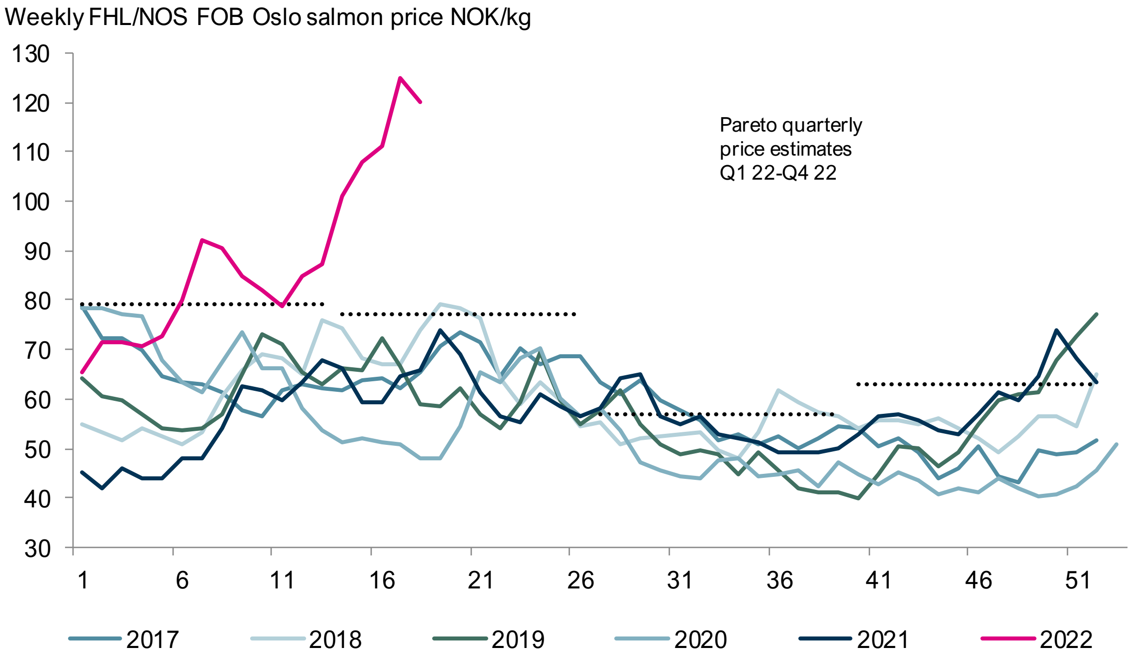
2022e supply estimates further reduced leading to higher prices

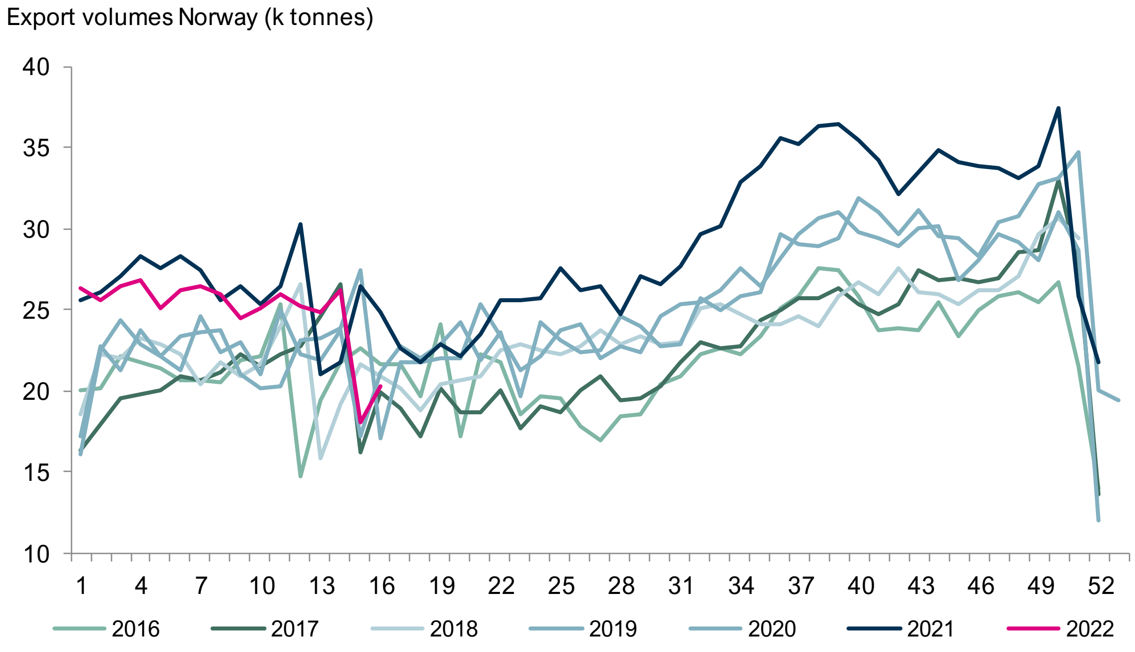
We now expect a 2022e price of NOK 69/kg and 23e of NOK 66/kg

	Q1 22e	Q2 22e	Q3 22e	Q4 22e	2018	2019	2020	2021	2022e	2023e	2024e	25e-30e	Long term
New supply	-8 %	-2 %	4 %	6 %				7 %	0 %	5 %	3 %		
Old Supply	-7 %	5 %	5 %	7 %	*5 %*	*7 %*	5 %	6 %	2 %	4 %			
New spot price NOK	79	77	57	63				57	69	66	67	65	60
Old spot price NOK	*66*	*66*	*56*	*62*	*59*	*57*	*54*	*57*	*63*	*64*		*60*	*55*
New spot price EUR	7.9	7.9	5.9	6.5				5.7	7.1	6.8	6.9	6.7	6.2
Old spot price EUR	*6.6*	*6.6*	*5.6*	*6.2*	*6.1*	*5.8*	*5.0*	*5.7*	*6.3*	*6.4*		*6.0*	*5.5*

Another all-time high salmon price this week

...with prices said to come in close to NOK 110 per kg – low supply the main reason





- We include NOK 77/kg for Q2

Supply growth set to be low in “all” regions in 2022e

…but we do expect growth into 2023e

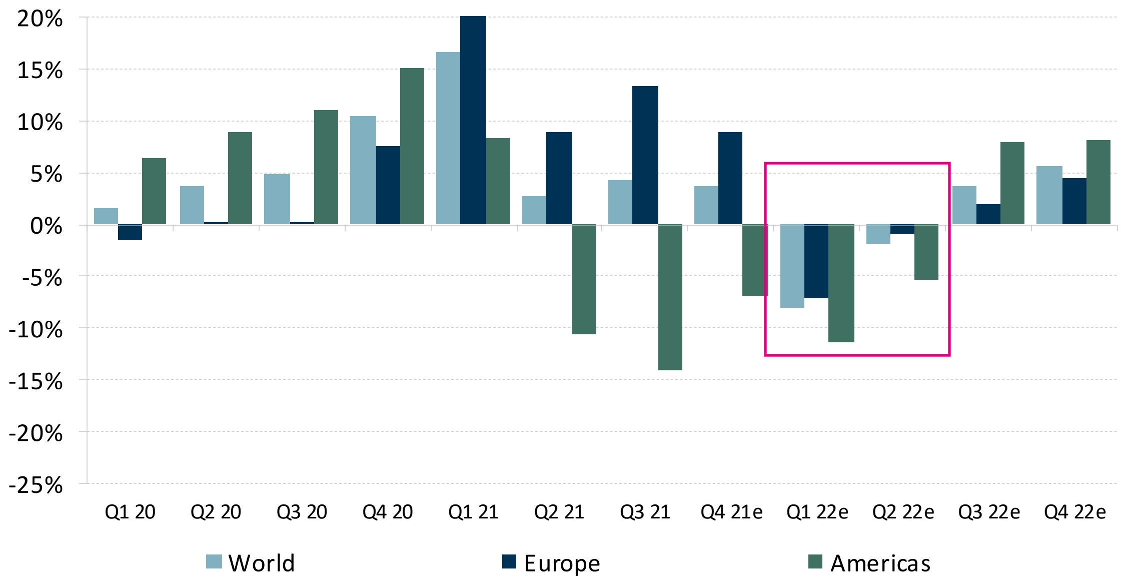
The world production of Atlantic Salmon (wfe 1,000 tons) / **% Y/Y growth**

Country	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e	2019	2020	2021	2022e	2023e	2024e
Norway	1,006	1,183	1,144	1,199	1,234	1,171	1,198	1,255	1,331	1,369	1,532	1,530	1,576	1,605	6 %	3 %	12 %	0 %	3 %	2 %
Chile	221	364	468	583	598	504	564	660	690	781	723	729	770	786	5 %	13 %	-7 %	1 %	6 %	2 %
UK	155	159	158	172	166	157	177	152	191	178	199	200	203	206	25 %	-6 %	12 %	0 %	2 %	1 %
Canada	120	137	115	95	135	146	137	146	138	137	139	133	139	146	-6 %	-1 %	2 %	-5 %	5 %	5 %
Faroes	56	70	73	83	76	77	80	72	87	81	102	101	106	112	21 %	-7 %	27 %	-1 %	5 %	5 %
USA	19	20	20	20	20	23	22	19	21	20	21	20	31	37	9 %	-3 %	4 %	-4 %	53 %	19 %
Ireland	16	16	11	12	16	16	17	14	16	16	16	16	17	17	8 %	2 %	-1 %	2 %	5 %	3 %
Australia	36	40	39	42	55	54	61	64	62	83	87	90	93	96	-3 %	34 %	6 %	3 %	3 %	3 %
Iceland	1	3	3	5	4	8	12	14	25	31	42	39	55	72	80 %	27 %	33 %	-5 %	40 %	30 %
Russia	4	7	10	13	14	5	9	5	12	11	19	21	17	18	115 %	-5 %	73 %	11 %	-20 %	5 %
Other	1	1	1	3	2	3	4	5	7	8	12	17	19	29	31 %	18 %	48 %	45 %	14 %	52 %
Total production	1,634	2,000	2,041	2,227	2,320	2,165	2,281	2,406	2,578	2,715	2,892	2,895	3,027	3,122	7 %	5 %	7 %	0 %	5 %	3 %
Annual growth	13 %	22 %	2 %	9 %	4 %	-7 %	5 %	6 %	7 %	5 %	7 %	0 %	5 %	3 %						
Frozen inventories	-17	-10	-4	-19	-7	57	-28	-12	-20	-63	-8	35	-	-						
Total supply	1,617	1,990	2,037	2,208	2,313	2,222	2,253	2,394	2,557	2,652	2,885	2,930	3,027	3,122						
Supply growth	11 %	23 %	2 %	8 %	5 %	-4 %	1 %	6 %	7 %	4 %	9 %	2 %	3 %	3 %						

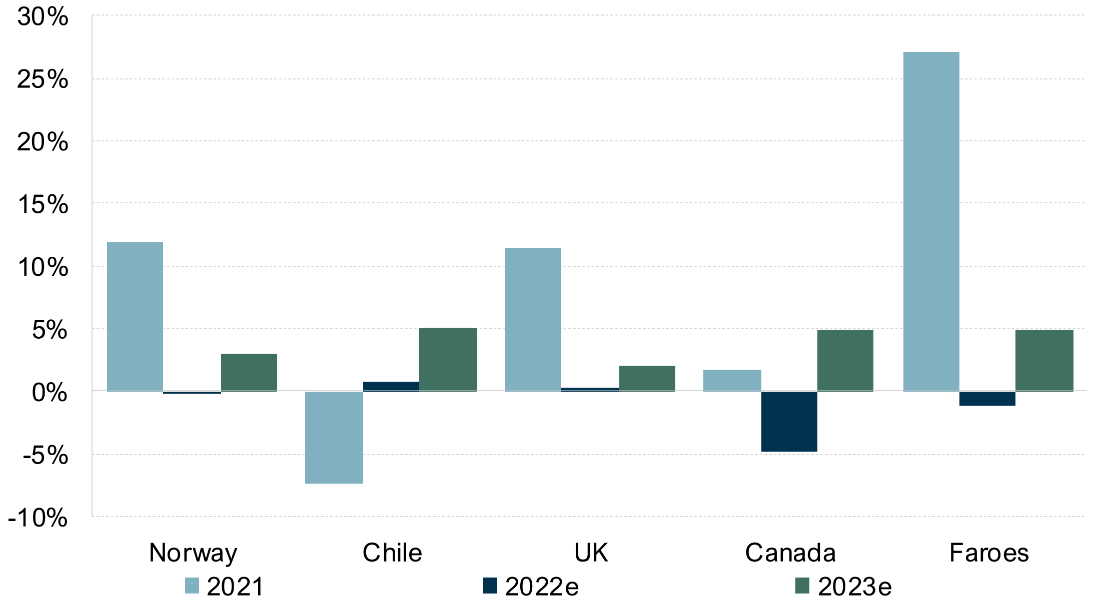
Volumes to remain low in Q2 but growth to pick up in H2

2023e still set to be a year with decent volumes growth, with March smolt releases in Chile also fairly strong

