

Fishpool seminar – Barcelona

25 April 2022

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Note: Unless otherwise stated, securities prices in this PPT are the last closing price

Hard to predict the major step-changes (from NOK26/kg in 2012..)

NRK

Nyheter Sport Kultur Humor Distrikt Mer ▾

Nordland Siste om koronavirus i Nordland Snakk med oss Fordypning TV Radio

Ikke lenger superprofitt på laks

Etter en turbulent periode med store svingninger i lakseprisen, må norske oppdrettere regne med å tjene mindre penger i årene som kommer.



Knut Eirik Olsen

Publisert 24. nov. 2011 kl. 20:43



Artikkelen er flere år gammel.

TJENER GODT: Roger Øksheim i Saltdal har bak seg mange gode år med stor fortjeneste. Han mener laks er billig sammenlignet med annen mat.

FOTO: KNUT EIRIK OLSEN / NRK

Hard to predict the major step-changes (...to NOK39/kg in 2013)



Prisfest av historiske dimensjoner

av **Aslak Berge** - 4 april 2013

Gitt at lakseprisen holder seg på det nivået den har gjort i årets første 14 uker ut hele 2013, vil det gi den nest høyeste pris som er registrert de siste 20 år.

Med en snittpris på noe over 35,50 kroner per kilo de første 14 ukene av 2013, har det kun ved ett tilfelle vært registrert høyere årspris for laks de siste 20 år. Det var i 2010, da lakseprisen for alle årets 52 uker landet på 37,35 kroner. 2011 hadde faktisk enda høyere laksepriser i begynnelsen av året, men oppdretterne opplevde et historisk kollaps med en halvering av lakseprisen i andre halvår. Årsgjennomsnittet ble 31,34 kroner i 2011.

DNB Markets' salmon supply expectations

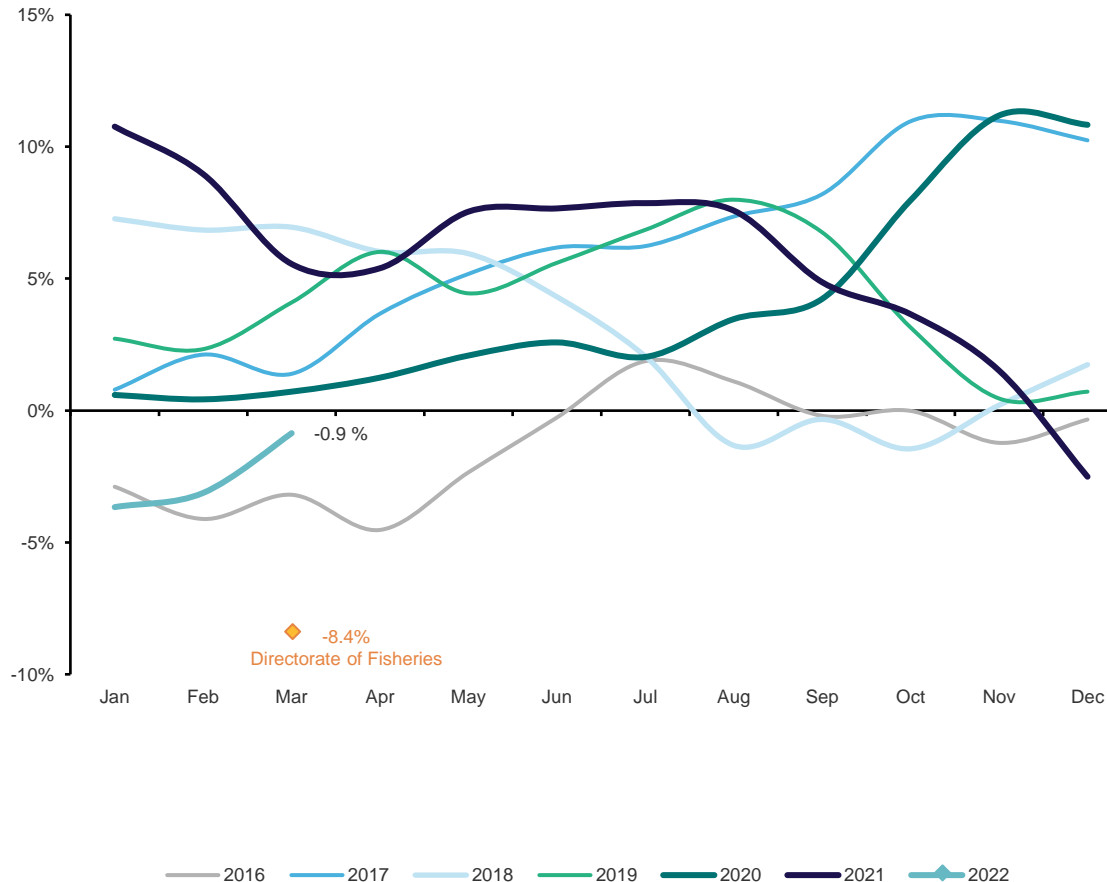
We expect global supply growth to drop from 8.8% in 2021 to only -0.7% in 2022

