

Bull signals: Reasons for strong salmon prices

Fish Pool/Nasdaq Christmas Seminar 2021

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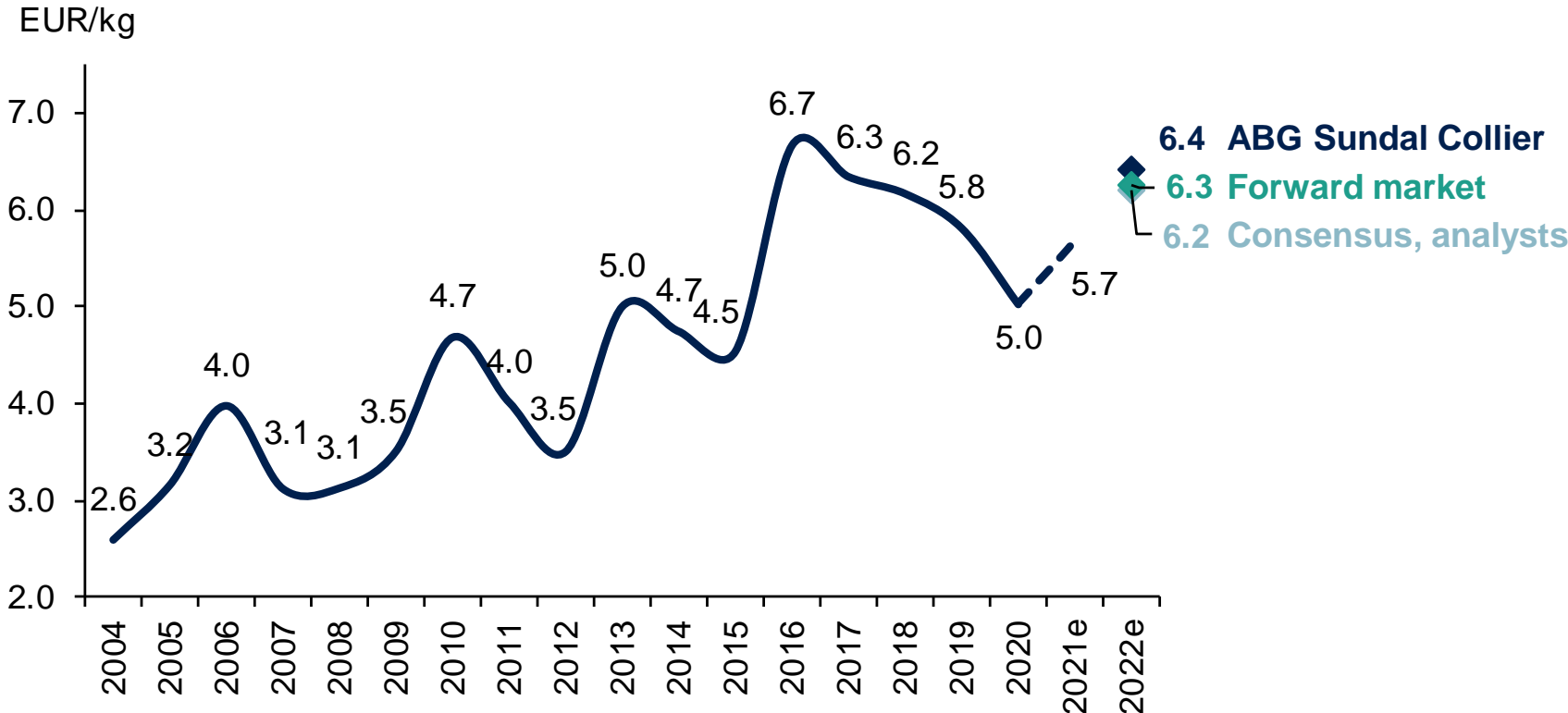
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Market participants are optimistic about the salmon price outlook for 2022

The forward market and financial analysts (including ABG) expect higher prices in 2022

Historical salmon price vs. expectations for 2021 and 2022

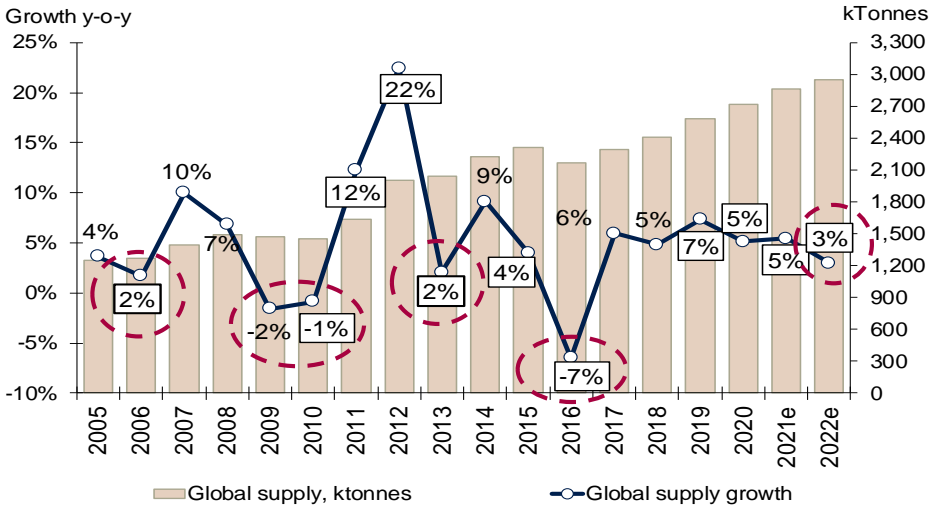


What can make this even stronger?

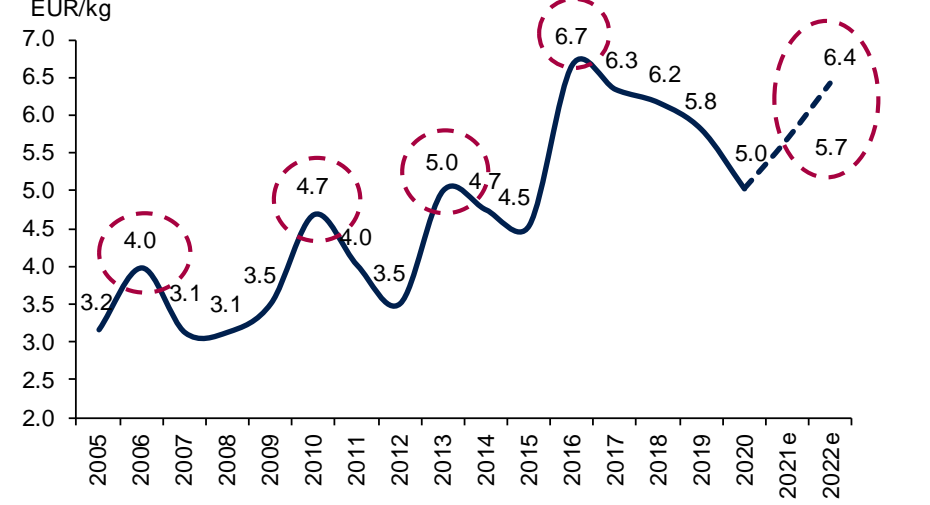
Supply and demand dynamics for Atlantic salmon