YoY supply growth per quarter

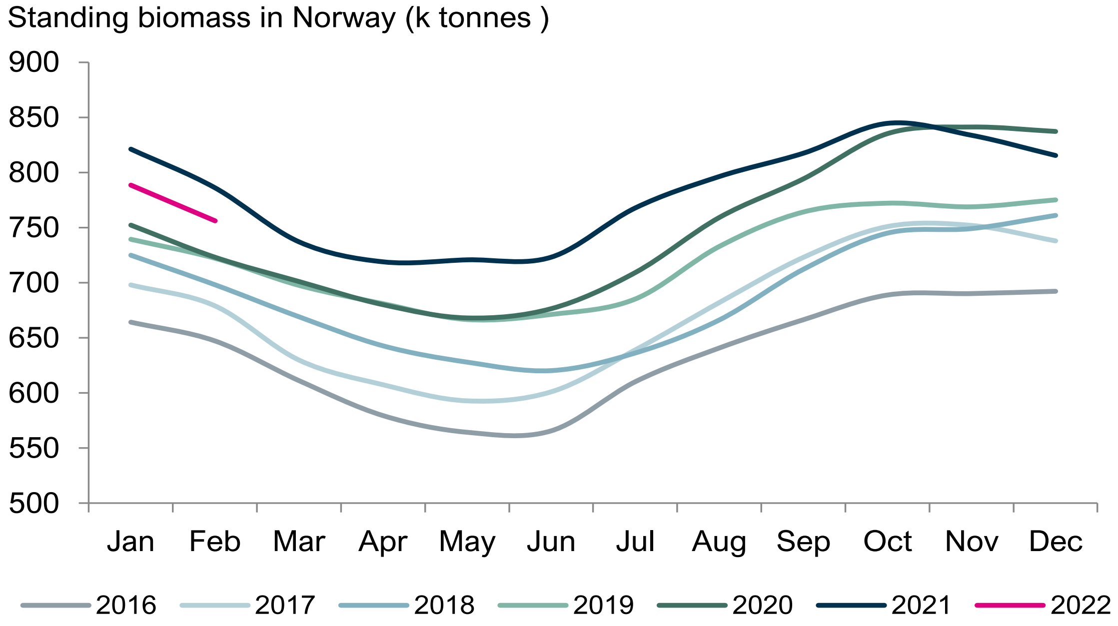


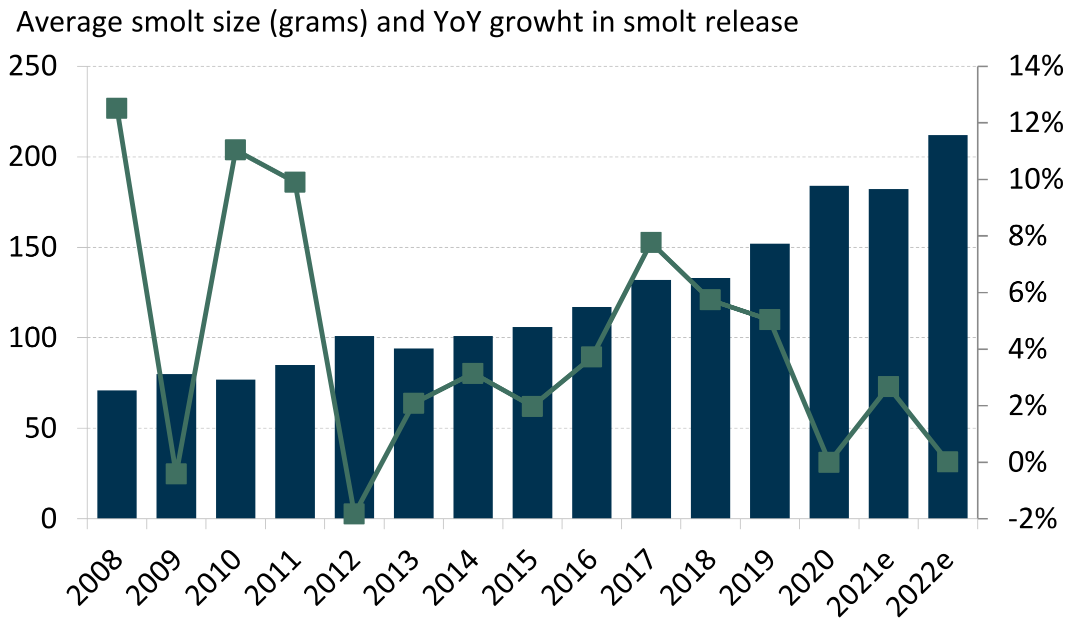
Supply growth from key produciton area



Norwegian growth driven by some new licenses

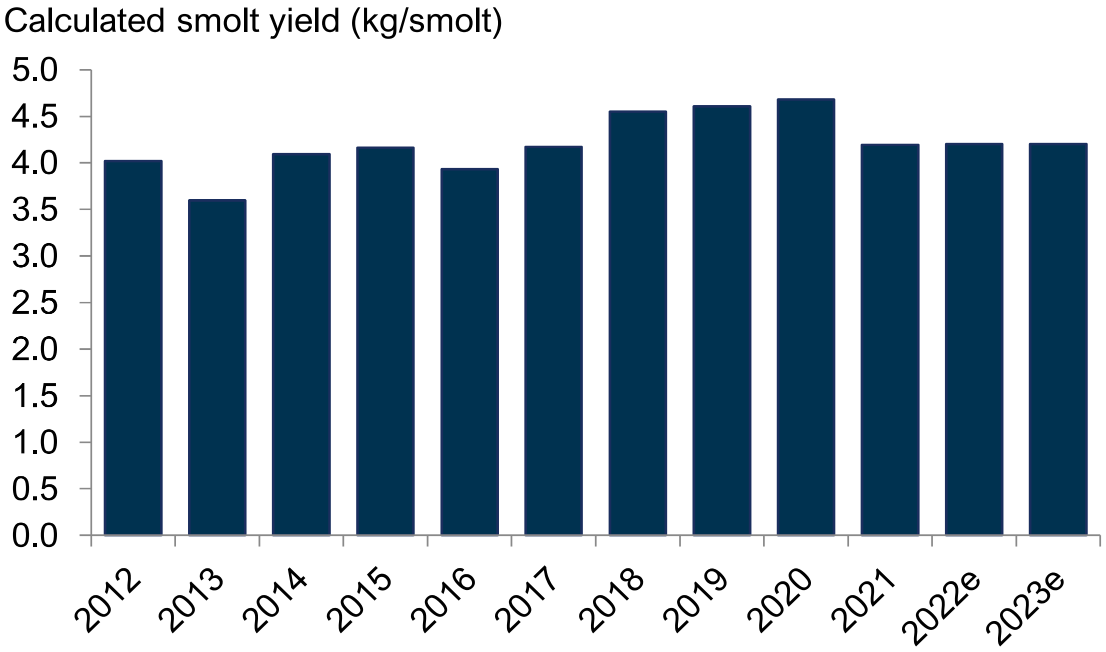
….but short term growth will be limited

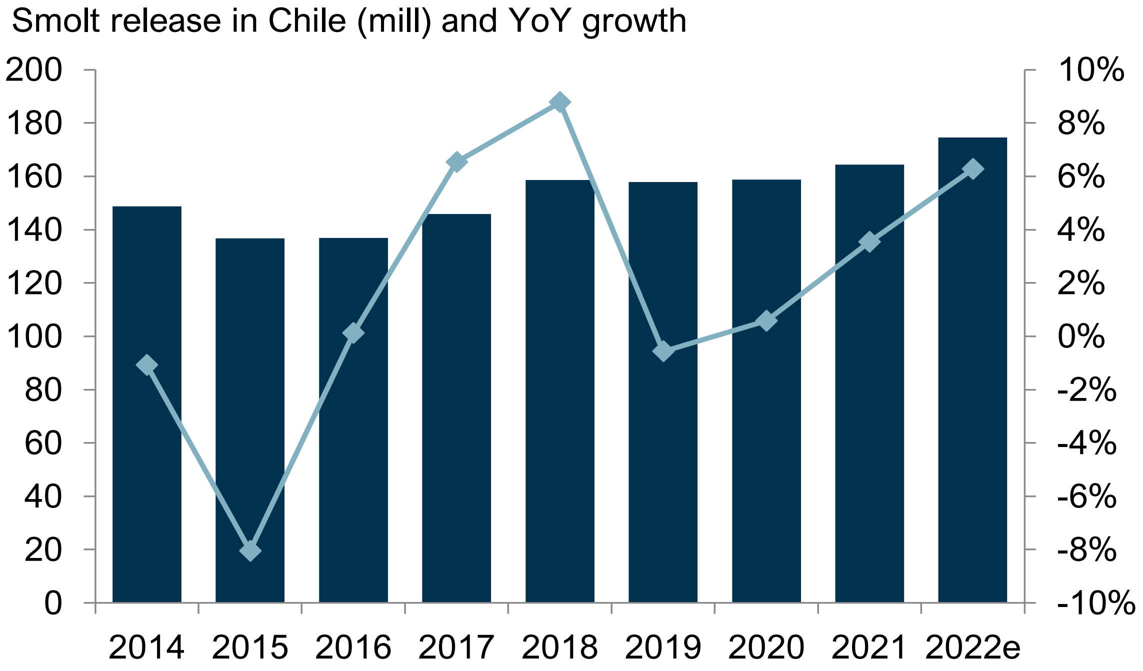




No growth in Chile in 22e due to lower yields

…but some more growth should come in 23e due to higher smolt releases lately

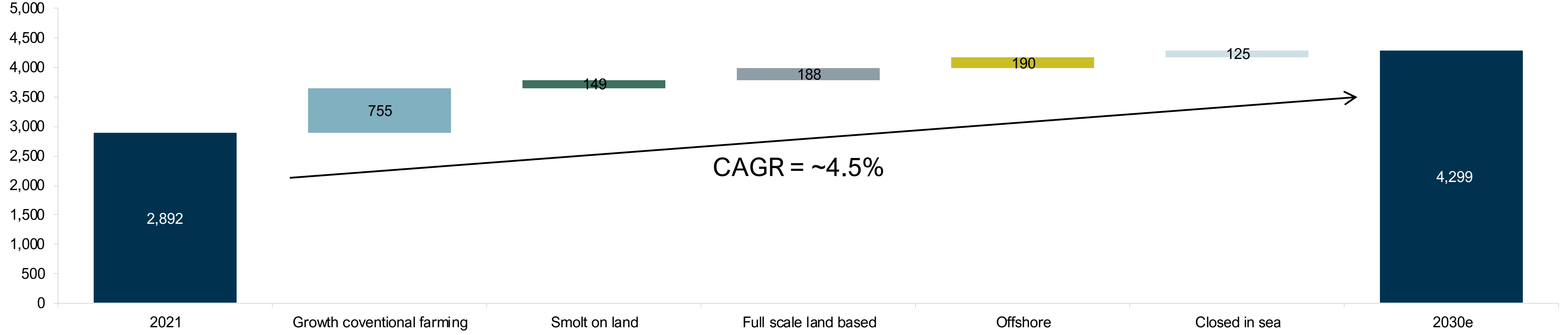




Long term growth still driven by traditional farming

….but new technologies will gradually play a more important role

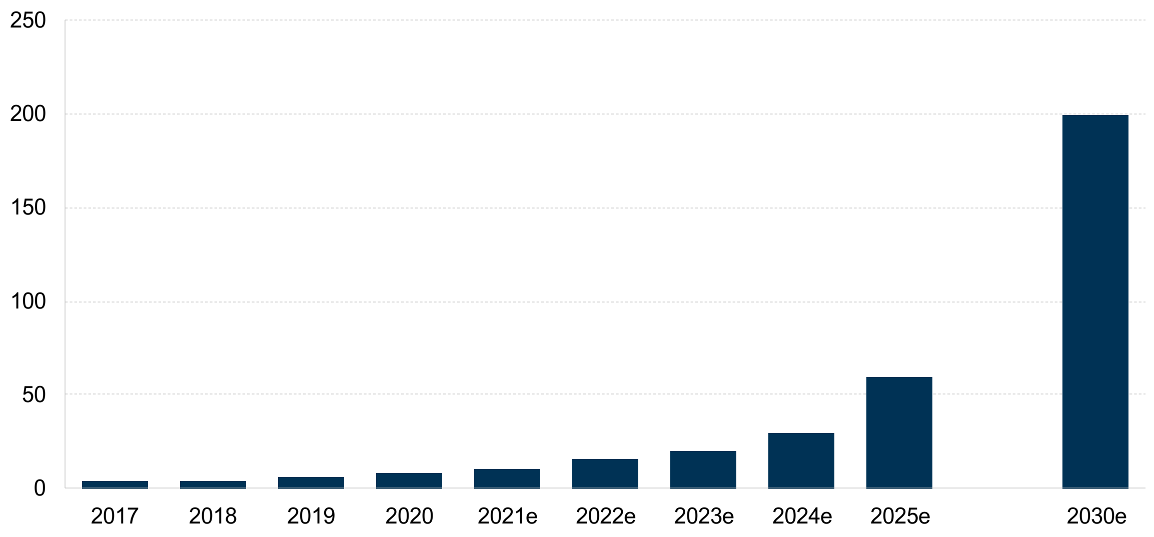
Long term volume growth potential from new technologies (1,000 tonnes)



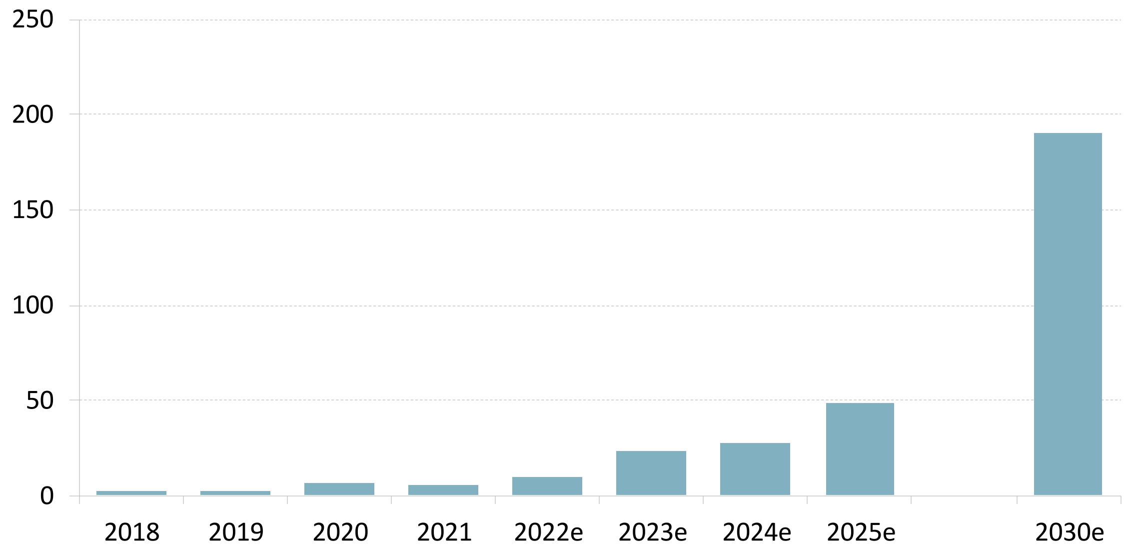
We see high potential long term from both land based and offshore

….but growth until 2025e will be very limited compared to global volumes

Volumes produced in land based RAS facilities (1,000 tonnes)