Atlantic salmon supply (kt WFE)	2014	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
Norway	1,196	1,236	1,171	1,208	1,253	1,333	1,370	1,532	1,507	1,587	1,620
UK	171	166	157	174	150	191	178	200	199	205	212
Ireland	12	16	16	17	14	16	16	16	16	17	17
Faroese	83	77	76	80	72	87	81	106	98	108	110
Iceland	4	4	8	12	14	25	31	42	44	63	83
Total Europe	1,466	1,499	1,429	1,492	1,503	1,650	1,675	1,895	1,865	1,979	2,041
Chile	581	591	504	564	660	690	778	720	718	768	776
Canada	101	135	146	137	146	138	137	142	129	135	142
USA	25	20	23	22	19	21	20	19	14	15	16
Total Americas	707	746	673	723	825	849	936	881	861	918	934
Australia/Other	57	68	63	73	74	80	103	121	130	143	171
Total Atlantic (Harvest volumes)	2,230	2,312	2,165	2,288	2,402	2,579	2,713	2,897	2,856	3,041	3,146
Change frozen salmon inventory	-24	-9	57	-27	8	-24	-61	-10	10	-	-
Total supply Atlantic	2,206	2,303	2,222	2,261	2,410	2,556	2,652	2,887	2,866	3,041	3,146
Atlantic salmon supply growth YoY	2014	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
Norway growth	5 %	3 %	-5 %	3 %	3.8 %	6.4 %	2.7%	11.9%	-1.7%	5.3%	2.1%
UK growth	8 %	-2 %	-5 %	11 %	-14 %	27 %	-6 %	12 %	-0.2%	3.0%	3.0%
Ireland	16 %	28 %	1 %	9 %	-19 %	11 %	2 %	1 %	2 %	2 %	2 %
Faroese growth	14 %	-7 %	-1 %	5 %	-11 %	21 %	-7 %	31 %	-7 %	10 %	2 %
Iceland	0 %	0 %	50 %	47 %	18 %	75 %	27 %	33 %	6 %	42 %	32 %
Total Europe	6 %	2 %	-5 %	4 %	1 %	10 %	2 %	13 %	-2 %	6 %	3 %
Chile growth	24 %	2 %	-15 %	12 %	17 %	5 %	12.8 %	-7.5 %	-0.3 %	7.0 %	1.0 %
Canada growth	-12 %	33 %	8 %	-6 %	6 %	-5 %	-1 %	3 %	-9 %	5 %	5 %
USA	5 %	5 %	5 %	-4 %	-12 %	9 %	-4 %	-5 %	-24 %	5 %	5.0 %
Total Americas	17 %	5 %	-10 %	7 %	14 %	3 %	10 %	-6 %	-2 %	7 %	1.7 %
Australia/Other	12 %	12 %	20 %	15 %	2 %	8 %	28 %	18 %	7 %	10 %	20.0 %
Total Atlantic (Harvest volumes)	9.2 %	3.7 %	-6.4 %	5.6 %	5.0 %	7.4 %	5.2 %	6.8 %	-1.4 %	6.5 %	3.5 %
Change frozen salmon inventory											
Total supply Atlantic growth	8.4 %	4.4 %	-3.5 %	1.7 %	6.6 %	6.1 %	3.8 %	8.8 %	-0.7 %	6.1 %	3.5 %

Norway – Biomass figures

Biomass at end-March 0.9% below last year

Norwegian biomass growth (YOY, %)



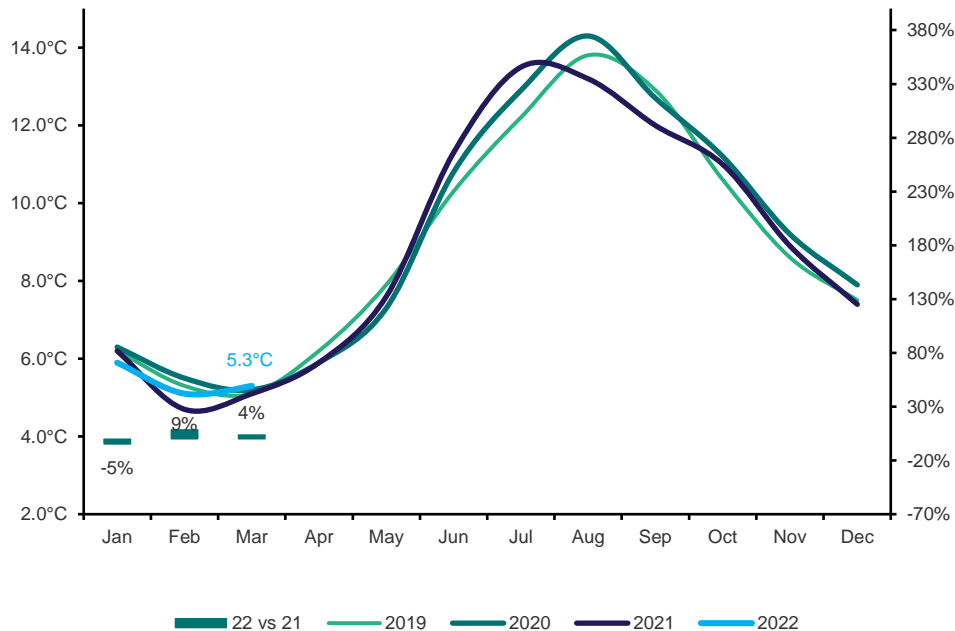
Comments

- Kontali reported biomass down 0.9% YOY at end-March 2022.
- The harvest volume of Atlantic salmon was down 7.9% YOY and feed sales (all species) were estimated to be up 2% YOY.
- Seafood Norway also released its biomass figures this week, estimating that the biomass was down 3.5% YOY.
- The Directorate of Fisheries estimating that biomass was down 8.4% YOY at end-March.
- **Noticeable difference between the Directorate of Fisheries' and Kontali's estimates per end-March, at -8.4% and -0.9% YOY, respectively. We assume the Directorate of Fisheries' numbers to revised up following normal seasonal production in sea for March.**