The big picture: Salmon farming is a supply driven industry

Global supply growth, Atlantic Salmon



Salmon price, Atlantic salmon, FCA Oslo (EUR/kg)

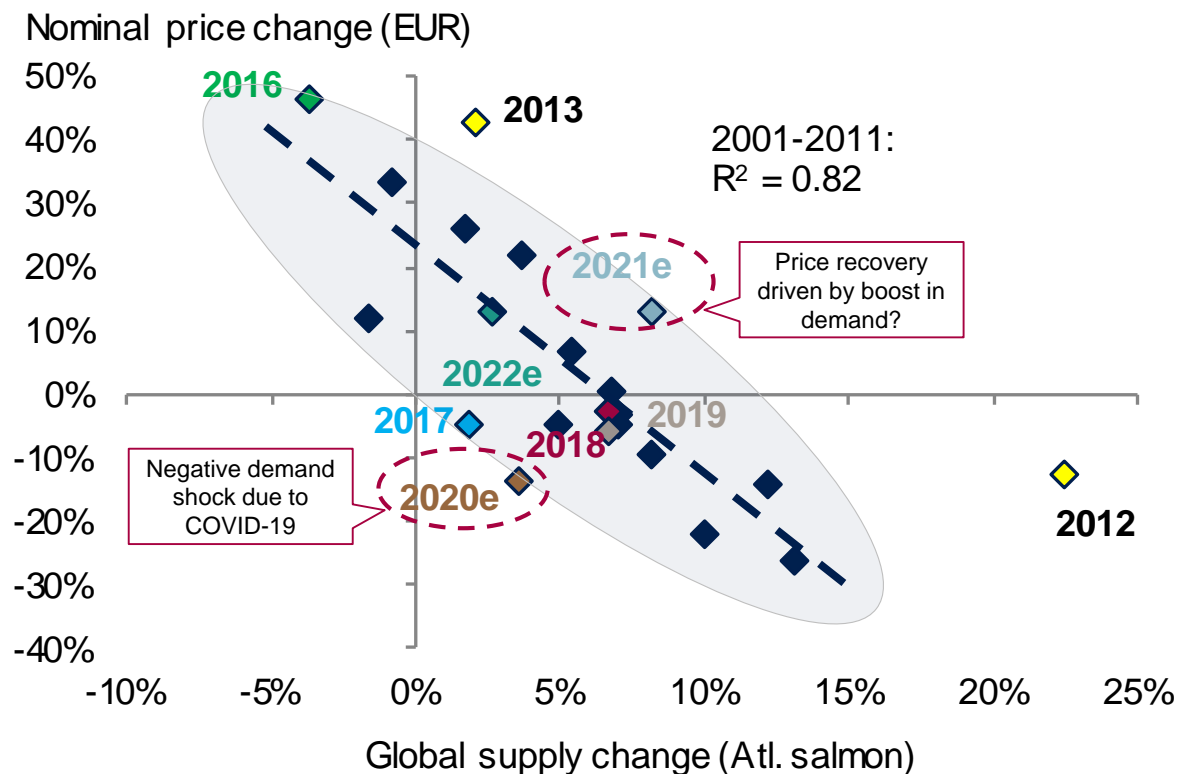


Salmon price primarily driven by supply growth – historical price jumps explained by low single digit supply growth

Supply and demand dynamics for Atlantic salmon

Demand has played an important role in 2020 and 2021

Global salmon supply vs. salmon price change



Note: The global supply change includes inventory effects

We can look at demand as the salmon price change not explained by supply

Breaking down the relevant factors for a strong salmon market

What can drive supply growth lower or demand higher than expected?

Supply-factors

- 1 Lower supply growth recovery in Chile than expected
- 2 Downside risk to productivity in Norway after strong 2021
- 3 Biological challenges in Canada and Scotland
- 4 Frozen inventories in Chile at normalized levels

Demand-factors

- 5 Full recovery in foodservice post Covid-19
- 6 The increased retail demand proves more sticky
- 7 Improved price of salmon vs. other meat to boost demand
- 8 Increased focus on sustainable and healthy proteins



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Low growth in global harvest volumes expected in 2022e

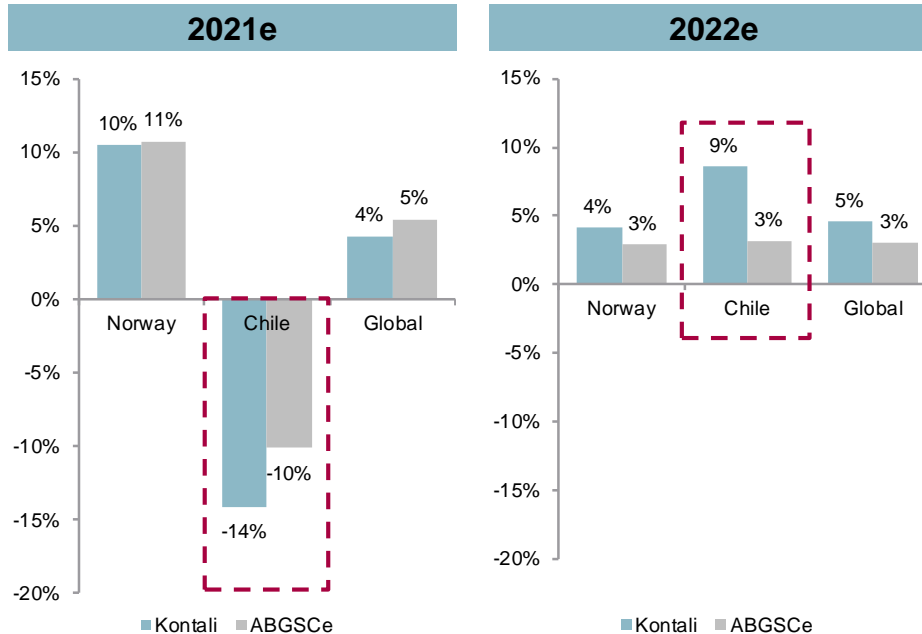
We expect +3% growth in global harvest volumes – lowest level since 2016