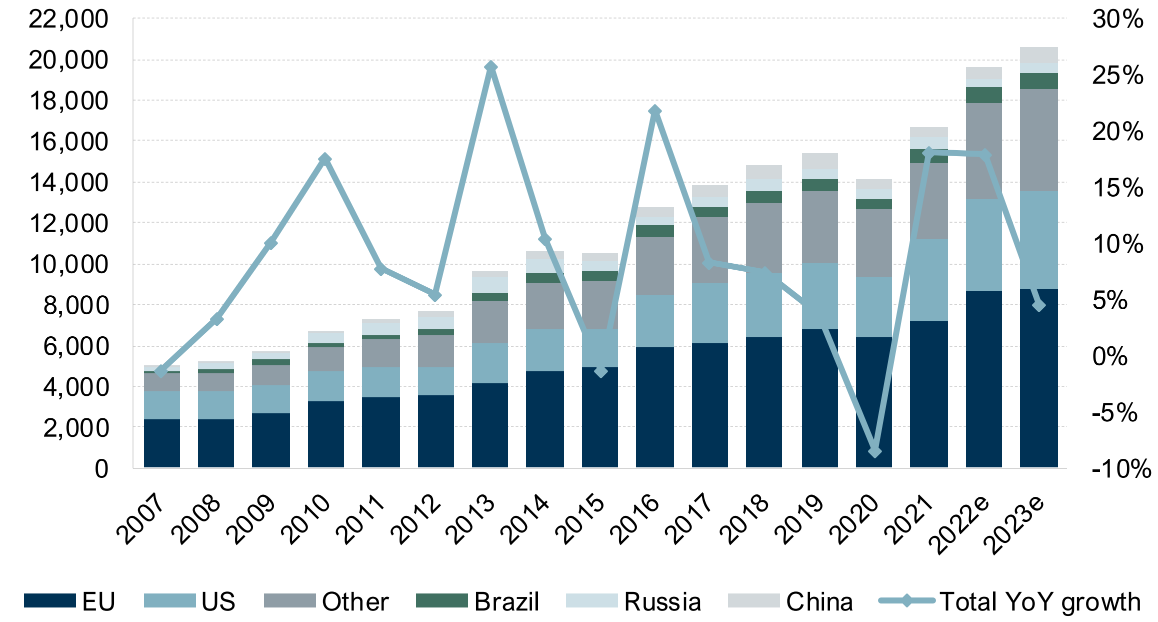
Potential volumes from offshore (semi-offshore) farming (1,000 tonnes)



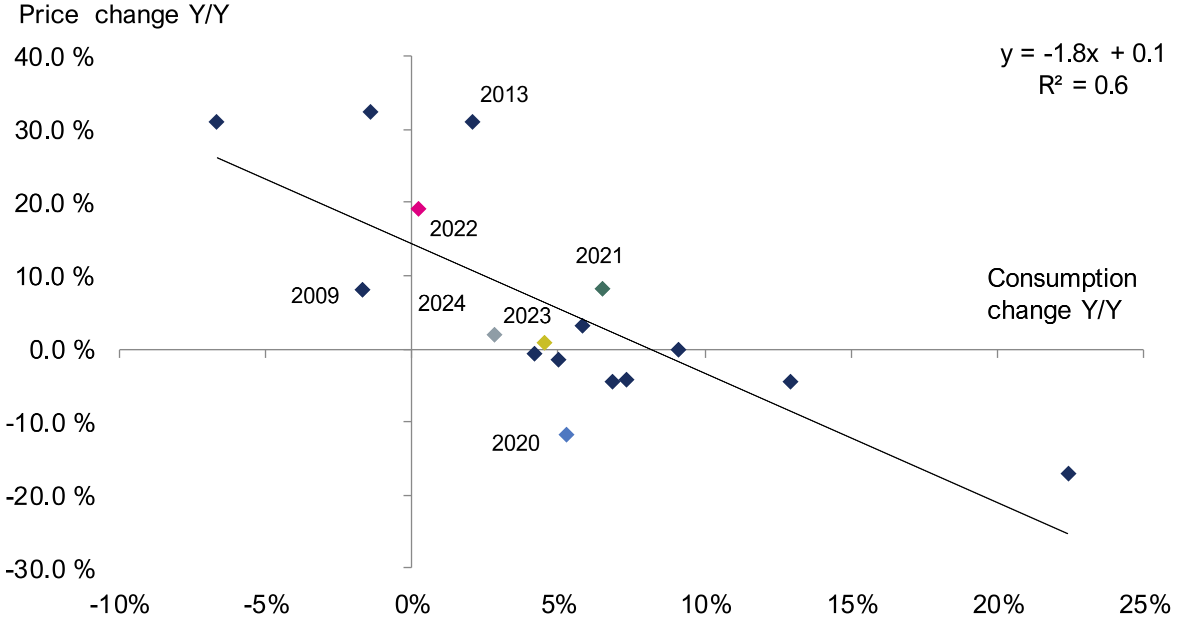
Demand growth set to be strong also in 2022e

Long term we expect a more modest demand growth as seen in 2017-2019

Value development for salmon 2006-2023e



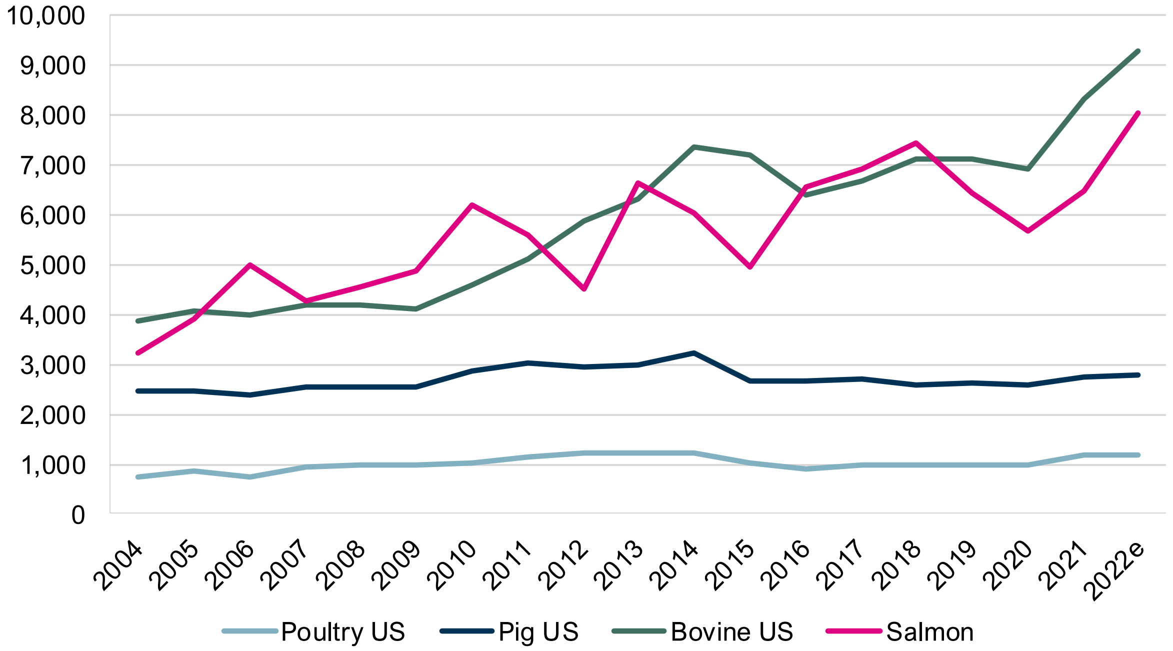
2008-2023e correlation global supply and price change (EUR/kg)



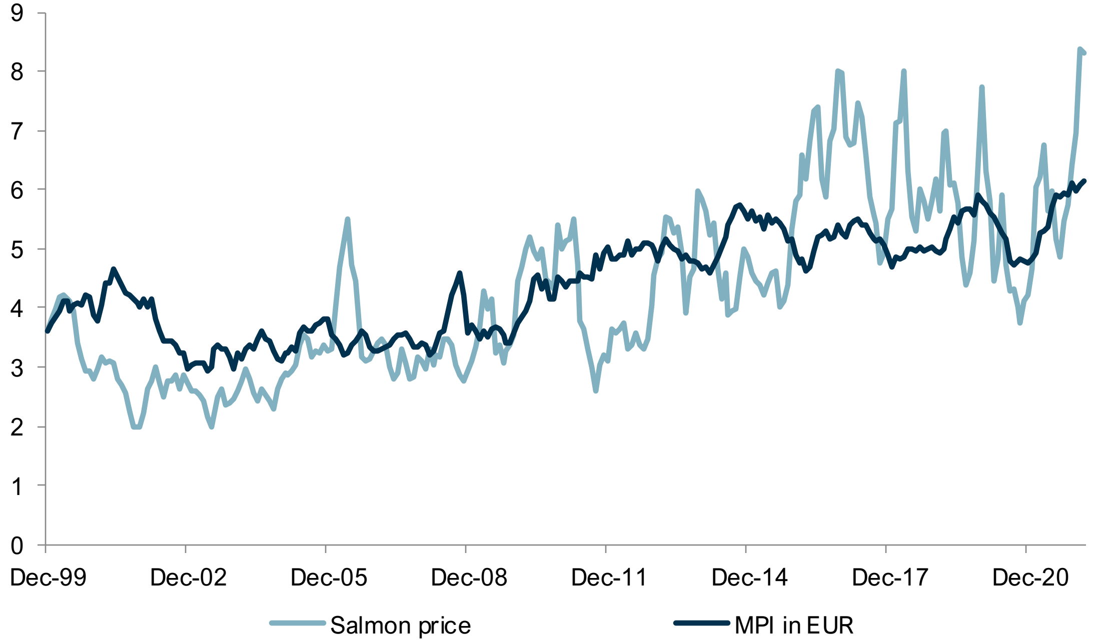
Prices for other proteins are also increasing

…and this can provide some upside to salmon prices

Price of salmon vs other protein sources (USD/tonnes)



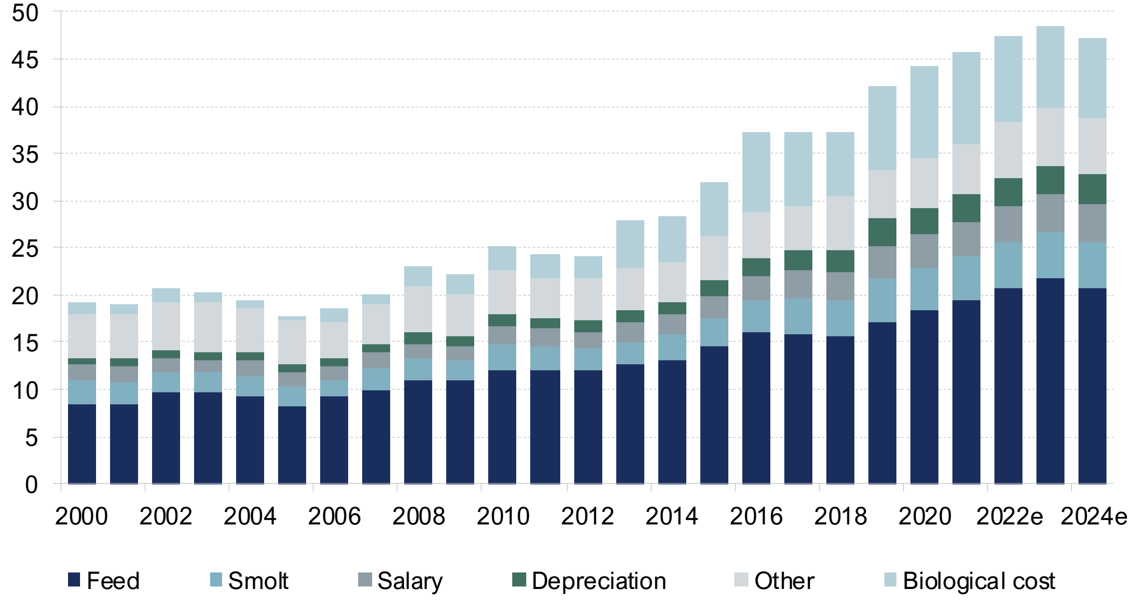
Global meat price rebased vs salmon price (EUR/kg)



Higher feed cost the main reason for cost increase

We now expect average cost in Norway to be around NOK 47/kg in 22e increasing to NOK 48/kg in 23e

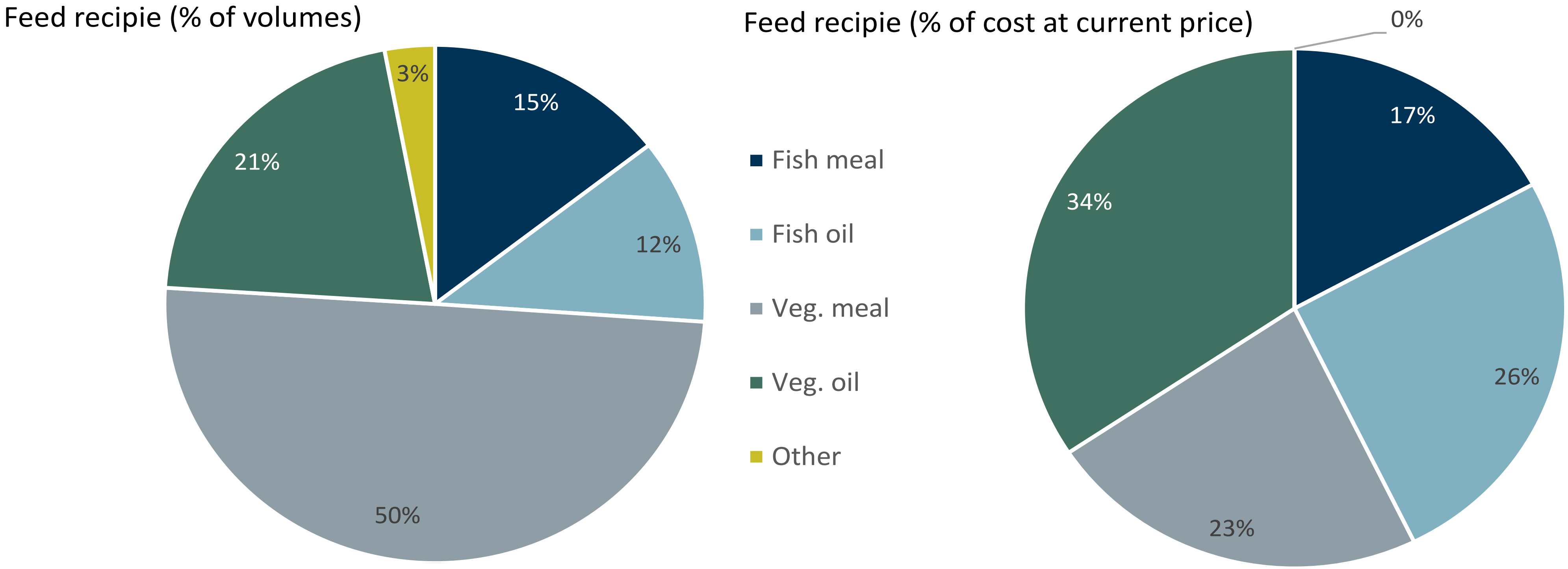
Production costs Norway FOB harvesting facility (NOK/kg GWE)



Synthetic feed price (NOK/kg)