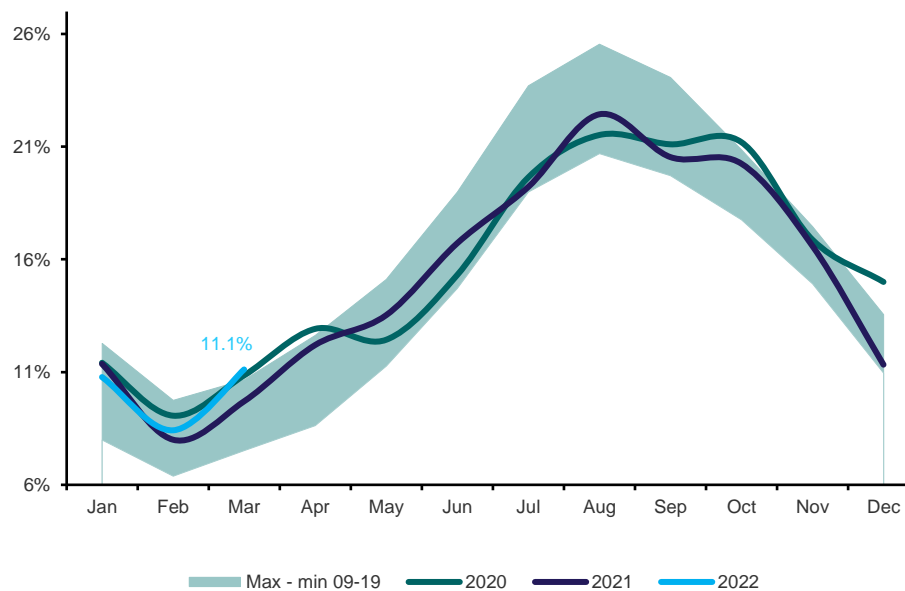
Norway – Sea temperatures and growth in the sea

Warmer temperatures in March 2022 than 2021

Sea temperatures in Norway (°C)¹



Total growth in the sea (% of biomass at end of the month)



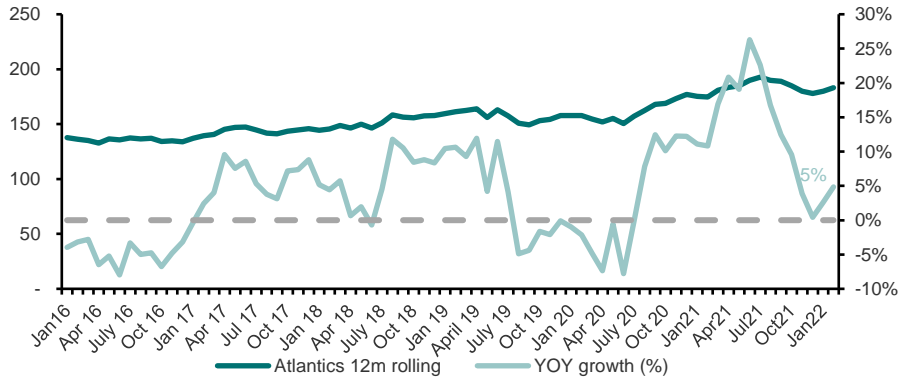
Seawater temperatures in March 2022 were, on average, 4% above the temperature in March 2021 (5.3°C in 2022 versus 5.1°C in 2021).

We estimate production relative to standing biomass at the end of the month, which was 11.1% in March 2022.

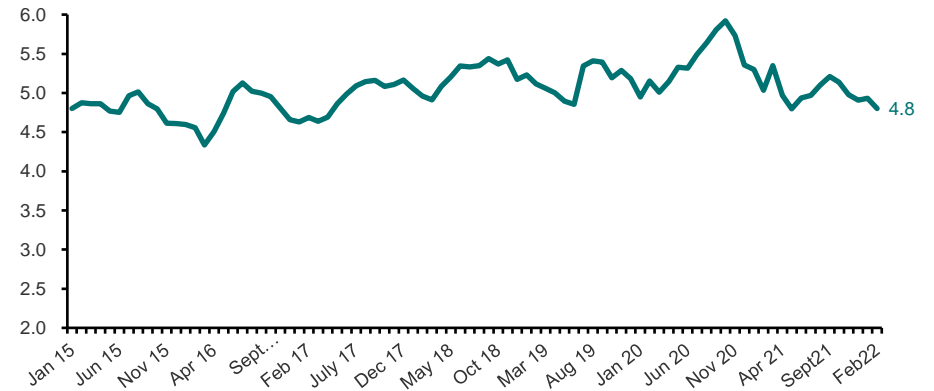
Chile – biomass figures

End-February: smolt release up 5% on a rolling basis, live biomass in the sea down 4% YOY