Global supply growth by region, ABGSCe

ANNUAL SUPPLY FIGURES

kTonnes WFE	2016	2017	2018	2019	2020	2021e	2022e
Global	2,166	2,295	2,406	2,582	2,715	2,862	2,947
<i>y-o-y growth</i>	-7%	6%	5%	7%	5%	5%	3%
Norway	1,171	1,208	1,253	1,333	1,369	1,516	1,560
<i>y-o-y growth</i>	-5%	3%	4%	6%	3%	11%	3%
Chile	504	564	660	690	778	700	721
<i>y-o-y growth</i>	-16%	12%	17%	5%	13%	-10%	3%
UK	157	177	154	191	181	209	205
<i>y-o-y growth</i>	-5%	13%	-13%	24%	-5%	16%	-2%
Canada	146	139	146	138	141	139	135
<i>y-o-y growth</i>	8%	-5%	5%	-6%	2%	-1%	-3%
Faroese	77	80	72	87	81	101	112
<i>y-o-y growth</i>	2%	4%	-11%	21%	-7%	25%	11%
Other	110	126	120	143	164	197	214
<i>y-o-y growth</i>	2%	15%	-5%	19%	15%	20%	9%

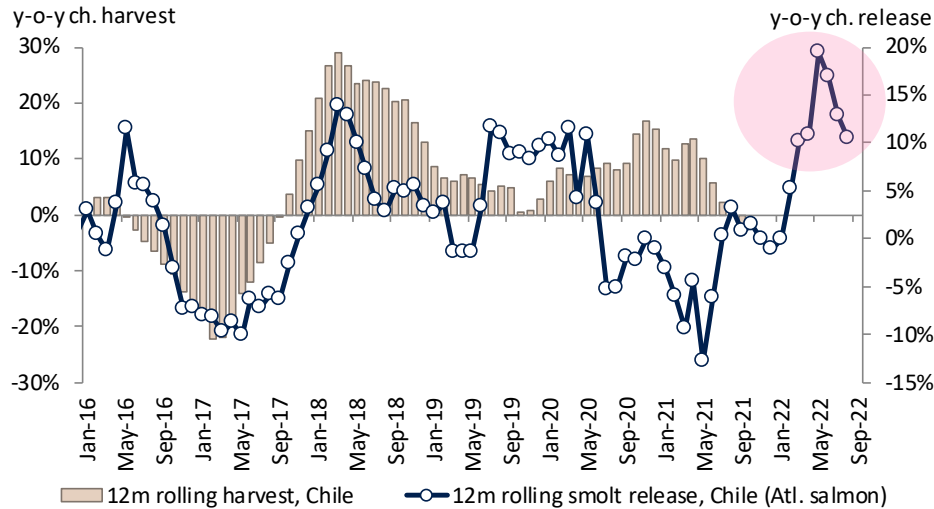
Kontali vs. ABG expectations



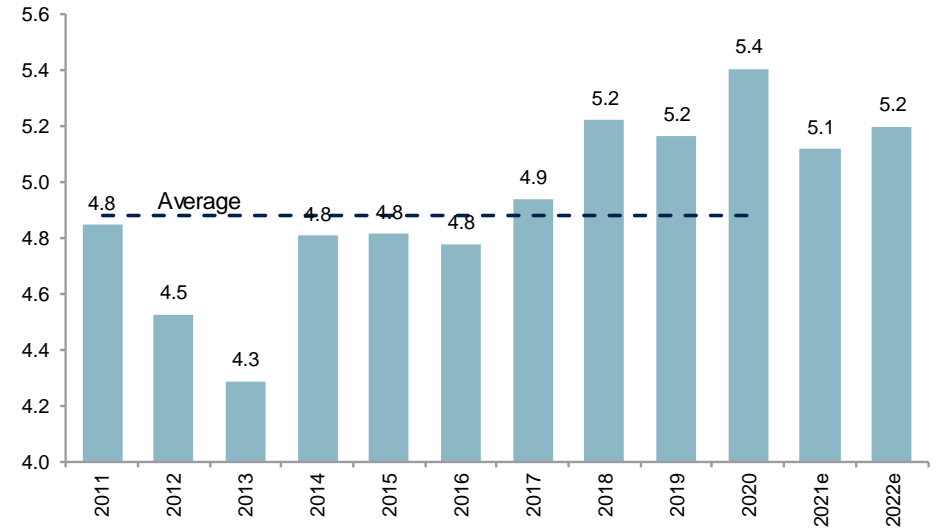
Low supply growth from Chile in 2022 could materialize...

...with more fish harvested ahead of summer (in Chile) and limited improvement in harvest weights

Trailing 12m smolt release vs. harvest, Chile



Harvest weights in Chile



Early harvest could be motivated by:

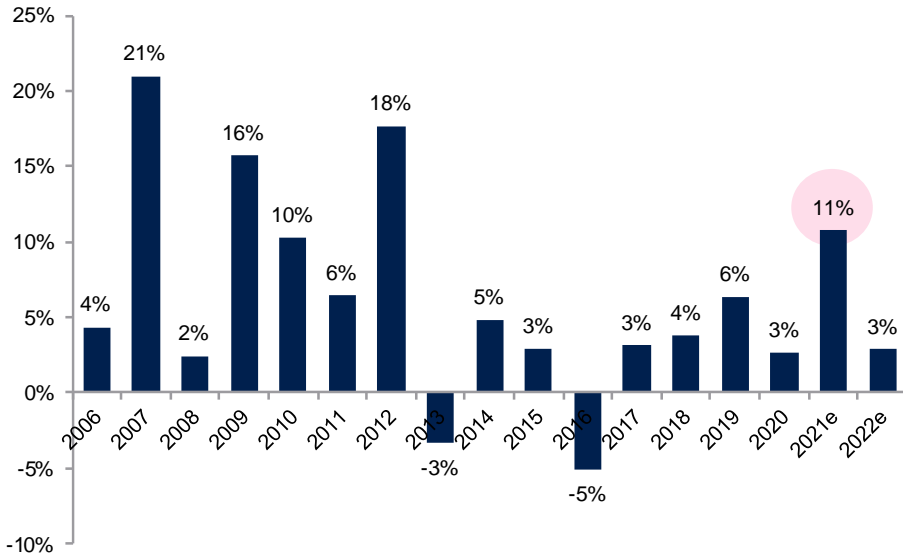
- 1) Risk of biological challenges during summer
- 2) Strong prices in the US market
- 3) Lower harvest weights are preferred for retail

A drop in average harvest weights to 5.0kg could drive supply growth from Chile into negative territory