Higher inclusion of fishmeal and oil in salmon feed

This should lead to a lower price increase than we see for other proteins

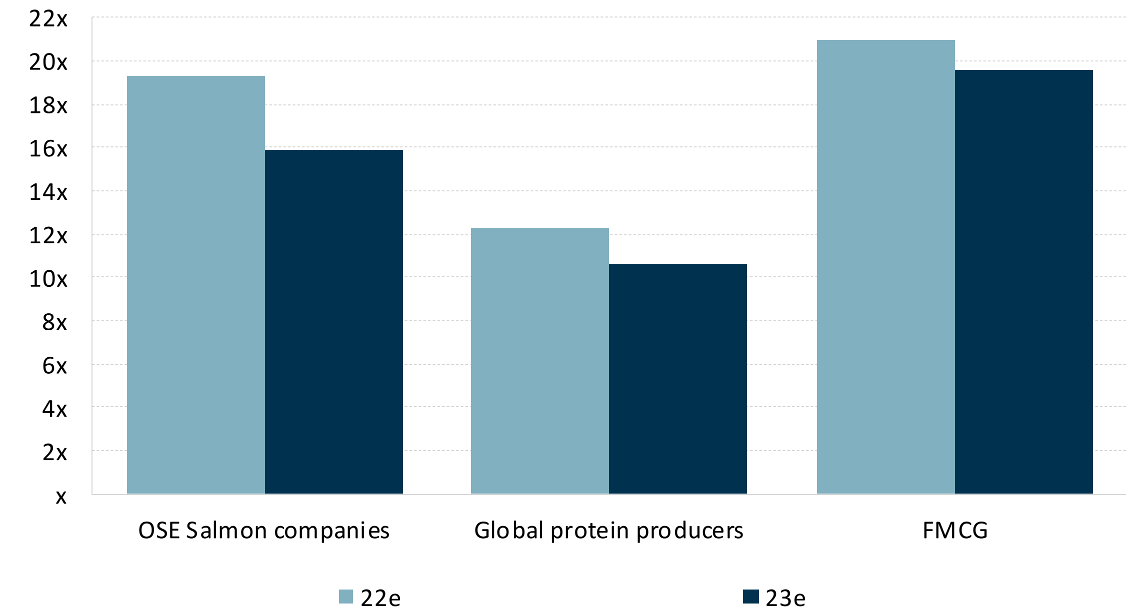


Valuation of seafood companies

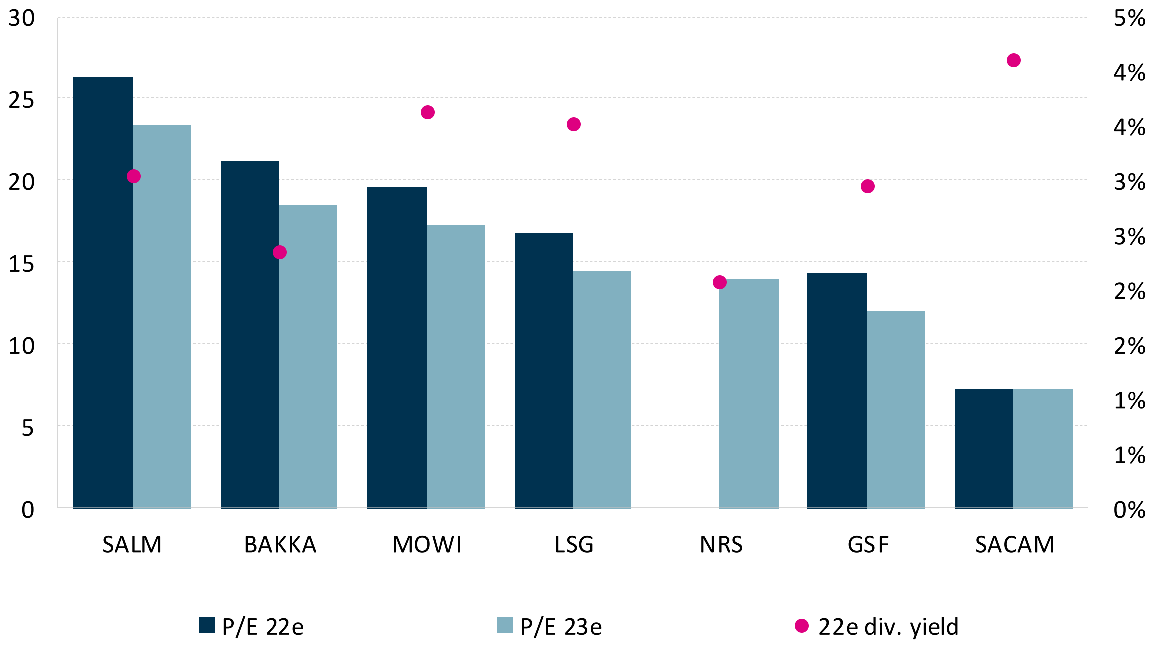
Valuation is at historical high levels

…but we see some upside to valuation of Mowi/LSG and see even more upside in GSF

22e/23e P/E multiples

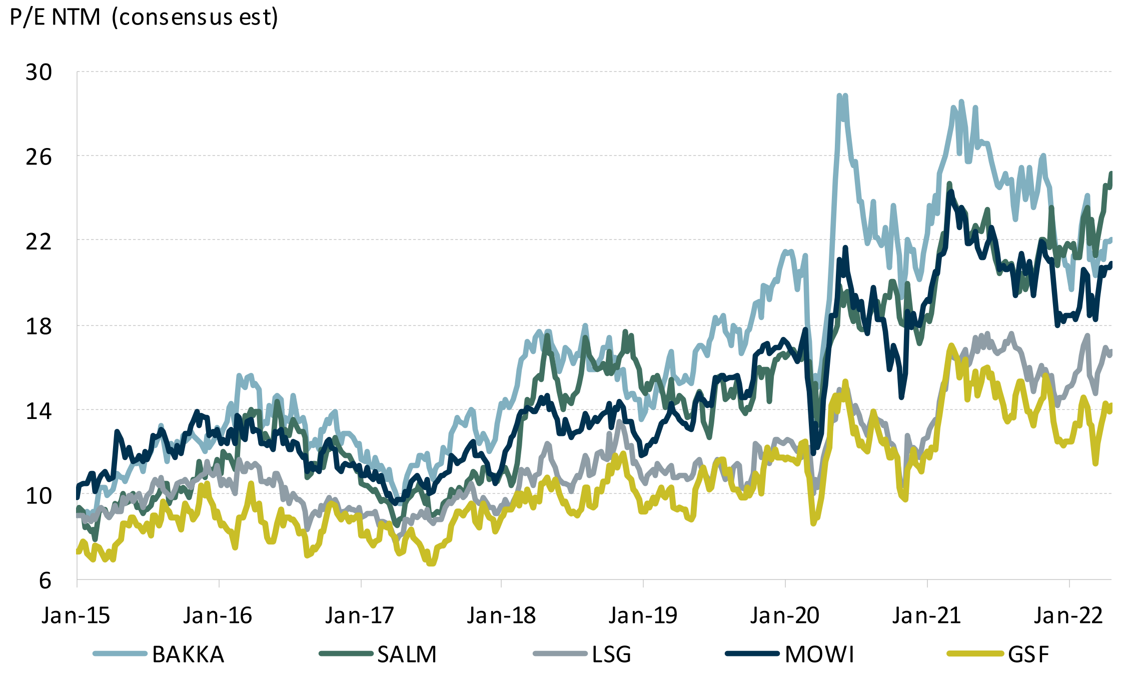


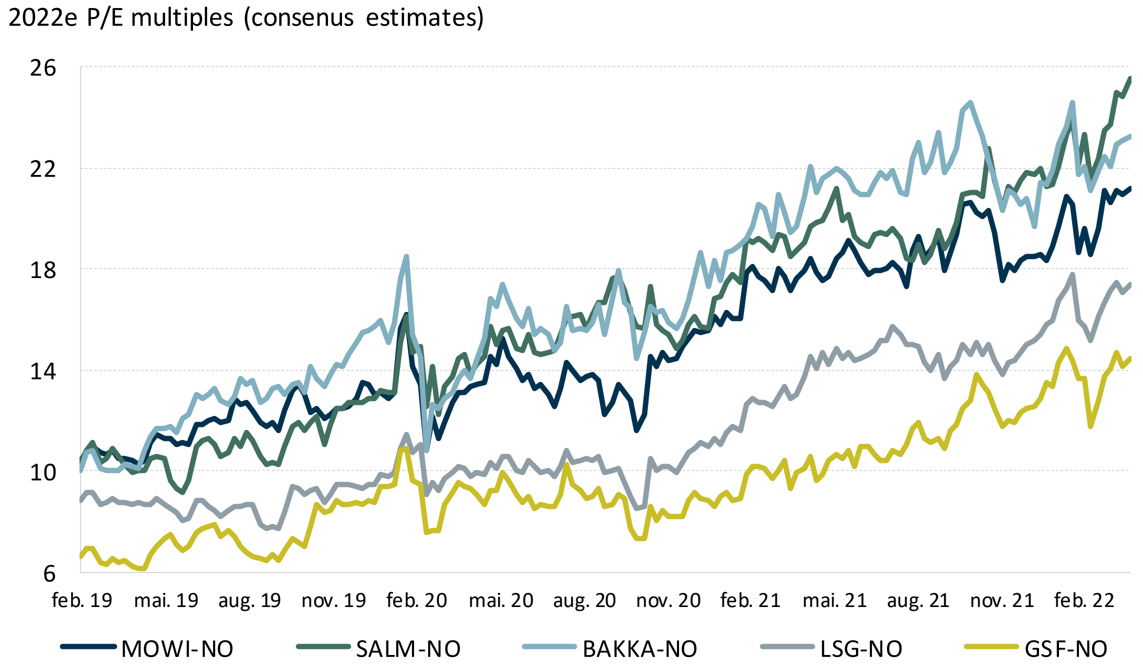
P/E 22e and 23e for salmon farmers



Development in multiples for salmon farmers

All companies (except BAKKA) trading at record high levels





Valuation of salmon farmers

				22e	22e	22e	22e	23e	P/E			EV/EBIT			Div Yield			Farming EBIT/kg		
	# shares	Price	Mcap	NIBD	EV	Volume	EV/kg*	EV/kg*	2022	2023e	2024e	2022	2023e	2024e	2022	2023e	2024e	2022	2023e	2024e
AFISH	32	85	2,710	895	3,605	10	357	284	173.8	17.0	12.9	70.3	13.9	10.6	na	na	na	5.1	19.8	21.4
BAKKA	59	648	38,325	2,660	40,985	103	370	334	21.8	19.1	17.7	16.6	14.6	13.2	2.3 %	2.6 %	2.5 %	22.5	22.6	22.7
GSF	113	141	15,975	1,777	17,753	90	202	176	15.1	12.6	11.7	11.8	9.6	8.8	2.8 %	4.3 %	6.4 %	16.8	18.0	18.0
IFISH	91.5	33	3,020	1,096	4,116	9.0	457	219	53.7	13.7	8.1	35.6	11.8	7.1	na	na	na	12.9	17.5	18.7
ISLAX	31	148	4,582	341	4,923	16.0	308	260	23.0	15.3	8.8	17.2	11.7	6.4	na	na	na	17.9	21.2	23.3
LSG	596	89	52,845	1,382	54,227	185	287	247	17.6	15.1	14.6	13.1	10.8	10.0	3.4 %	3.9 %	3.9 %	17.6	18.3	17.8
MOWI	517	267	137,872	8,105	145,977	459	284	262	20.6	18.2	17.7	16.3	14.0	13.0	3.5 %	4.2 %	3.9 %	15.6	16.7	16.5
NRS	44	246	10,697	3,049	13,746	45	291	198	35.1	14.3	12.0	23.1	10.2	9.4	2.0 %	3.7 %	3.7 %	18.5	21.8	21.4
NTS	126	125	15,650	12,581	28,231	35	480	410	18.5	11.8	11.2	16.4	10.8	10.1	1.2 %	2.0 %	2.0 %	22.4	20.8	19.9
SALM	118	773	91,059	2,336	93,396	191	489	444	26.9	24.0	22.8	19.6	17.1	15.3	3.0 %	3.2 %	3.4 %	28.2	26.3	25.8
SACAM	74	44	3,227	795	4,022	54	75	78	7.5	7.6	6.0	7.1	7.0	5.2	4.0 %	5.3 %	6.7 %	10.0	10.7	11.0
Sector			**375,962**	**35,017**	**410,979**	**1,196**	**311**	**276**	**21.2**	**17.7**	**16.5**	**16.3**	**13.2**	**11.9**	**20.1 %**	**3.8 %**	**3.8 %**	**18.8**	**19.4**	**19.2**

**EV/kg pure farming, NIBD adjusted for dividends*

Sensitivity to 2022e valuation

2022e	EPS sensitivities assuming -NOK 10	-NOK 5	-NOK 2	80 % Base (69.0)	price achievement +NOK 2	+NOK 5	+NOK 10	P/E sensitivities -NOK 10	-NOK 5	-NOK 2	Base (69.0)	+NOK 2	+NOK 5	+NOK 10
Bakkafrost	19.3	24.5	27.6	29.7	31.8	34.9	40.2	33.6	26.5	23.5	21.8	20.4	18.5	16.1
Grieg Seafood	4.6	7.0	8.4	9.3	10.3	11.7	14.1	30.6	20.2	16.8	15.1	13.7	12.0	10.0
Lerøy	3.2	4.1	4.7	5.0	5.4	6.0	6.9	27.8	21.5	19.0	17.6	16.4	14.8	12.8
Mowi	7.6	10.3	11.9	12.9	14.0	15.6	18.3	35.1	26.0	22.5	20.6	19.1	17.1	14.6
Norway Royal Salmon	0.8	3.9	5.8	7.0	8.2	10.1	13.2	310.3	63.0	42.6	35.1	29.8	24.3	18.6
NTS	5.1	5.9	6.4	6.7	7.1	7.6	8.4	24.5	21.1	19.4	18.5	17.6	16.5	14.8
Salmar	19.0	23.8	26.8	28.7	30.7	33.6	38.4	40.7	32.4	28.9	26.9	25.2	23.0	20.1
Salmones Camanchaca	1.4	3.6	4.9	5.8	6.6	7.9	10.1	30.4	12.1	8.9	7.5	6.6	5.5	4.3

Valuation of other seafood companies

	# shares	Share price	Mcap	22e NIBD	22e EV	P/E 2022e	P/E 2023e	P/E 2024e	EV/EBIT 2022e	EV/EBIT 2023e	EV/EBIT 2024e	Div Yield 2022e	Div Yield 2023e	Div Yield 2024e
AKVA	33	87	2,887	519	3,406	19.6	12.7	11.5	8.4	6.4	5.7	2.3 %	3.5 %	3.5 %
AUSS*	203	150	30,388	2,910	45,184	11.4	10.2	9.5	9.3	8.3	7.9	3.7 %	4.3 %	4.3 %