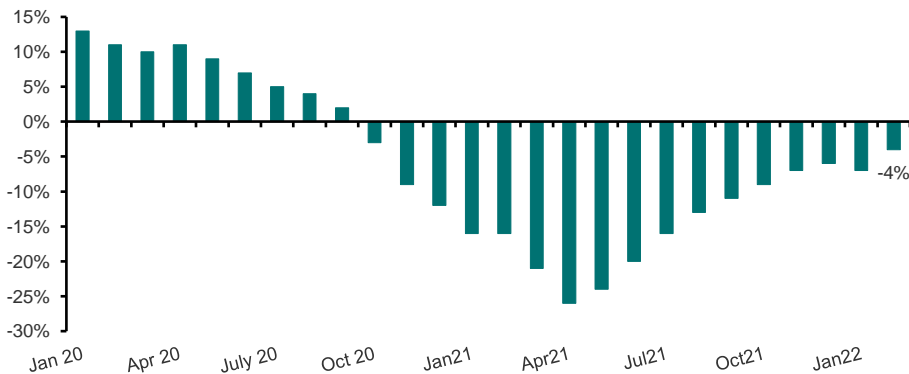
12-month rolling Chilean smolt release (Atlantics, million)



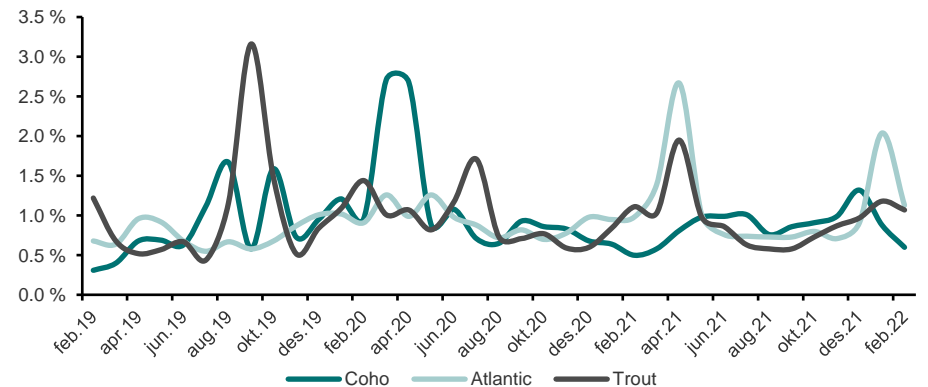
Avg. harvest weights Atlantic salmon Chile (kg wfe)