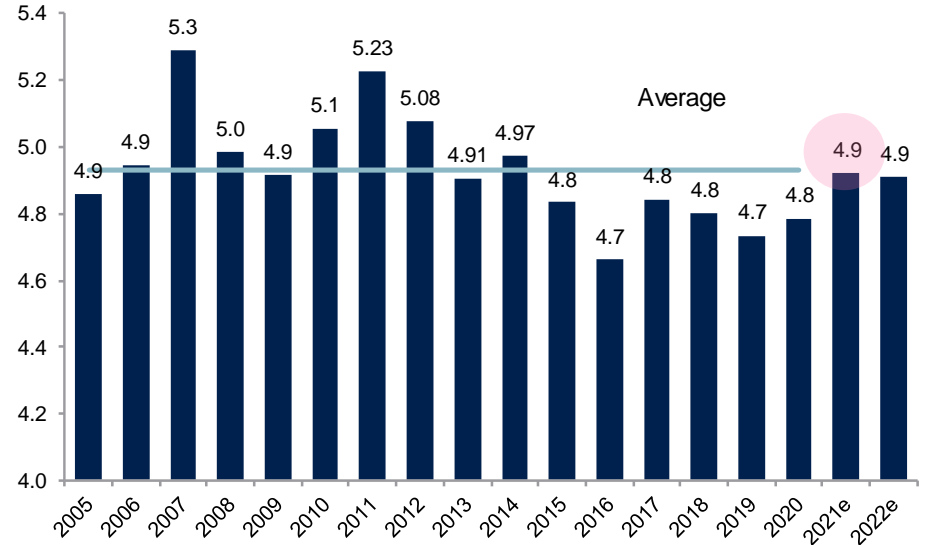
Downside risk to productivity in Norway

Likely difficult to improve yields after a very strong 2021

Record strong supply growth from Norway in 2021...



...driven by recovery in harvest weights



Drivers behind productivity improvement in 2021:

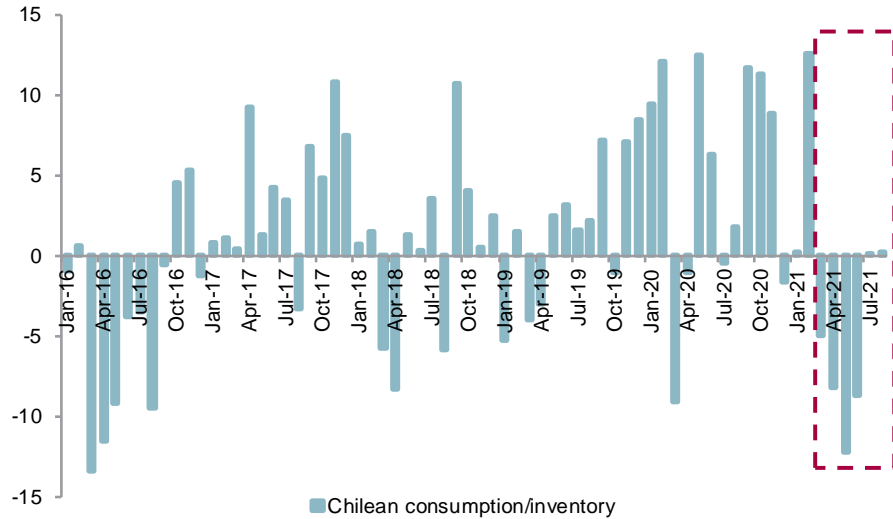
- 1) Significant increase in share of large smolt
- 2) Increased sea lice treatment capacity
- 3) Favourable seawater temperatures

With stable mortality and harvest weights, harvest volumes should grow in line with smolt release at low single-digit

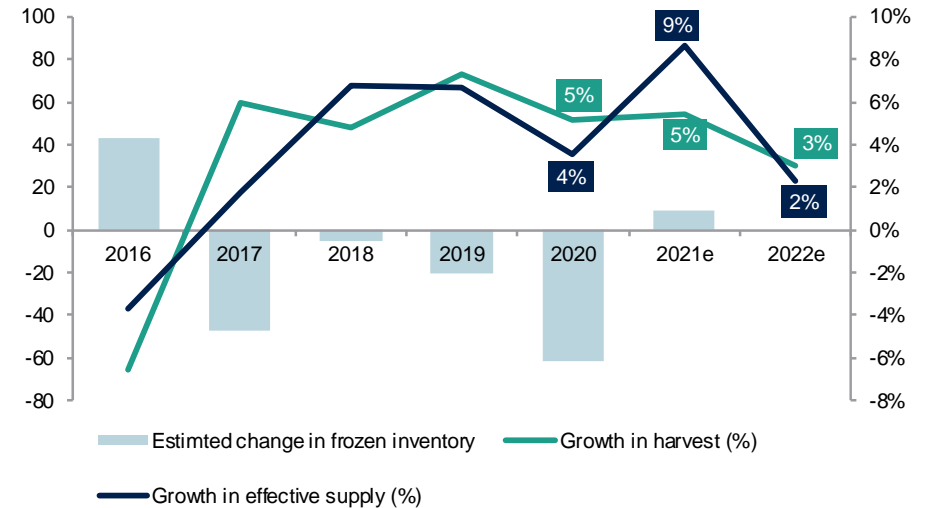
No longer concerned about frozen inventories in Chile

Frozen inventories drives effective supply growth higher than harvest volumes in 2021, not in 2022

Estimated inventory build-up Chile (harvest-exports)



Estimated change in inventory and effective supply growth



Adjusting for inventory changes in Chile, effective supply growth could come down from +9% in 2021e to +2% in 2022e, which historically have resulted in a significant salmon price increase

Breaking down the relevant factors for a strong salmon market

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Demand-factors

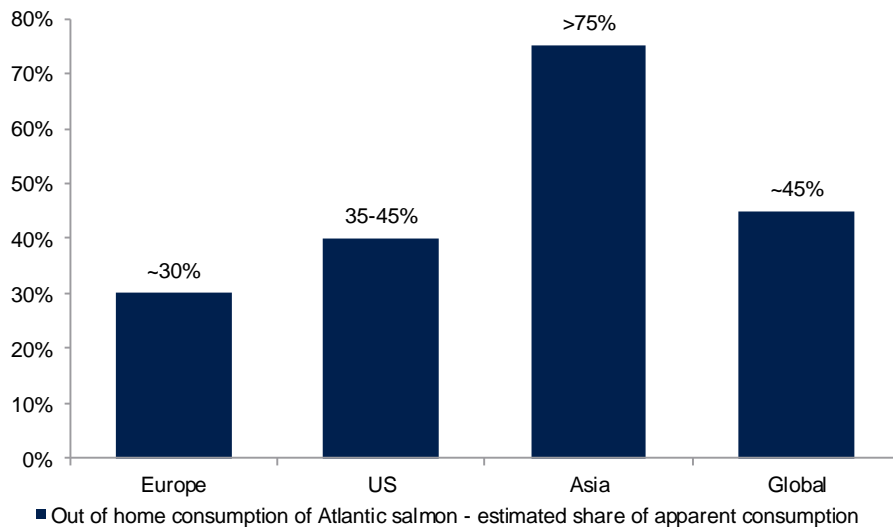
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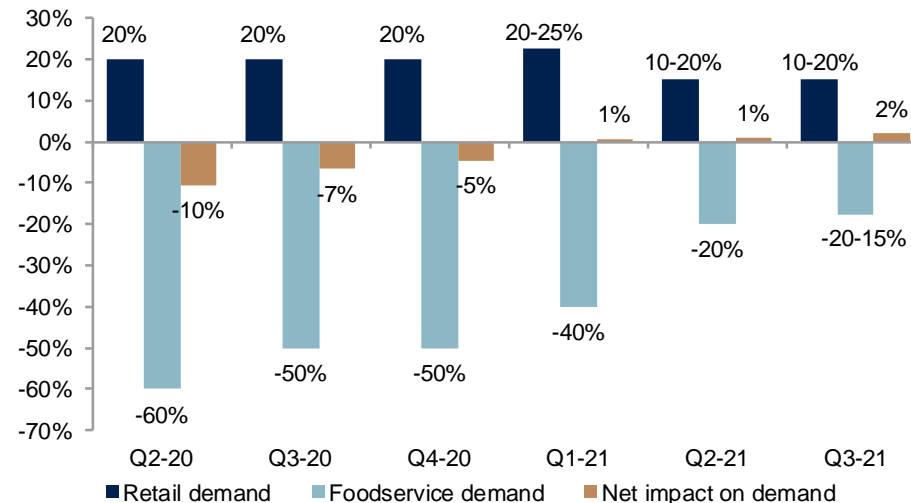
Impact of Covid-19 on demand for salmon