**EV in AUSS incl. minority interests*

	# shares	Share price	Mcap	22e NIBD	22e EV	EV/EBITDA adj. 2022e	EV/EBITDA adj. 2023e	EV/EBITDA adj. 2024e	Revenue growth 2022e	Revenue growth 2023e	Revenue growth 2024e	EBITDA adj. margin 2022e	EBITDA adj. margin 2023e	EBITDA adj. margin 2024e
AKBM	88	54	4,725	2,899	7,624	12.1	8.3	6.4	23 %	17 %	13 %	22 %	27 %	29 %
BMK*	704	45	317	64	381	14.3	10.3	8.5	13 %	22 %	11 %	18 %	22 %	23 %

** BMK share price in GBp, other figures in GBPm*

	# shares	Share price	Mcap	22e NIBD	22e EV	EV/EBITDA adj. 2022e	EV/EBITDA adj. 2023e	EV/EBITDA adj. 2024e	Harvest volumes 2022e	Harvest volumes 2023e	Harvest volumes 2024e	EBIT/kg 2022e	EBIT/kg 2023e	EBIT/kg 2024e
ASA	91	26	2,387	1,037	3,424	na	16.3	6.5	5.9	9.0	23.1	-37.9	11.0	25.8
NOHAL	29	28	811	7	818	na	25.5	11.8	0.6	1.3	1.8	-31.3	11.9	33.0
PROXI	40	8.9	353	164	518	na	na	13.0	na	na	2.8	na	na	31.3
SALME	335	8.7	2,908	(10)	2,898	na	29.7	18.6	0.3	5.8	9.4	na	17.3	20.5

Information investors seek in an IPO process

Transparency often equals I) an efficient process and II) correct/better valuation

- **Extended financial history - If possible, more than the 2 last years**
  - Good transparency and increased understanding of the business development often results in a more efficient transaction and correct (higher) valuation
- **Reported vs pro-forma figures**
  - Investors will seek to understand the organic development and how previous acquisition have developed
- **Split between revenue segments**
  - Investors like to understand 'drivers' for each segment
  - SOTP analysis
- **Cost breakdown**
  - Easier to make future predictions and calculate profitability potential (current underlying profitability)
- **Use of proceeds**
  - Growth investments , M&A, WC, etc..
- **Reliable targets**
  - Total growth, organic growth, profitability etc.
- **Market**
  - Market position / Market share
  - Competitors (How does your product/service differentiate?)

Peer pricing is always a go to among investors

- **Traditional salmon farmers**
  - Valuation will always be compared to the listed salmon players – and a discount will be applied to new companies
  - Companies with growth opportunities will only partly be compensated to this

- **Land based salmon producers (other species)**
  - Valuation will be linked to invested capital – difficult to get a high pre-money value for a new land based company
  - A strong management team, licenses in place, good locations etc is also required to be able to raise money

- **Other seafood companies**
  - Investors will always try to find good peers to value a new company
  - SOTP valuations if different peers with different segments is also a possibility
  - Solely valuing a company based on a DCF valuation is difficult in an IPO process

Examples of supporting slides

Pareto Securities AS Equity Research

DRAFT VERSION

February 2020

Arctic Fish

Supporting slides made in relation to the equity transaction where Pareto Securities acts as financial advisor to the company

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Investment case – Arctic Fish

- Strong salmon market fundamental – with limited growth potential in current production areas
  - Today, more than 80% of the worlds production of Atlantic salmon is coming from Norway and Chile. Due to strict regulations, volume growth from these regions is limited. In addition, growth from other traditional salmon farming areas such as Canada, UK and Australia is expected to be limited.
  - Because of these supply limitations, combined with a strong demand for salmon from both established and new markets, the salmon price has increased to a significantly higher level than we have seen historically. We expect salmon prices to stay at high levels as we expect investments in new volumes (e.g on land /offshore) will require a higher salmon price than we have seen historically
- Iceland is one of few traditional farming areas with growth potential – Arctic Fish to take part in this journey
  - In 2020e Iceland will only produce around 30k tonnes, which is still a significant increase from the ~10k tonnes produced in 2017, but we expect production to reach around 100k tonnes by 2025. This will improve the entire value chain for salmon in Iceland leading to lower logistical cost
  - Arctic Fish is one of 4 (3) companies with a significant exposure to this growing industry. The company already has licenses of ~12k tonnes of Atlantic Salmon, but we expect this to increase going forward with the first 6k tonnes expected shortly. In total the company has applied for licenses that can give MAB of 32k tonnes
  - Arctic Fish is backed by one of the leading Norwegian salmon farmers, NRS, currently owning 50% of the company but aiming tat increasing its ownership share after the private placement.
  - The company has also constructed the only RAS smolt facility in Iceland which give them access to high quality smolt which again is a main reason for the strong operational results the company has delivered lately.
- Significant earnings growth expected until 2025e– with an estimated EBIT of NOK 144m in 2021e growing to NOK 528m in 2025e
  - Arctic Fish harvested 7.4k tonnes in 2020, increasing to 12k tonnes in 2021e and expected to increase to 24k tonnes in 2025 as the company expect to receive more licenses the next 2 years
  - EBIT/kg margin in 2020 is negatively impacted by weak salmon prices, but it was still a positive result driven by strong cost control. In 2021e we expect a partly rebound in salmon prices and continued good cost numbers leading to an EBIT/kg of NOK 12. Long term we expect even lower production cost combined with improved price achievements and in 2025e we model a margin of NOK 22/kg.

Source: Pareto Securities Equity Research

Arctic Fish in Brief

A salmon farming company located on the west coast of Iceland

Founded in 2011 on the west coast of Iceland

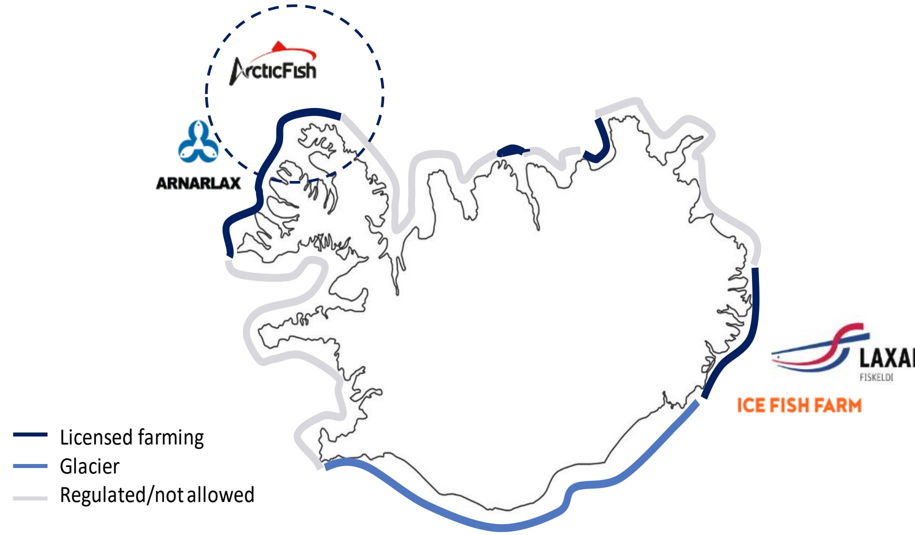
- Arctic Fish was founded in 2011 and is a salmon farming company located on the west coast of Iceland
- The company operates a smolt facility and 6 farming sites with a total capacity of 11.8k tonnes

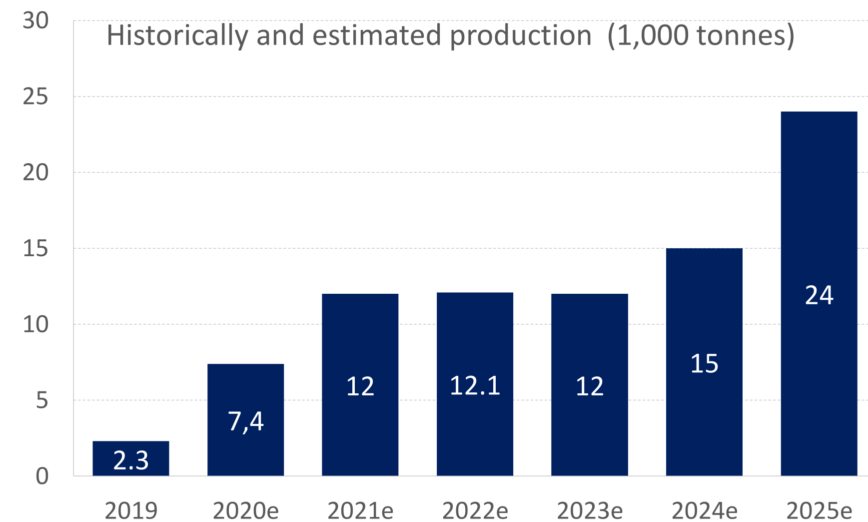
Aims at harvesting 24kt in 2025

- Currently, Arctic Fish holds licenses of 17.1k tonnes, whereof 5.3kt are trout licenses that are in the process of being converted into salmon licenses (expected in 2021)
- The company has pending applications of 14.8kt, which can result in a total MAB of 31.9kt. 6k tonnes expected to be granted shortly, and even 4.8k tonnes more in 2021e
- Arctic Fish aims at harvesting 24kt in 2025 after expanding its smolt facility and invest in increased processing capacity

Strong shareholder support

- Arctic Fish has strong shareholder support from NRS and Jerzy Malek which owns 50% and 47.5%, respectively
- NRS operates in Finnmark – a region that has similar farming conditions as Iceland and NRS contributes with know-how from its farming operations
- Jerzy Malek is a Polish serial entrepreneur within seafood, and has founded the smoked salmon producer Morpol and the fish processing company Milarex





Source: Company data, Pareto Securities

Smolt production

- Arctic Fish owns a RAS smolt facility in Nordurbotn (Tálknafjörður)
- Will expand the facility with parts of the proceeds, and increase the capacity to meet the expected growth in harvest volumes
- Total current capacity of 3.5m smolt at 137 grams, which is expected to increase to ~5m smolt at ~200g after the expansion

Salmon farming

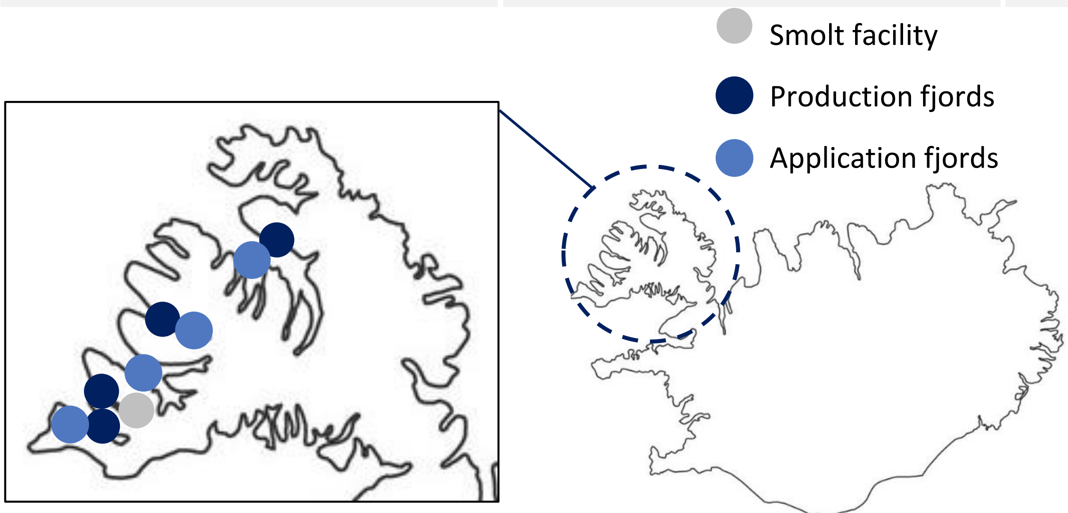
- Operates on the west coast of Iceland
- 6 farming sites with granted licenses
  - Total current capacity of 17.1k tonnes whereas 11.8kt are salmon licenses and 5.3kt are trout licenses
- 7 farming sites with applied licenses
  - Pending applications of 14.8kt MAB
  - 6k tonnes in Dyrafjordur expected shortly
  - Another 5k tonnes in Isafjardardjup also expected during 2021

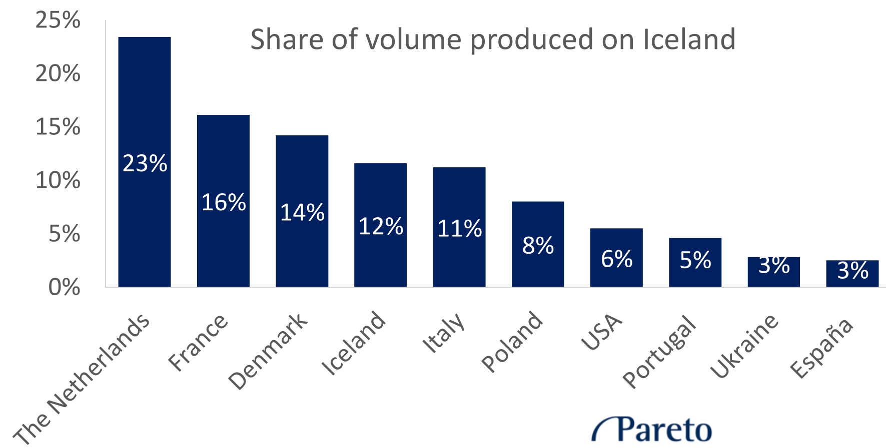
Processing

- Harvesting/processing of the salmon is completed through a service agreement with Icelandic Salmon in its processing facility in Bildudalur
- Further cooperation is being discussed continuously and other solutions are being explored
- Future growth depends on increased harvesting capacity and increased capacity will either be handled through a joint venture or as a stand alone project

Sales

- Sales are handled by Seaborn
- Current export routes are well established with potential for new markets in the future
- Several logistic opportunities from Iceland expected in the future, i.e. direct transportation to North America using freight ships and increased use of cargo planes
- Due to the Free Trade Agreement ("FTA") with China and Faroes, Iceland does not have any taxes or tariffs (in comparison to Norway with 10%)