Live biomass growth YOY (%) – Atlantic Salmon

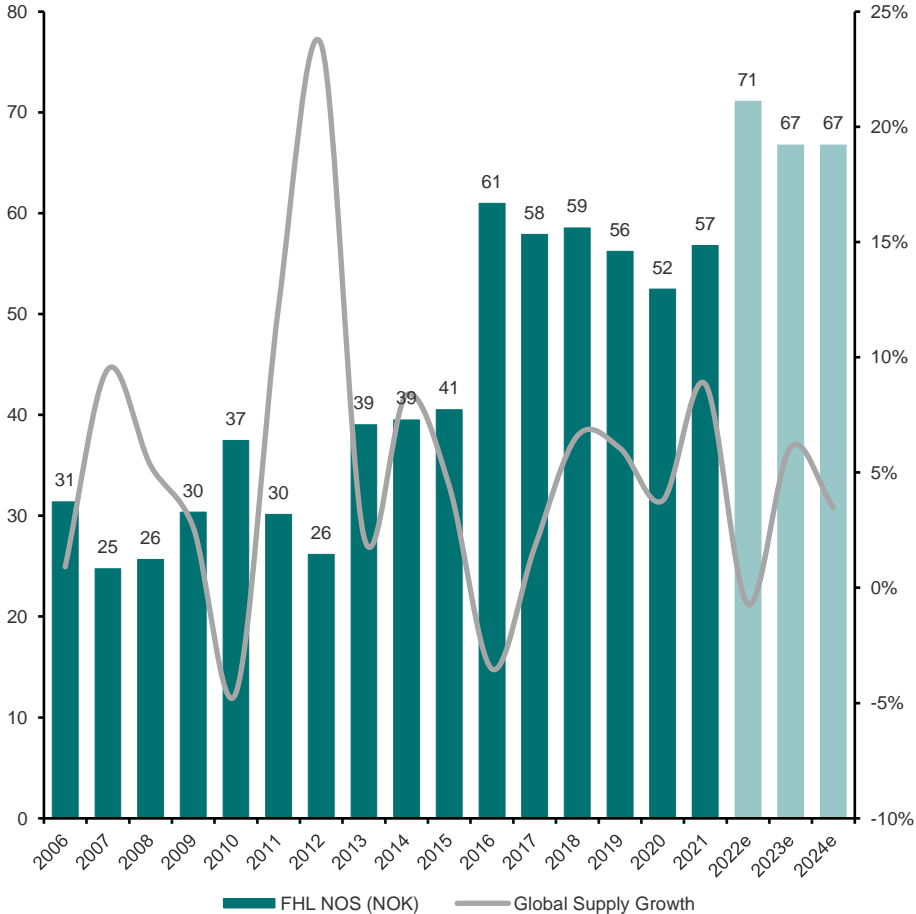


Monthly mortality by species 2019–2022

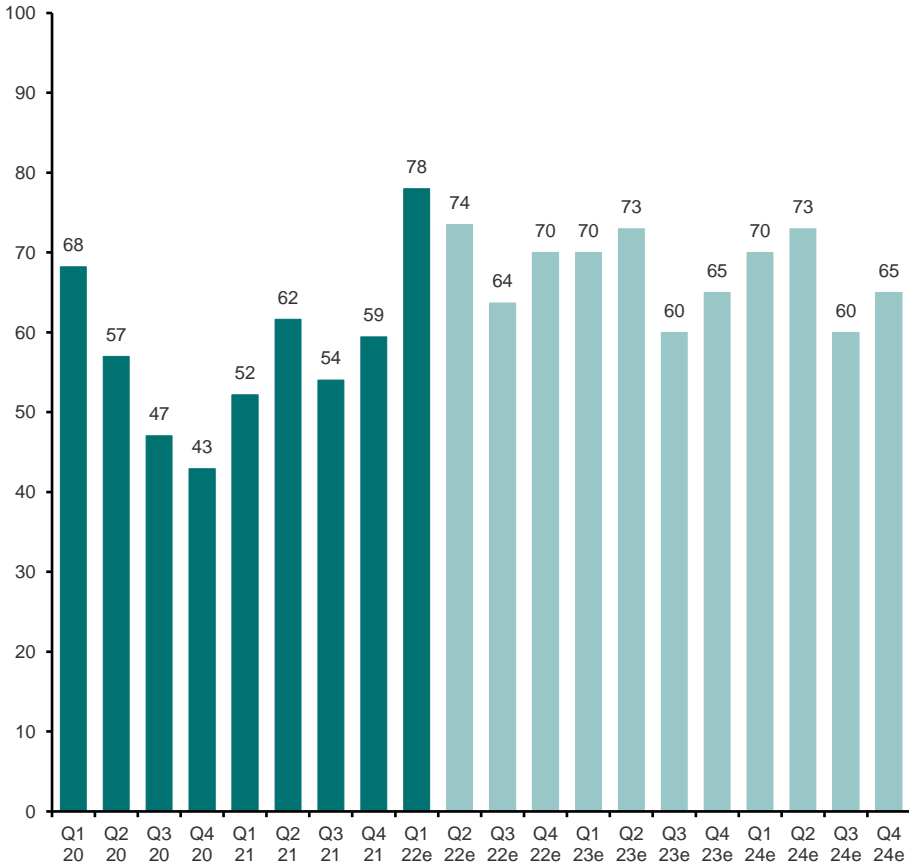


DNB Markets' salmon price/kg expectations

Annual salmon prices (EUR/kg) and global supply growth



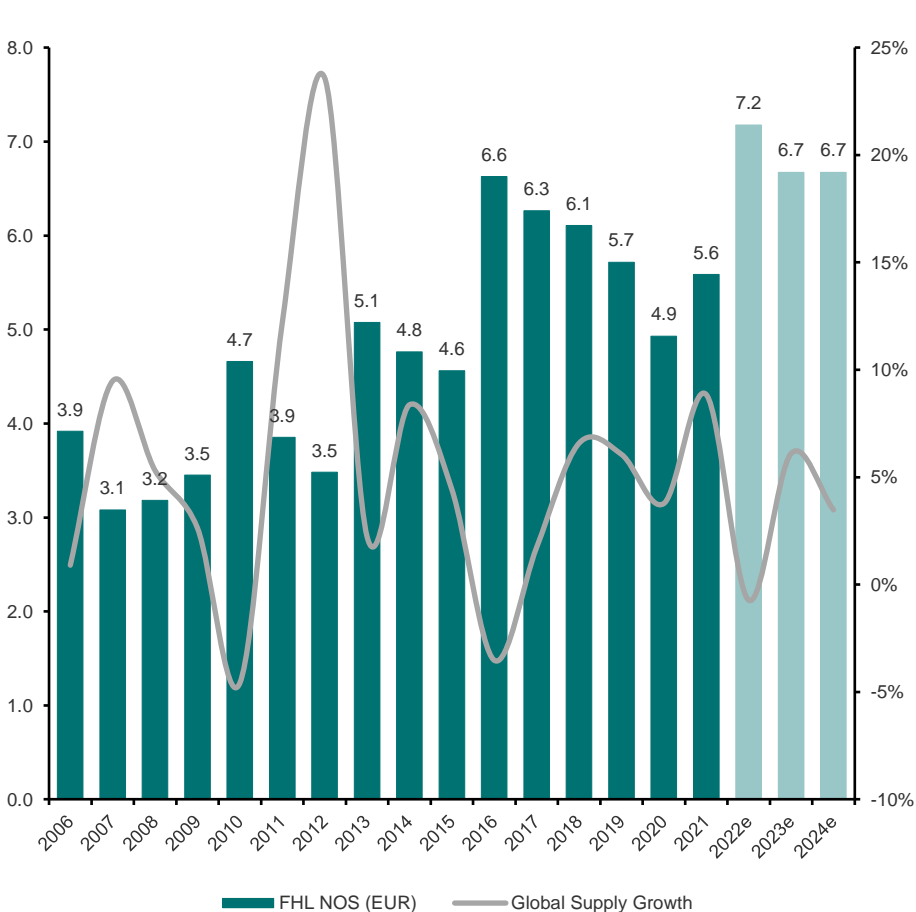
Quarterly Salmon price (NOK/kg)