Strong retail demand has partly offset the lower activity in foodservice through the pandemic

Foodservice consumption in key markets (% of consumption)



Development in net impact on demand since Q2-2020

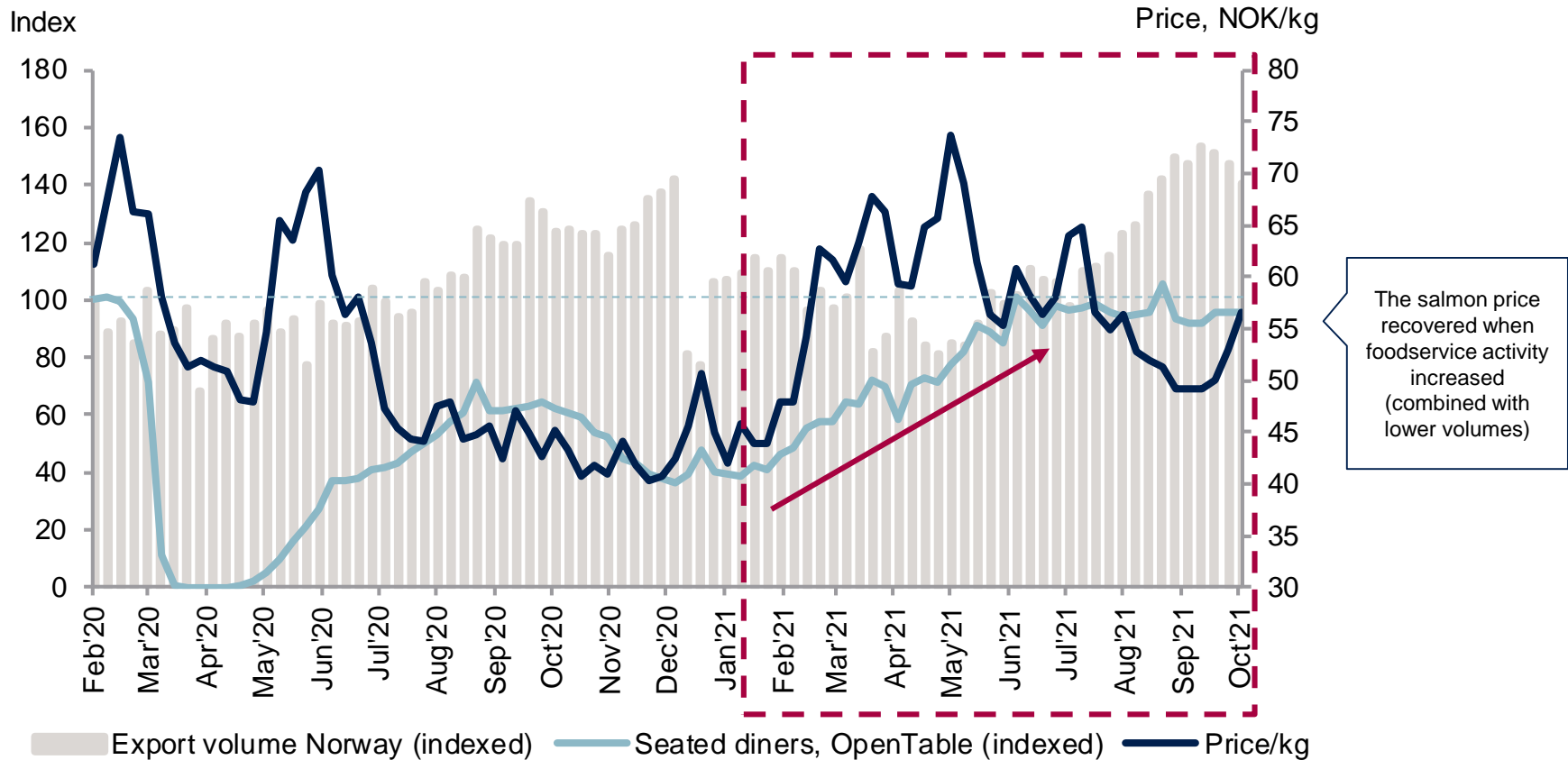


The net impact on demand has been positive from Q1 2021 driven by retail holding up well despite gradual reopening of foodservice

Full recovery in foodservice could drive prices higher

Seated diners index back at pre-COVID levels, but some foodservice segments are still at low activity