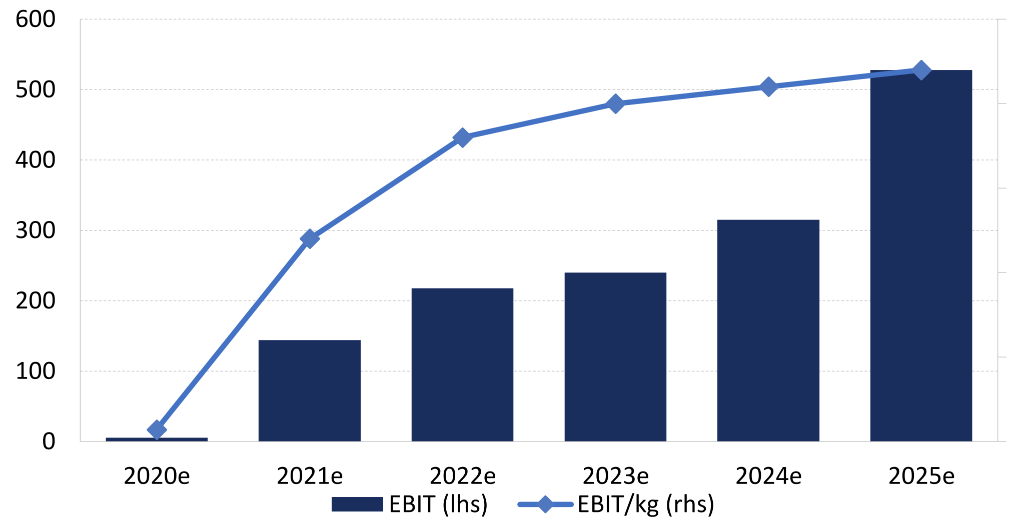
Source: Company data, Kontali

Earnings development driven by lower cost and higher volumes

We also see potential for increased price premiums post 2021

- In 2020 the company reported a modest positive EBIT of NOK 5m as harvest volumes are fairly low at 7.4k tonnes and margins have been negatively impacted by low salmon prices
- We expect strong growth in volumes into 2021e supported by higher smolt release numbers. With higher salmon prices and lower cost we also expect a stronger margin
- Longer term we expect continued volumes growth driven by utilization of more licenses and in 2025e that the company will have received additional licenses
- We expect margins to continue to improve driven by slightly lower cost, but also a gradually improvement in price premiums

EBIT (NOKm) and EBIT/kg (NOK)



Key items (NOK/kg)	2019	2020	2021e	2022e	2023e	2024e	2025e
Spot price	57	54	56	60	61	60	60
Premium/discount	-8	-6	-1	0	1	2	2
Achived price	**49**	**48**	**55**	**60**	**62**	**62**	**62**
Cost/kg	56	47	43	42	42	41	40
EBIT/kg	-6.3	0.7	12.0	18.0	20.0	21.0	22.0
Volumes (ktonnes HOG)	3.3	7.4	12.0	12.1	12.0	15.0	24.0

Source: Pareto Securities Equity Research

Valuation of Arctic Fish compared to other Icelandic farmers

Significant discount to ISLAX both based on 2025e and max MAB potential

NOK/NOKm	AFISH	ISLAX	IFISH
Volumes 2025e	24	34	25
EBIT/kg 25e (NOK)	22	22	22
EBIT 25e (NOKm)	528	737	558
#shares		31	54
Share price		120	42.0
Mcap today (NOKm)	**1,600**	**3,700**	**2,268**
New equity	300		
NIBD post equity issue	170	80	231
CAPEX 20e-25e	856	782	623
2025e NIBD (NOKm)*	1,026	862	854
2025e EV (NOKm)*	3,482	5,344	3,745

	AFISH	ISLAX	IFISH
EV/EBIT 25e	6.6x	7.3x	6.7x
EV/kg 25e	145	160	148
Max potential MAB**	31.9	39.7	37.6
2025e EV/Max MAB	109	135	100
MAB today	27.9	25.2	20.8
2025e EV/MAB today	125	212	180

* Excluding operational cash flows in 2020e-2025e

*** 12.6k tonnes for IFISH is expected to be sterile*

****Multiples assume same EBIT/kg and volumes in line with guiding*

Source: Pareto Securities Equity Research

Attractive valuation compared to Icelandic peers

Despite peers having more growth further out in time

	#shares	share price	Mcap	NIBD	EV	CAPEX	WC	Cash flow	Future EV
Arctic Fish			1,900	168	2,068	856	332	751	2,505
ISLAX	31	120	3,700	80	3,780	782	451	1,131	3,882
IFISH	54	42	2,268	231	2,499	623	410	902	2,630

Volumes (ktonnes)	2016	2017	2018	2019	2020e	2021e	2022e	2023e	2024e	2025e	Incl applications
Arctic Fish				3	7	12	12	12	15	24	31.9
ISLAX	6	10	7	10	11	14	15	20	31	34	39.7
IFISH			2	4	4	9	16	20	22	24	37.6

EBIT/kg (NOK)	2016	2017	2018	2019	2020e	2021e	2022e	2023e	2024e	2025e
Arctic Fish				-6	1	12	18	20	21	22
ISLAX		6	-12	10	-6	11	17	20	21	22
IFISH				16	16	15	18	20	21	22

EV/kg (NOK)	20e	21e	22e	23e	24e	25e	Future 25e EV
Arctic Fish (1.6bn)	279	172	171	172	138	86	104
ISLAX	344	270	252	189	124	113	116
IFISH	714	287	161	125	114	104	110

EV/EBIT	20e	21e	22e	23e	24e	25e	Future 25e EV
Arctic Fish (1.6bn)	559x	14.4x	9.5x	8.6x	6.6x	3.9x	4.7x
ISLAX	na	24.6x	15.2x	9.4x	5.9x	5.1x	5.3x
IFISH	46x	19.1x	8.9x	6.2x	5.4x	4.7x	5.0x

- Arctic Fish multiples based on pre-money market cap of NOK 1.6bn

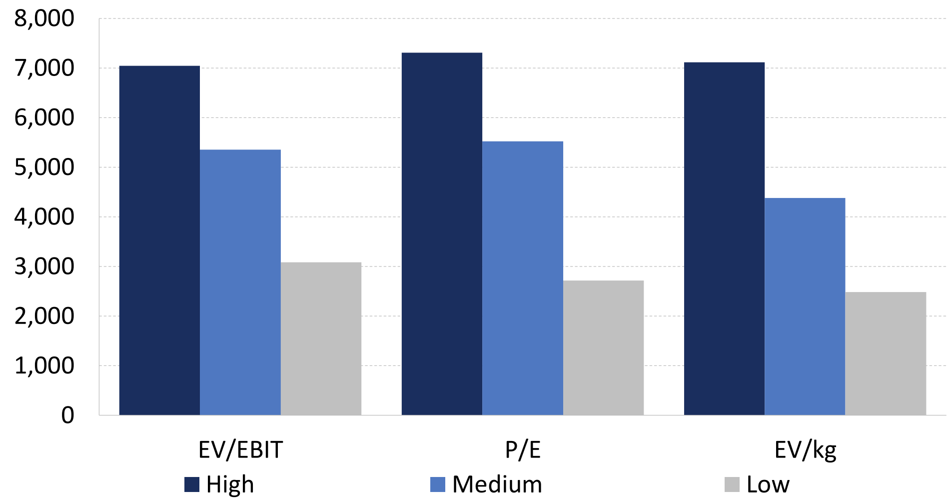
Source: Pareto Securities Equity Research

Potential value of Arctic Fish in 2025e

Based on 2022e multiples we arrive at an average value of NOK ~5bn based on 2025e

- In contrast to most other listed salmon farming companies, Arctic Fish are expected to grow significantly the next coming years. We therefor find it useful to show the potential value the company might have when reaching a higher production
- Based on our 2025e for Arctic Fish and the current average multiples in the industry, we argue that the company could be valued NOK 4.4bn-NOK 5.5bn.
- The different salmon companies are however trading at different multiples depending on growth potential, but maybe more importantly current margins
- By using BAKKA multiples we arrive at a potential 2025e market cap of NOK 7.0-7.3bn

Potential market value in 2025 based on 2022e sector multiples (NOKm)



2022e	P/E	EV/EBITDA	EV/EBIT	EV/kg*
Bakkafrost	18.3	10.7	13.6	301
Grieg Seafood	6.5	4.6	5.8	104
Lerøy	11.5	6.2	7.7	144
Mowi	14.8	8.0	11.1	179
Norway Royal Salmon	11.3	8.6	9.5	192
NTS	11.5	8.3	11.5	106
Salmar	17.3	10.7	12.4	318
Salmones Camanchaca	7.1	5.4	6.4	74
Sector	**13.9**	**8.1**	**10.5**	**189**

*EV/kg pure farming EV

Source: Pareto Securities Equity Research

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Valuation and EBIT/kg sensitivities

Significant potential into 2025e if the company delivers on expectations

2022e Market cap		EBIT/kg (NOK)				
		10.0	15.0	19.0	25.0	30.0
	8	354	822	1,196	1,758	2,226
EV/EBIT (x)	10	588	1,173	1,641	2,343	2,928
	12	822	1,524	2,086	2,928	3,630
	15	1,173	2,051	2,753	3,806	4,683
	20	1,758	2,928	3,864	5,268	6,438

2025e Market cap		EBIT/kg (NOK)				
		10.0	15.0	22.0	25.0	30.0
	8	1,836	2,796	4,140	4,716	5,676
EV/EBIT (x)	10	2,316	3,516	5,196	5,916	7,116
	12	2,796	4,236	6,252	7,116	8,556
	15	3,516	5,316	7,836	8,916	10,716
	20	4,716	7,116	10,476	11,916	14,316

Source: Pareto Securities Equity Research

Peer valuation

Salmon sector trading at 14x 2021e EBIT and ~NOK 220/kg

				20e	20e	20e	20e	21e	P/E			EV/EBIT			Div Yield			Farming EBIT/kg		
	# shares	Price	Mcap	NIBD	EV	Volume	EV/kg*	EV/kg*	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e
BAKKA	59	624	36,905	2,783	39,689	86	430	338	55.5	23.5	18.3	41.0	17.9	13.6	1.8 %	2.1 %	2.7 %	8.3	17.2	20.5
GSF	113	79	8,963	3,988	12,951	90	148	138	na	9.5	6.5	na	9.2	5.8	0.0 %	5.1 %	8.9 %	1.1	15.0	17.7
LSG	596	62	37,093	3,639	40,732	171	216	174	27.6	13.8	11.5	21.7	10.2	7.7	4.8 %	5.6 %	5.6 %	7.3	14.5	17.2
MOWI	517	192	99,411	15,618	115,028	440	226	214	39.2	20.2	14.8	31.7	16.0	11.1	1.4 %	3.1 %	4.8 %	4.2	11.1	14.4
NRS	44	201	8,758	1,575	10,333	30	318	242	38.2	15.1	11.3	38.5	13.6	9.5	2.5 %	5.0 %	5.3 %	8.4	19.2	21.9
NTS	108	81	8,718	4,578	13,296	20	221	154	30.8	14.4	11.5	27.2	15.5	11.5	2.5 %	3.1 %	3.7 %	11.5	17.2	19.8
SALM	113	531	60,185	4,336	64,521	162	399	355	25.5	21.8	17.3	21.2	16.3	12.4	3.6 %	4.3 %	5.5 %	18.2	22.2	26.0
SALMON	66	57	3,775	987	4,762	57	83	83	na	11.0	7.1	na	9.7	6.4	0.0 %	4.5 %	7.1 %	-1.4	8.8	11.3
Sector			**263,808**	**37,503**	**301,312**	**1,055**	**250**	**223**	**36.6**	**18.3**	**13.9**	**29.7**	**14.5**	**10.5**	**2.5 %**	**3.8 %**	**4.9 %**	**6.9**	**14.6**	**17.7**

**EV/kg pure farming, NIBD adjusted for dividends*

				20e	20e	20e	20e	21e	22e	P/E			EV/EBIT			EBIT/kg		
	# shares	Price	Mcap	NIBD	EV	Volume	EV/kg*	EV/kg*	EV/kg*	2020	2021e	2022e	2020	2021e	2022e	2020	2021e	2022e
ISLAX	31	120	3,700	80	3,780	11	344	315	252	na	30.8	18.9	na	24.5	15.2	-5.8	11.0	16.6
IFISH	54	42	2,268	231	2,499	3.5	714	287	161	65.2	23.7	10.6	45.4	19.1	8.9	15.5	15.0	18.1

Source: Pareto Securities Equity Research

Valuation of Arctic Fish based on DCF

We calculate a market value of NOK 2.8bn

DCF (NOKm)	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e
Farming volumes	7	12	12	12	15	24	26	29	32	35
Price	48	55	60	62	62	62	58	58	58	56
Cost	47.3	43.0	42.0	42.0	41.0	40.0	40.0	40.0	40.0	40.0
EBIT/kg (NOK)	0.7	12.0	18.0	20.0	21.0	22.0	18.0	18.0	18.0	16.0
EBIT	**5**	**144**	**218**	**240**	**315**	**528**	**475**	**523**	**575**	**562**
Tax	4	-25	-40	-45	-61	-108	-101	-115	-130	-109
Growth CAPEX	-100	-407	-289	-75	-64	-21	-106	-116	-128	-28
CF effect WC	-58	-45	3	-15	-225	-60	-66	-73	-80	-18
New equity		300								
FCF	**-148**	**-33**	**-108**	**105**	**-35**	**339**	**203**	**219**	**237**	**407**

Assumptions	
Growth CAPEX/kg	40.0
Maintanance CAPEX/kg	4.0
WC/kg	25
Tax	20 %
Growth 25-29e	10 %
TV growth	2.0 %
WACC	9.0 %
Long term EBIT/kg	16

Valuation	
PV (FCF)	515
PV (TV)	2,731
EV	**3,246**
NIBD YE 2020	460
Maket value (NOK)	**2,786**

		Growth 25-30e				
		5.0 %	8.0 %	10.0 %	15.0 %	20.0 %
WACC	7 %	4,025	4,386	4,642	5,341	6,128
	8 %	3,103	3,365	3,551	4,057	4,625
	9 %	2,454	2,649	2,787	3,161	3,580
	10 %	1,974	2,122	2,226	2,506	2,820
	12 %	1,319	1,405	1,465	1,627	1,805

		EBIT/kg (NOK) post 2029e				
		10.0	13.0	16.0	20.0	25.0
WACC	7 %	2,771	3,706	4,642	5,890	7,450
	8 %	2,117	2,834	3,551	4,507	5,703
	9 %	1,655	2,221	2,787	3,541	4,484
	10 %	1,314	1,770	2,226	2,834	3,594
	12 %	845	1,155	1,465	1,879	2,396