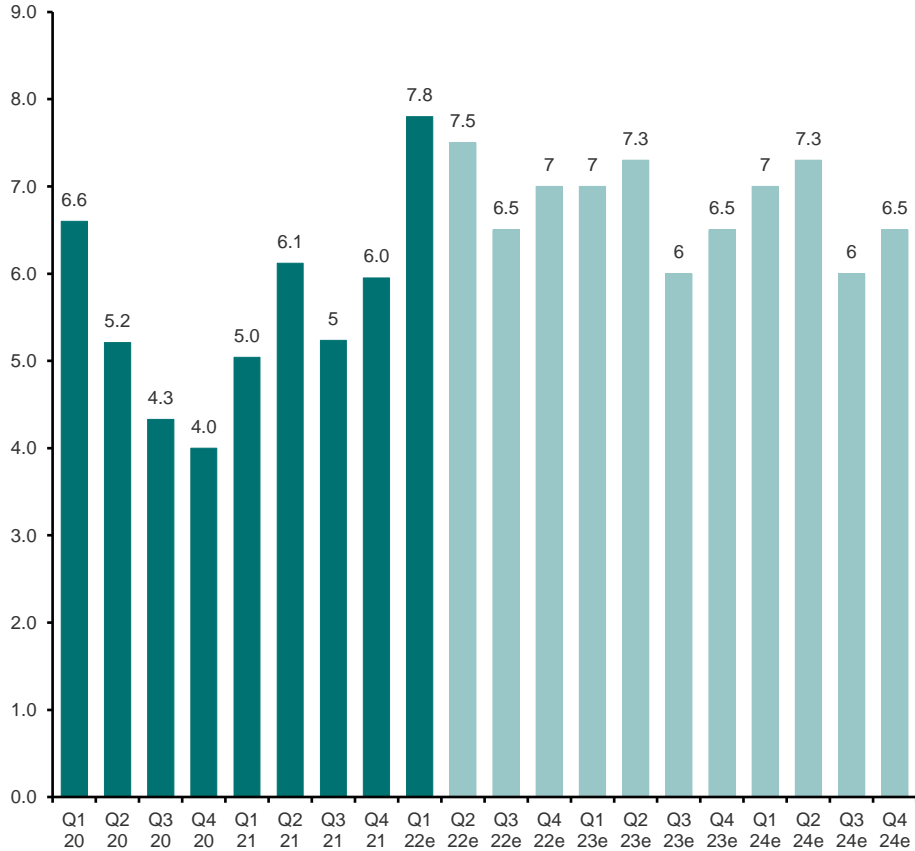
Source: Fishpool (historical prices) Kontali (historical supply) DNB Markets (estimates)

DNB Markets' salmon price/kg expectations

Annual salmon prices (EUR/kg) and global supply growth



Quarterly salmon price (EUR/kg)

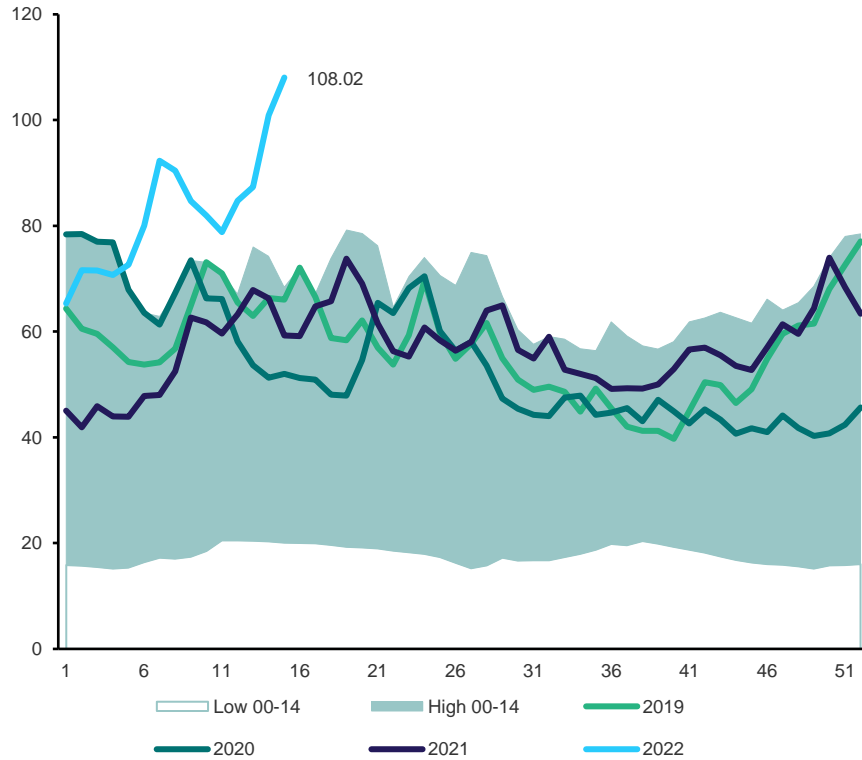


Source: Fishpool (historical prices) Kontali (historical supply) DNB Markets (estimates)