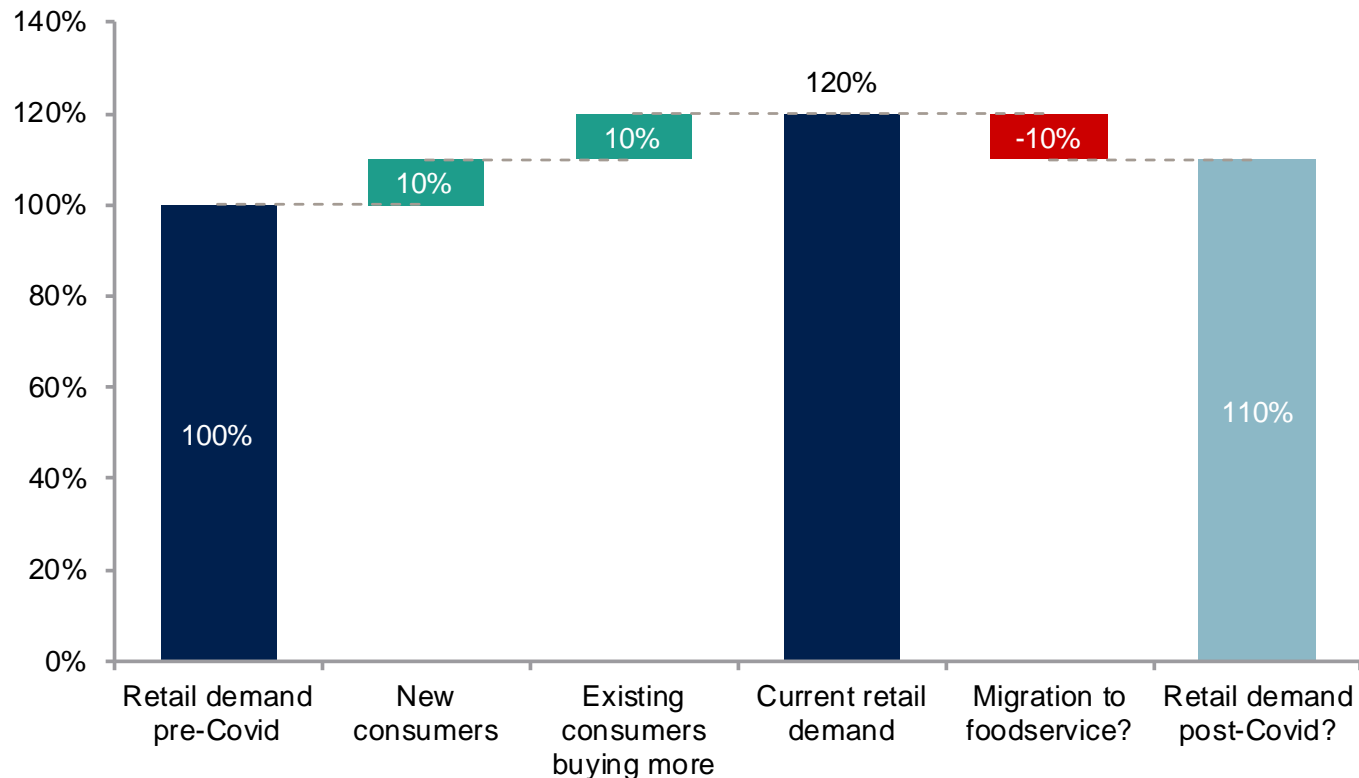
Seated diners at restaurants using OpenTable (index vs. activity in 2019), salmon price development and export volumes



Will new retail consumers continue to cook salmon at home?

Data from the industry suggest that 50% of increased demand stems from new consumers

Survey and panel data for retail consumption during Covid-19

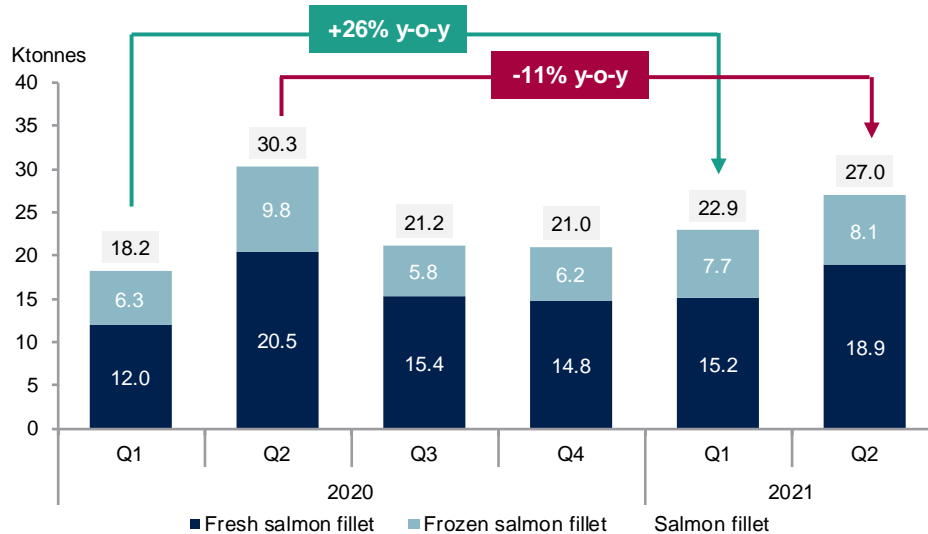


Consumer trends and habits in retail could prove sticky and result in higher retail demand also after foodservice is back at 100%

Data from the US supports a bullish reopening scenario

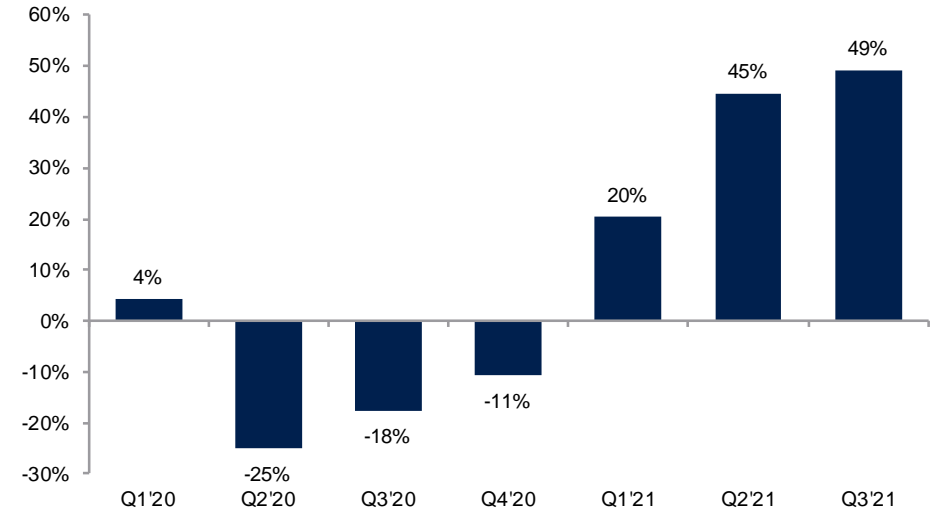
Continued strong retail consumption despite fully recovered foodservice segment

Retail sales of salmon fillets in the US



US market value up 40-50% vs. pre-pandemic levels

US: demand growth for salmon vs. 2019 levels



We could see similar positive trends in other markets.
Also positive with a more mature US market with higher retail sales and increasing consumption per capita.