Source: Pareto Securities Equity Research

Detailed P&L

Significant volume growth post 2020

CURRENT ESTIMATES

PROFIT & LOSS (NOKm)	2019	2020	2021e	2022e	2023e	2024e	2025e
Revenues	164	357	660	726	744	930	1,488
EBITDA adj	(20)	24	180	254	276	360	600
EBITadj	**(21)**	**5**	**144**	**218**	**240**	**315**	**528**
Net profit	(44)	(15)	95	151	169	230	406
Net interest bearing debt	504	460	481	579	464	478	81
Capex	(151)	(100)	(407)	(289)	(75)	(64)	(21)
WC change	-	(58)	(45)	3	(15)	(225)	(60)

Divisional EBIT (EURm)	2019	2020	2021e	2022e	2023e	2024e	2025e
Iceland	-21	5	144	218	240	315	528

Farming volumes (1,000 gwtt)	2019	2020	2021e	2022e	2023e	2024e	2025e
Iceland	3.3	7.4	12.0	12.1	12.0	15.0	24.0

Margin	2019	2020	2021e	2022e	2023e	2024e	2025e
EBIT Margin NOK/kg	-6.3	0.7	12.0	18.0	20.0	21.0	22.0

Source: Pareto Securities Equity Research

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Pareto
Securities AS Equity Research

September 2020

Salmon Evolution

Supporting slides made in relation to the ongoing placement of equity in Salmon Evolution where Pareto Securities acts as joint lead manager

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Investment case – Salmon Evolution

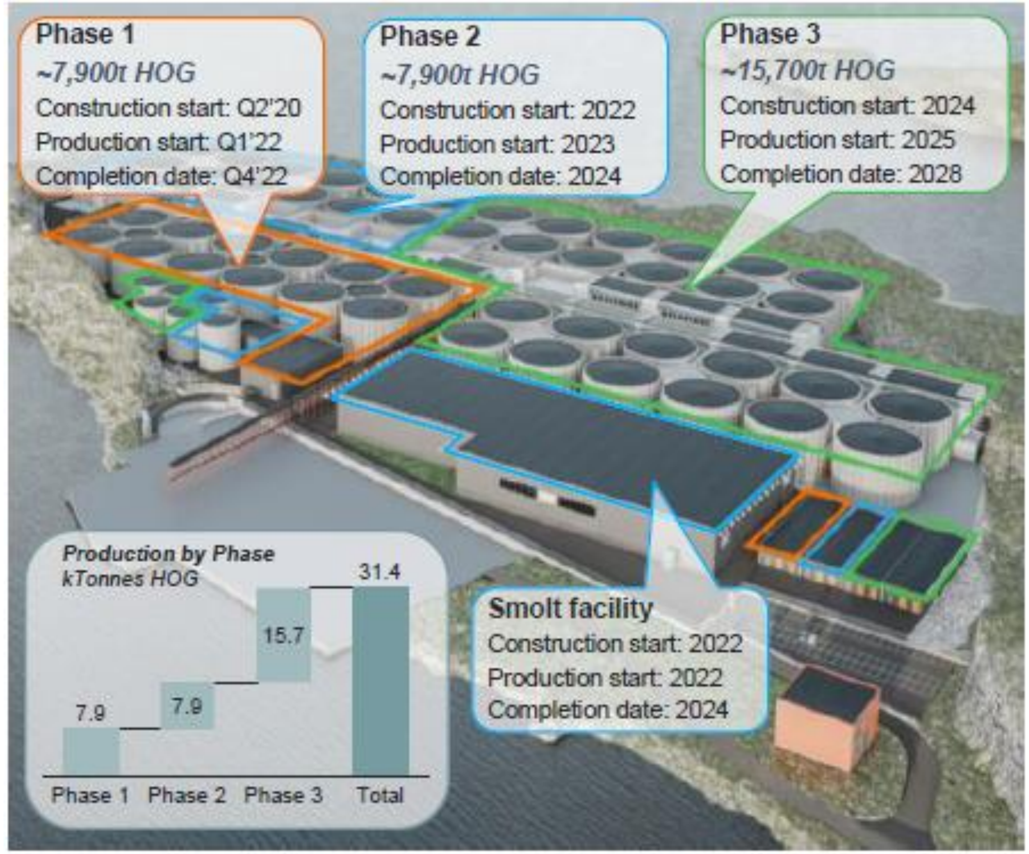
- Strong salmon market fundamental – with limited growth potential in current production areas
  - Today, more than 80% of the worlds production of Atlantic salmon is coming from Norway and Chile. Due to regulations volume growth from these regions is limited, and also growth from other traditional salmon farming areas such as Canada, UK and Australia is expected to grow at low levels.
  - Because of these supply limitations, combined with a strong demand for salmon from both established and new markets, the salmon price has increased to a significantly higher level than we have seen historically.
  - We believe land based salmon farming will be one of the production methods that will fill the growing demand salmon, and that early movers will benefit from a strong salmon market in several years
- Land based production with a scalable low risk technology and a strong team behind
  - Salmon Evolution plan to build a ~30k tonnes land based facility in Norway with the use of a hybrid flow-through technology. This technology has been used for smolt production for many years, and have also been chosen as a preferred technology for land based broodfish production
  - Salmon Evolution has already established a strong organization. Its board of directors and largest owners also has significant experience in the salmon industry.
  - The company will first build a ~8k tonnes facility in Norway and already has licenses for a 31k tonnes production at the same location. The company plan further expansion both in Norway and abroad, as the technology only is dependent on good water access with correct temperatures the entire year.
- Significant earning potential next few years – with an estimated EBITDA of NOK 252 in 2023e growing to NOK 848m in 2028e
  - The company phase 1 facility of ~8k tonnes is expected to produce salmon from the end of 2022. We estimate an EBITDA of NOK 252m in 2023 driven by a salmon price of NOK 70/kg and EBIT cost of NOK 45/kg
  - We expected growth in earnings to be driven by increased production and in 2028e we expect harvest volumes of ~30k tonnes to generate an EBITDA of NOK 848m.
  - Potential expansions outside Norway can increase EBITDA further also within our estimate period

Source: Pareto Securities Equity Research, Kontali

Introduction to Salmon Evolution

Land based salmon farming using hybrid flow through technology

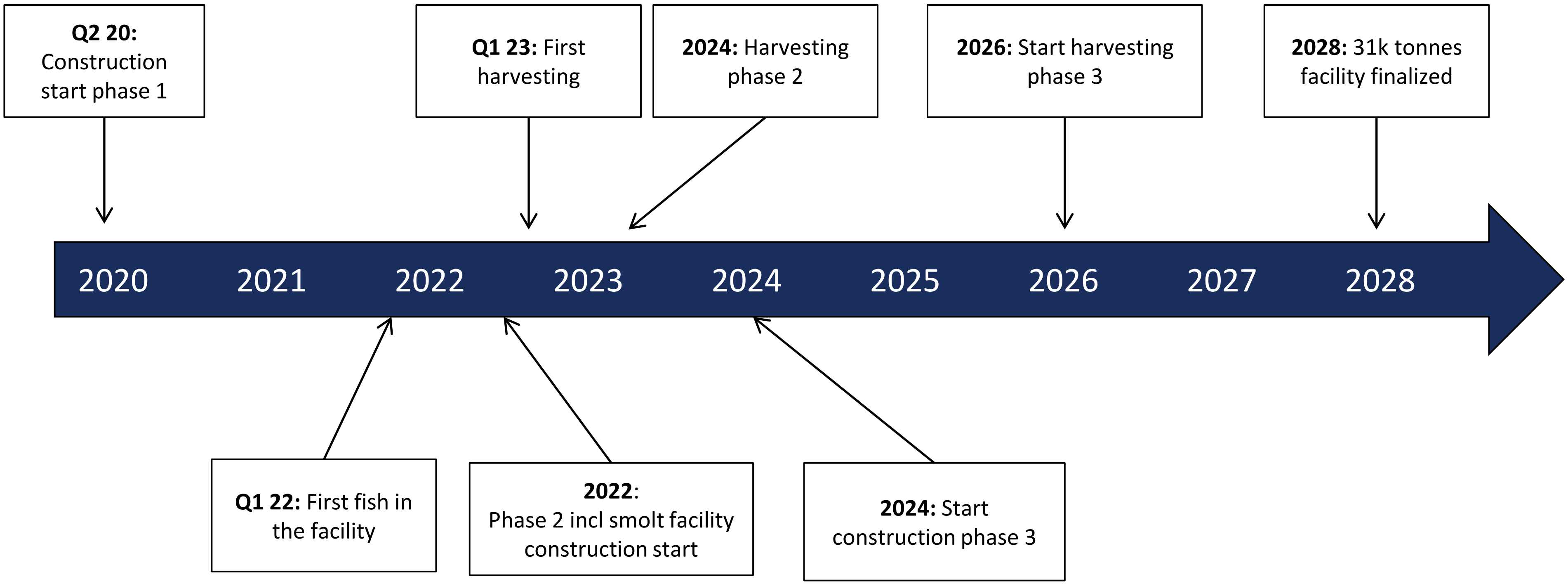
- The company plans to build a 31k tonnes HOG facility at Indre Harøy in Møre og Romsdal
- The company will use a flow-through with reuse technology, which is developed by Artec Aqua and used at several broodfish facilities in Norway
- The company has further expansions plans beyond the current build out plan, with potential to expend the facility at Indre Harøy further (+20k tonnes) but also plans to build a facility in Asia in cooperation with Dongwong who recently made a NOK 50m investment in the company



Source: Company data

Operational Timeline

Construction and production main focus going forward



Source: Pareto Securities Equity Research, Company data

Introduction to the technology – advantages compared to RAS

High re-use of water leads to less water treatments, hence no biofilter needed

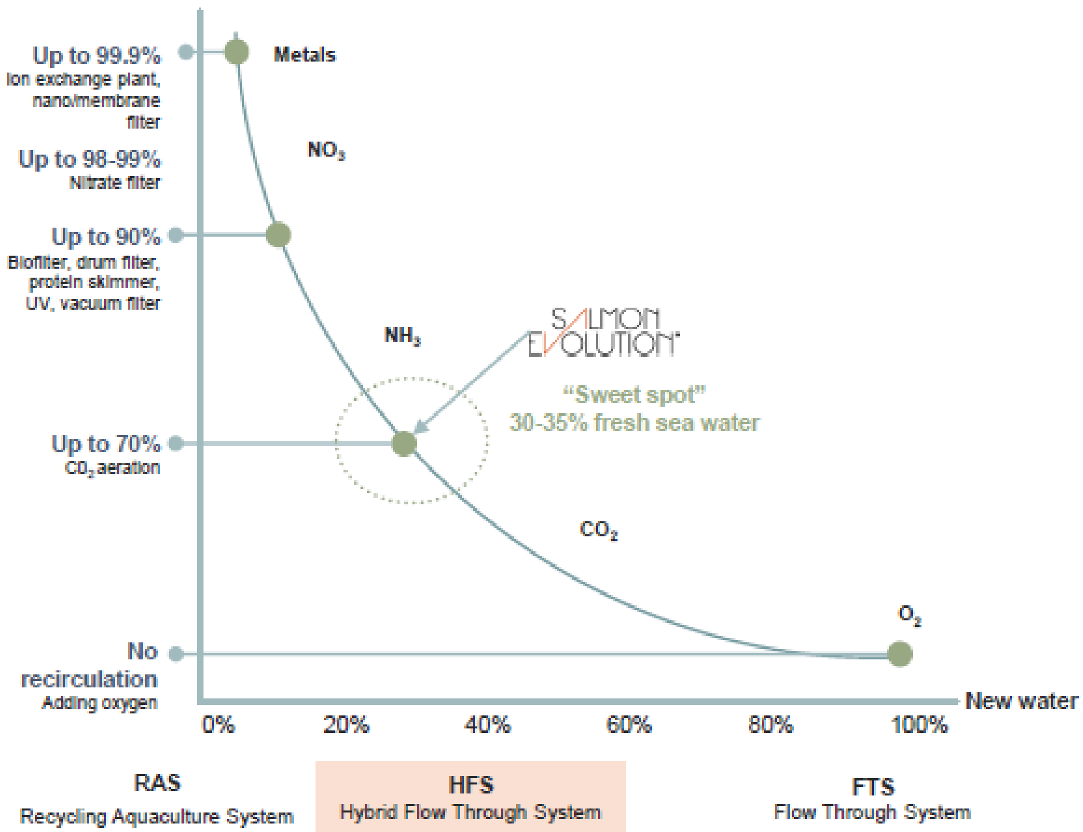
- The Artec Aqua HFS technology has no biological filter as 30% of the water is changed every ~30min keeping the water quality at a good level
- The water intake is treated with filters and Ozon, and Co2 is removed and oxygen added in the re-use of water process. The water is also heated to create an optimal growth condition for the fish.
- As no biofilter is needed every tank is also its own biological environment, as no water flows through the different tanks. This also makes it possible to clean and disinfect the tanks between each production cycle

Source: Company data, HFS= hybrid flow through system

Advantages compared to RAS systems

High water re-use remove risk of toxic gasses

Recirculation rate and water treatment complexity



Overview over treatment methods

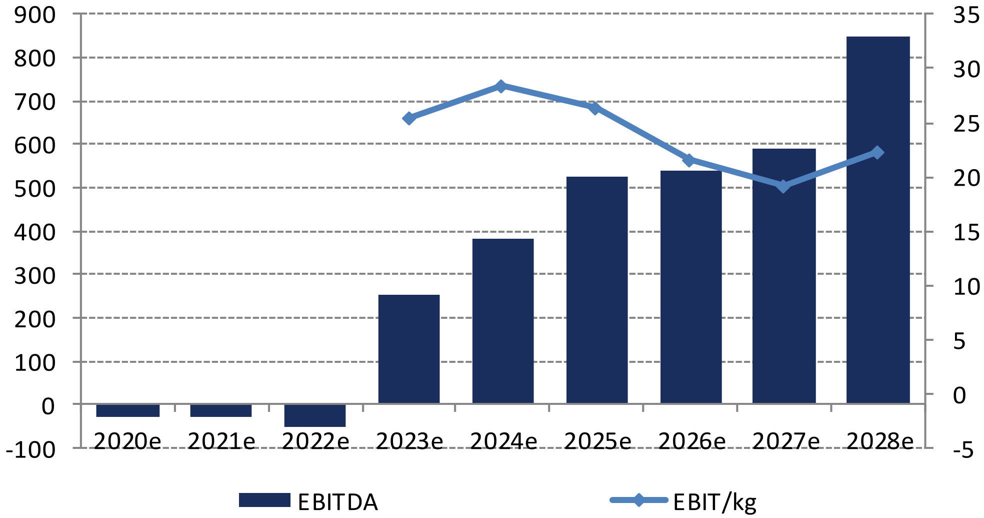
Water treatment principle	Water quality bottleneck	Required water treatment equipment	New water (%)
Flowthrough (FTS)	O_2	Adding oxygen	100%
SALMON EVOLUTION HFS	CO_2	**Adding oxygen CO_2 aeration**	**30-35%**
RAS 90%	NH_3	Adding oxygen, CO2 aeration, biofilter, drum filter, protein skimmer, UV, vacuum filter	10%
RAS 98-99%	NO_3	Adding oxygen, CO2 aeration, biofilter, drum filter, protein skimmer, UV, vacuum filter, nitrate filter	1-2%
Zero exchange RAS	Metals	Adding oxygen, CO2 aeration, biofilter, drum filter, protein skimmer, UV, vacuum filter, nitrate filter, advanced ion exchange plant, nano/membrane filter	< 1%