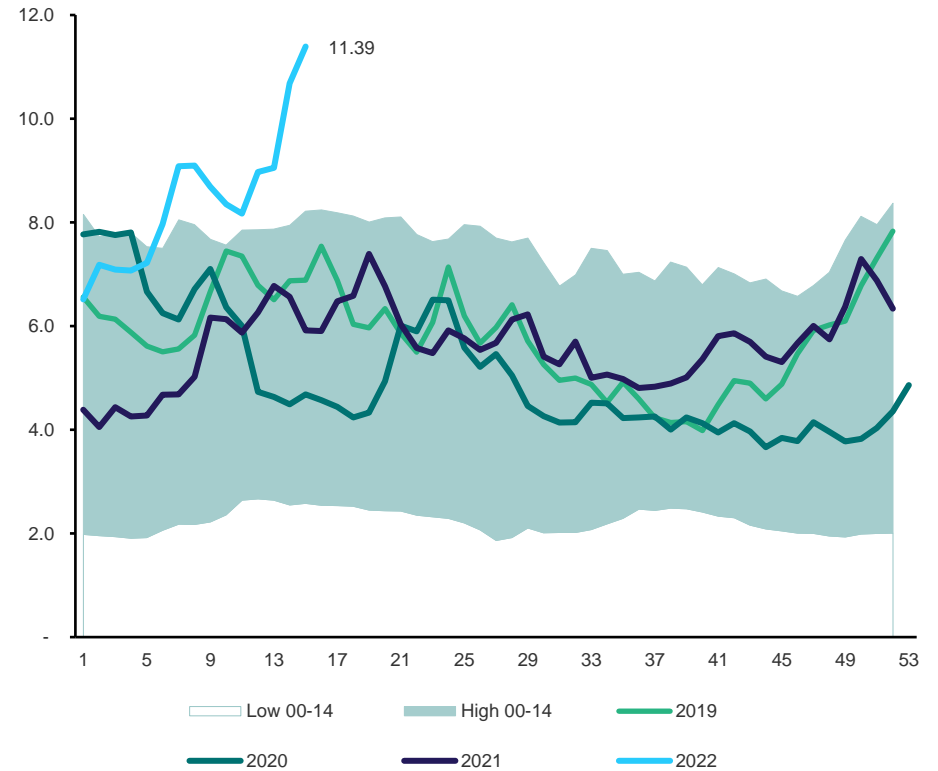
Salmon spot price in Norway

Weekly spot price – NQSALMON

NOK/kg

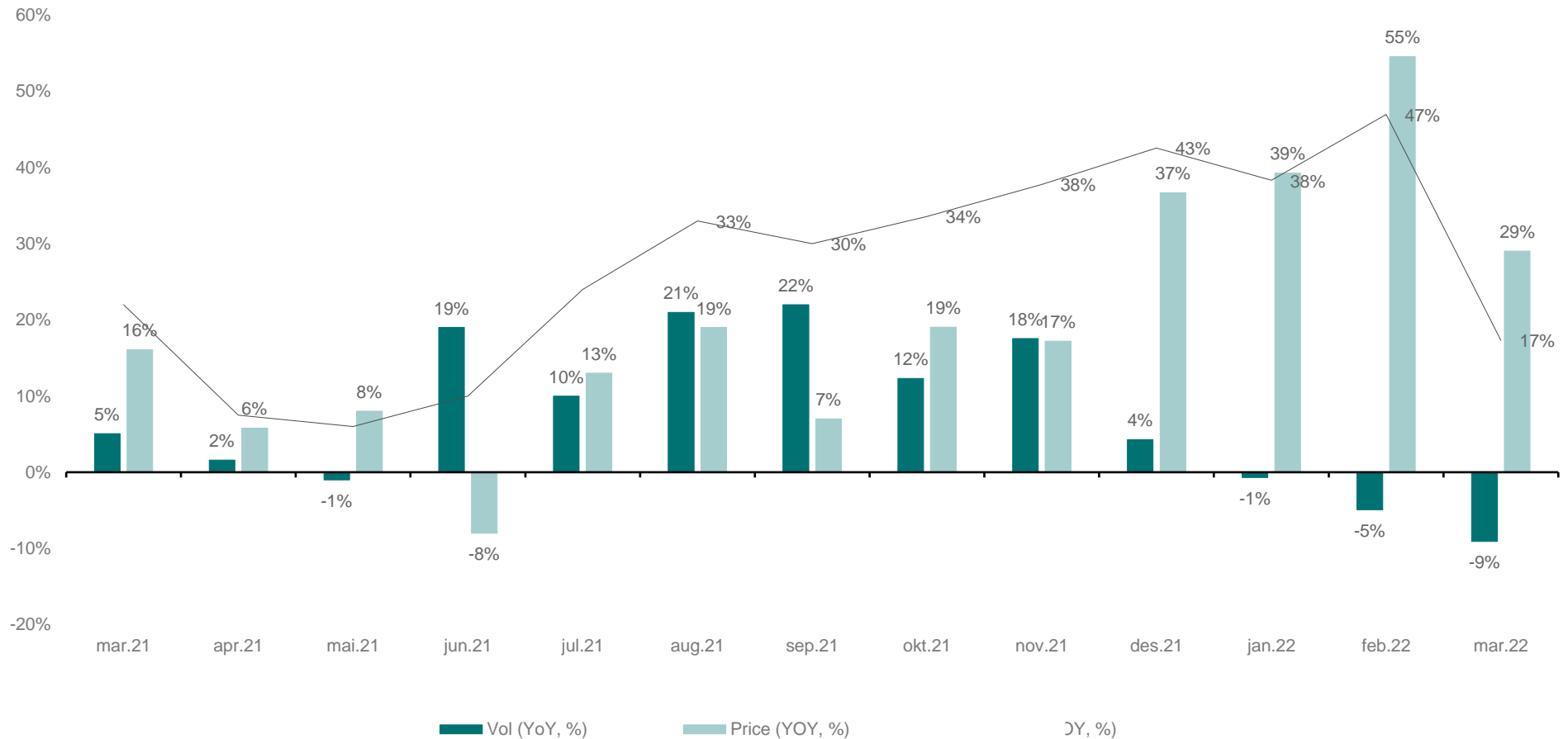


EUR/kg



Norwegian export value up 30-50% YOY

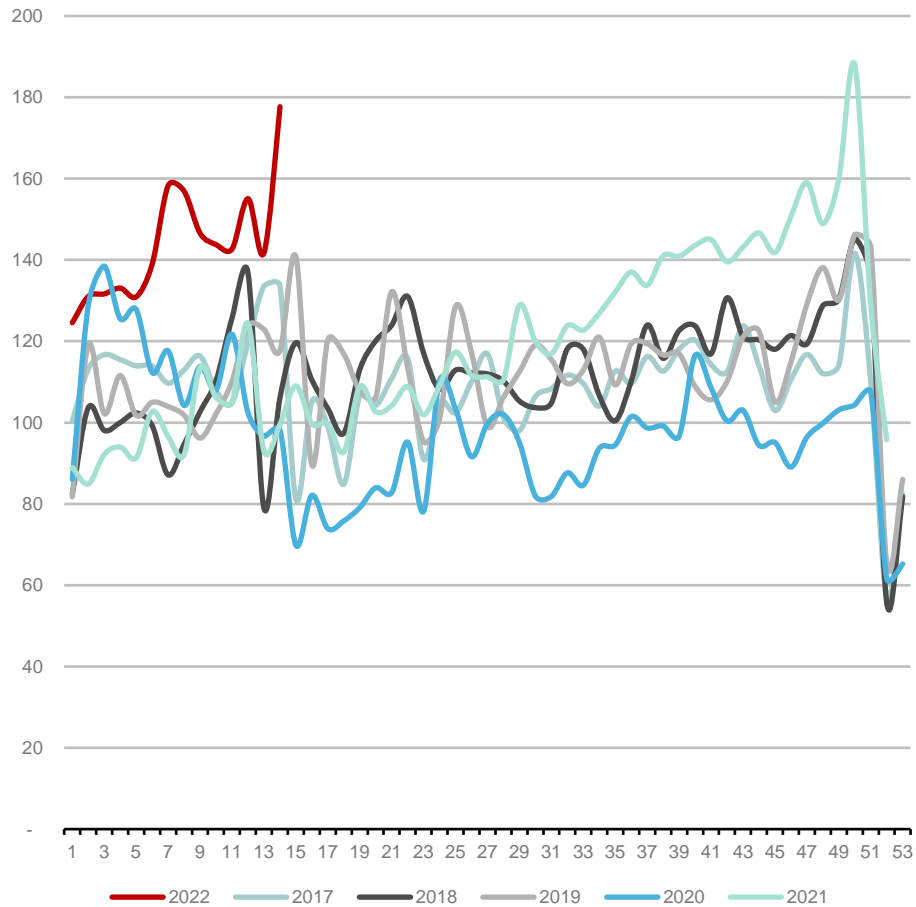