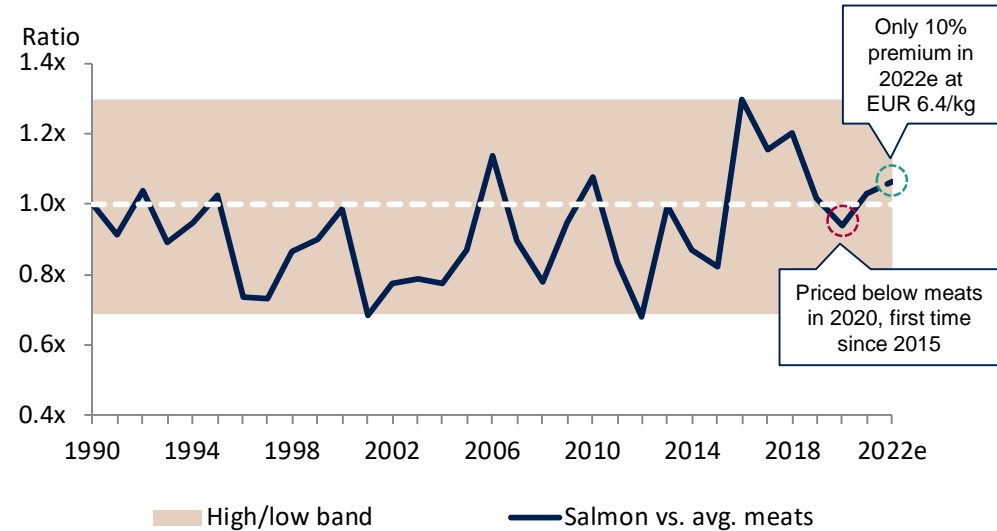
The salmon is more competitive versus other proteins

Record high salmon prices in 2022 implies a 10% premium to other proteins vs. 20-30% in 2016-2018

Meat & food price indexes



Salmon price vs. average meat prices

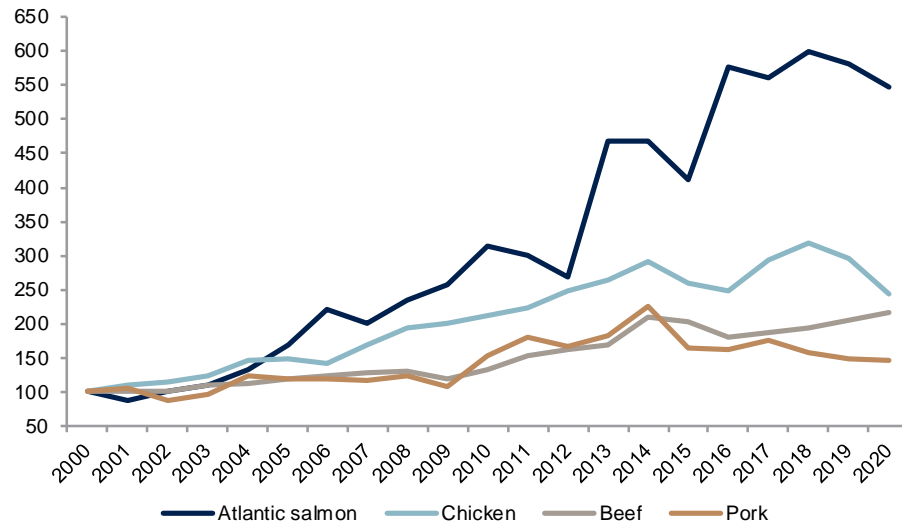


Less likely to see “demand destruction” at the expected record high price levels in 2022 due to strong price increases for other proteins

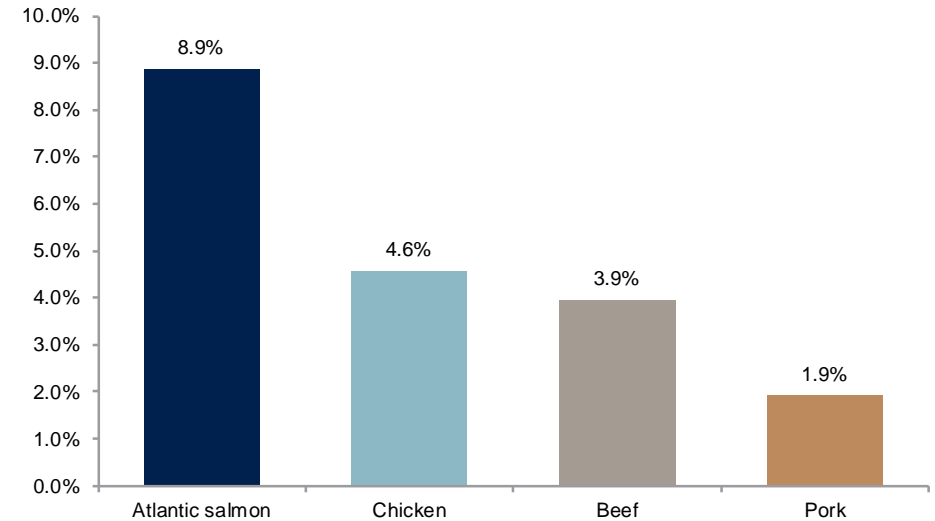
Salmon should be well positioned to meet consumer trends

Salmon with a significantly higher CAGR in total market value (9% vs 2-5% for other protein)

Market value for selected meats, indexed*



Market value CAGR (2000-2020)