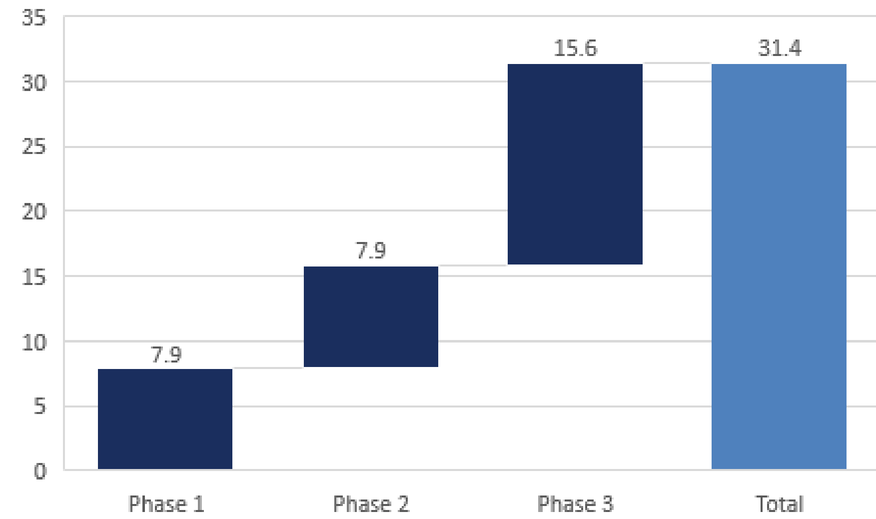
Source: Artec Aauq

Salmon Evolution earnings driven by increased production

Current licenses supports growth up to ~31k tonnes

EBITDA (NOKm) and EBIT/kg (NOK) in 2020e-2028e

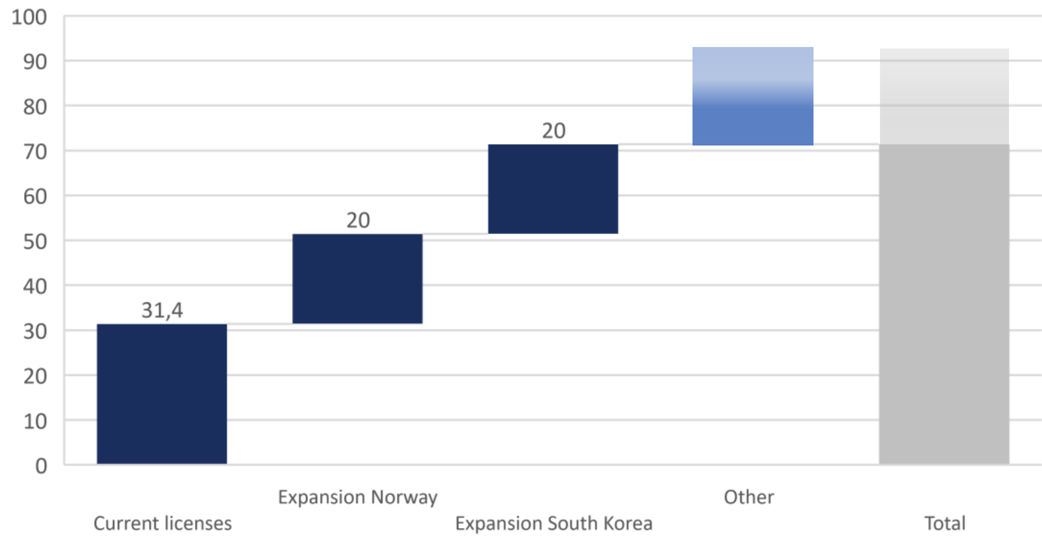




Source: Pareto Securities Equity Research

Further volume potential beyond the 31k tonnes

Driven by expansions both in Norway and internationally

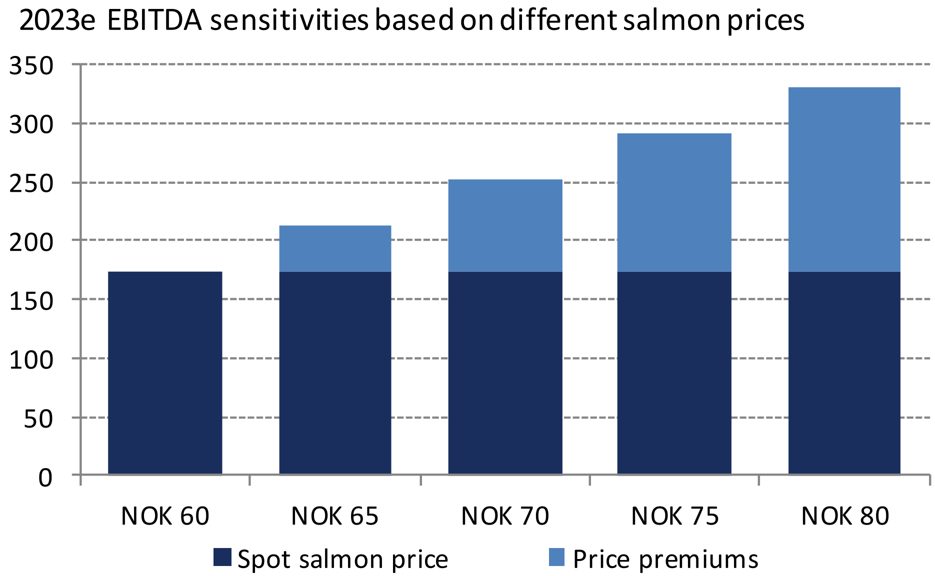


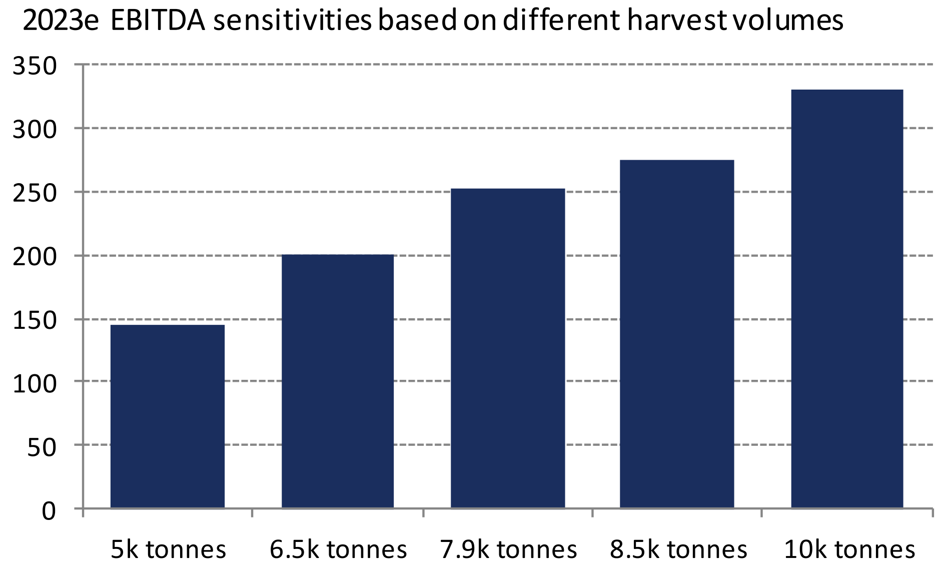
- Salmon Evolution is currently working with expanding its current site in Norway to be able to produce up to 50k tonnes
  - This will be an attractive investments as a large part of the infrastructure investments is already done
- The company is also working with a facility in South Korea in cooperation with the shareholder Dongwon.
  - This facility will a 50/50 owned JV, but with royalties per kg produced to be paid to Salmon Evolution
  - The facility will be build as a 10k facility to start with, but further expansions are likely
- Further expansions beyond the 40k tonnes highlighted above is also likely. This will most likely be outside Norway, typically in Asia or US. These facilities can be build as both JV or fully owned by Salmon Evolution
  - If further expansions in Norway should be interesting it will be due to access to cheap electricity/warm water or very attractive financing options

Source: Pareto Securities Equity Research

Price is the key sensitivity input

Volumes and cost naturally also important factors





- We assume a NOK 10/kg premium in our base case phase 1
  - Coming down to NOK 5/kg in phase 3
- Significantly higher prices is possible with branding as organic salmon
- Production in South Korea will have significantly higher price premiums

- Phase 1 production estimated to be ~8k tonnes, but licenses supports ~31k tonnes
- Further growth will come both in Norway and abroad

Source: Pareto Securities Equity Research

Significant valuation potential only with phase 1 production

Phase 1 included from 2023e

Assuming 7.9k tonnes in 2023e					Current post money equity value			
Multiple	EBITDA 2023e	EV	NIBD 2023	Equity	Disc. @12%	Disc. @10%	Disc. @8%	Disc. @6%
8x EBITDA	252	2,018	-380	1,638	856	904	955	1,008
10x EBITDA	252	2,523	-380	2,143	1,258	1,321	1,387	1,457
15x EBITDA	252	3,785	-380	3,405	2,264	2,364	2,469	2,580
20x EBITDA	252	5,046	-380	4,666	3,270	3,406	3,550	3,703

- To reach phase 1 production we estimate that NOK 950m in equity is needed
- Current post money equity value is adjusted for NOK 450m in additional equity in 2021 discounted until 2023e with relevant discount rate

Source: Pareto Securities Equity Research

Final build out yields large upside

We assume phase 3 production in 2028e

Assuming 31k tonnes in 2028e					Current post money equity value			
Multiple	EBITDA 2028e	EV	NIBD 2028	Equity	Disc. @12%	Disc. @10%	Disc. @8%	Disc. @6%
7x EBITDA	848	5,935	-1,635	4,300	1,018	1,244	1,508	1,815
8x EBITDA	848	6,782	-1,635	5,148	1,402	1,679	2,002	2,379
10x EBITDA	848	8,478	-1,635	6,843	2,169	2,549	2,992	3,507
15x EBITDA	848	12,717	-1,635	11,082	4,086	4,725	5,465	6,326

- To reach phase 2 production we estimate that NOK 750m in equity is needed on top of phase 1 equity raise of NOK 950m
- Current post money equity value is adjusted for NOK 450 in new equity in 2021 discounted until 2028e and NOK 750m in 2024e discounted until 2028e with relevant discount rate

Source: Pareto Securities Equity Research

Potential fully invested values

Large potential as a fully operational company

Indicative post money value assuming 7.9k tonnes in 2023e at different margins

	NOK 10/kg	NOK 20/kg	NOK 32/kg	NOK 35/kg	NOK 40/kg	NOK 50/kg
7x EBITDA	173	726	1,386	1,556	1,832	2,385
10x EBITDA	410	1,200	2,143	2,385	2,780	3,570
15x EBITDA	805	1,990	3,405	3,768	4,360	5,545
20x EBITDA	1,200	2,780	4,666	5,150	5,940	7,520

Indicative post money value assuming 31k tonnes in 2028e at different margins

	NOK 10/kg	NOK 20/kg	NOK 27/kg	NOK 35/kg	NOK 40/kg	NOK 50/kg
7x EBITDA	535	2,705	4,262	5,960	7,045	9,215
10x EBITDA	1,465	4,565	6,789	9,215	10,765	13,865
15x EBITDA	3,015	7,665	11,001	14,640	16,965	21,615
20x EBITDA	4,565	10,765	15,212	20,065	23,165	29,365

Source: Pareto Securities Equity Research

Potential value of expansion in South Korea

Will be operated as a JV with a royalty of ~USD 0.5/kg payable to Salmon Evolution

With royalties of USD 0.5/kg

Potential value of 10k tonnes		EBIT/kg				
		20	25	30	35	40
	6	120	270	420	570	720
	8	410	610	810	1,010	1,210
EV/EBITDA	10	700	950	1,200	1,450	1,700
	12	990	1,290	1,590	1,890	2,190
	15	1,425	1,800	2,175	2,550	2,925

- We see significant value of a potential JV facility in South Korea (50/50 owned)
- Assuming CAPEX/kg of NOK 150 and a royalty per kg of USD 0.5 we see value of NOK 1.2bn for Salmon Evolution at EBIT/kg of NOK 30 and EV/EBIT of 10x

Without royalties

Potential value of 10k tonnes		EBIT/kg				
		20	25	30	35	40
	6	- 150	-	150	300	450
	8	50	250	450	650	850
EV/EBIT	10	250	500	750	1,000	1,250
	12	450	750	1,050	1,350	1,650
	15	750	1,125	1,500	1,875	2,250

- Also without royalties such a facility will offer significant value to Salmon Evolution share holders

Source: Pareto Securities Equity Research

Valuation compared to “peers”

Salmon Evolution with pre-money value at NOK 5/share

	Salmon Evolution	ANDF high	ANDF Low	ASA 1+2a
Volumes 2023e	7.9	10	10	22
EBIT/kg 23e	24	24	24	28
EBIT 23e	190	240	240	616
Volumes 2028e	31	31	10	100
EBIT/kg 28e	25	25	25	27
EBIT 28e	775	775	250	2,700
#shares	120	34	34	72
Share price	5	50	50	101
Mcap today	598	1,681	1,681	7,272
New equity	950	600	600	0
NIBD 23e	380	200	200	1,890
EV 2023	2,440	3,236	3,236	11,569
CAPEX/kg post phase 1	140	100	100	145
Required CAPEX	3,234	2,100	-	11,310
New equity	750	750	-	0
NIBD	2,864	1,550	-	13,200
EV	6,604	6,590	3,036	26,083
EV/EBIT 23e	**12.9**	**13.5**	**13.5**	**18.8**
EV/EBIT 28e	**8.5**	**8.5**	**12.1**	**9.7**
Invested cap/kg phase 1	213	110	110	224
Markt cap/IC	**1.7x**	**5.4x**	**5.4x**	**3.3x**

Source: Pareto Securities Equity Research

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