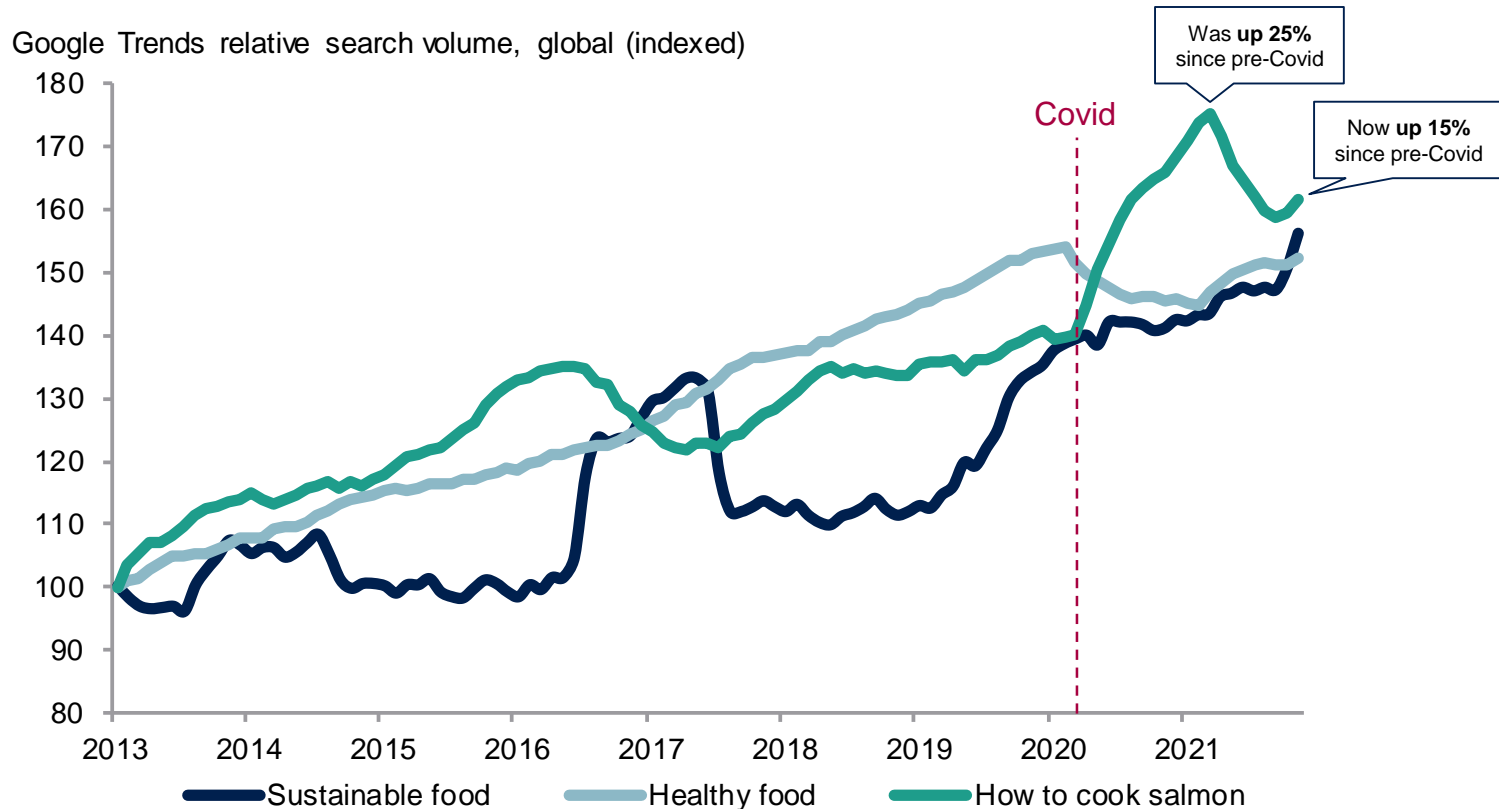
				
Feed conversion ratio	1.3	1.9	8.0	3.9
Carbon footprint (kg CO ₂ /kg edible meat)	7.9 kg	6.2 kg	39 kg	12.2 kg

Increased focus on convenient, healthy and sustainable proteins supportive for salmon

Increasing demand for sustainable and healthy food...

...and the pandemic has taught consumers how to cook salmon at home

Google Trends relative search volume, global (indexed)*

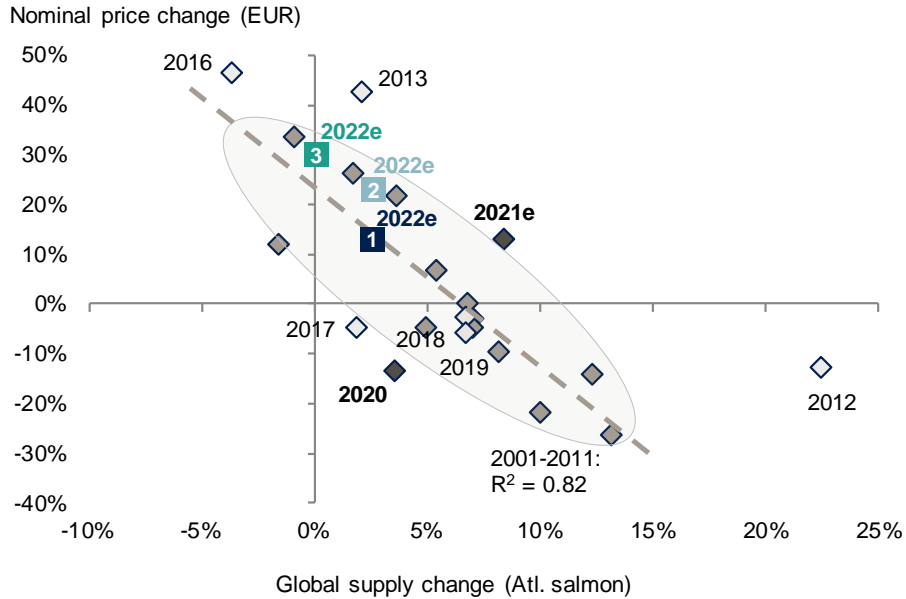


Relative search volume for “sustainable food”, “healthy food” and “how to cook salmon” up ~50-60% since 2013*

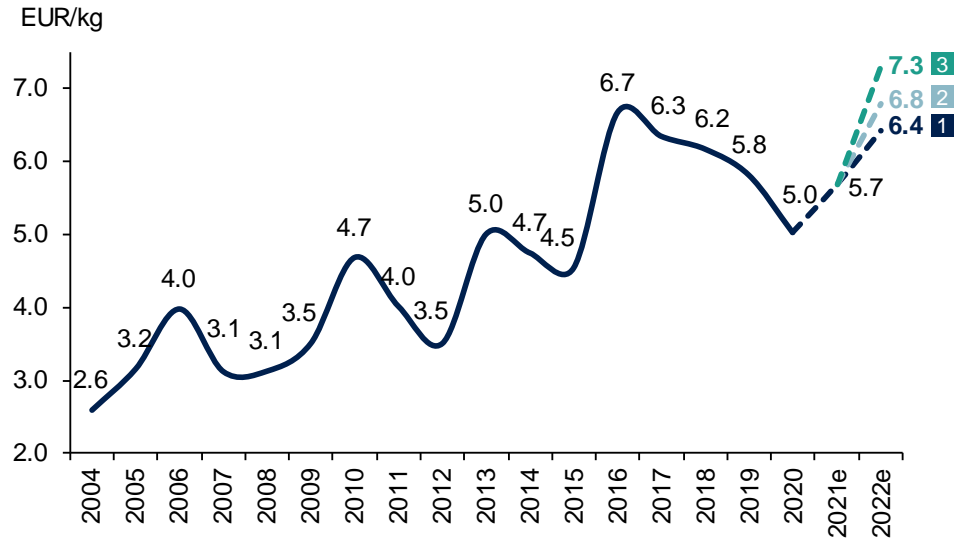
Conclusion: What can lift the salmon price to all time high?

Positive demand impulse and flat supply growth can drive salmon prices to EUR 7/kg in 2022e

Global salmon supply vs. salmon price change



Salmon price, Atlantic salmon, FCA Oslo (EUR/kg)



Three bull scenarios

- 1** ABGSCe (neutral demand impulse, +2% supply growth)
- 2** Positive demand impulse, +3% supply growth
- 3** Positive demand impulse, 0% supply growth

A positive demand impulse would be an upside risk to our 2022e salmon price estimate

Thank you for the attention!



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