Fresh whole, fresh- and frozen fillets combined volume, price, and value in NOK (YOY, %)



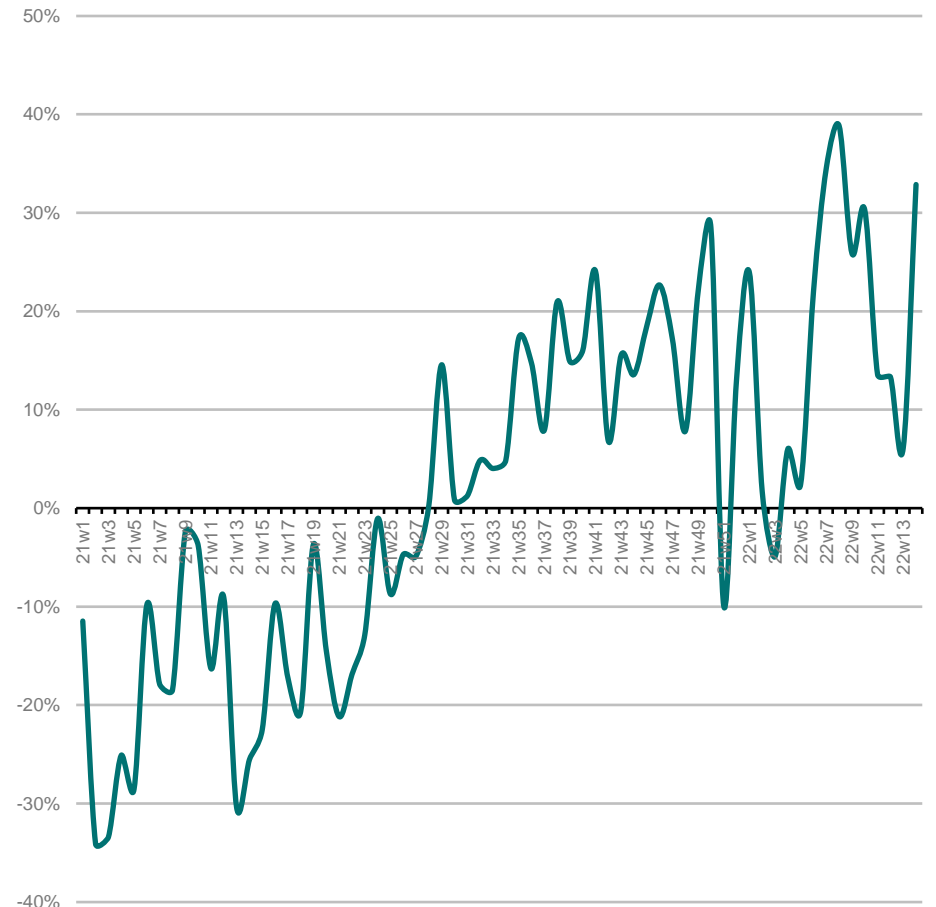
2021 export value vs. previous all-time high

Demand at record levels – export 10-20-40% above all time high...

Norwegian export value (EURm)

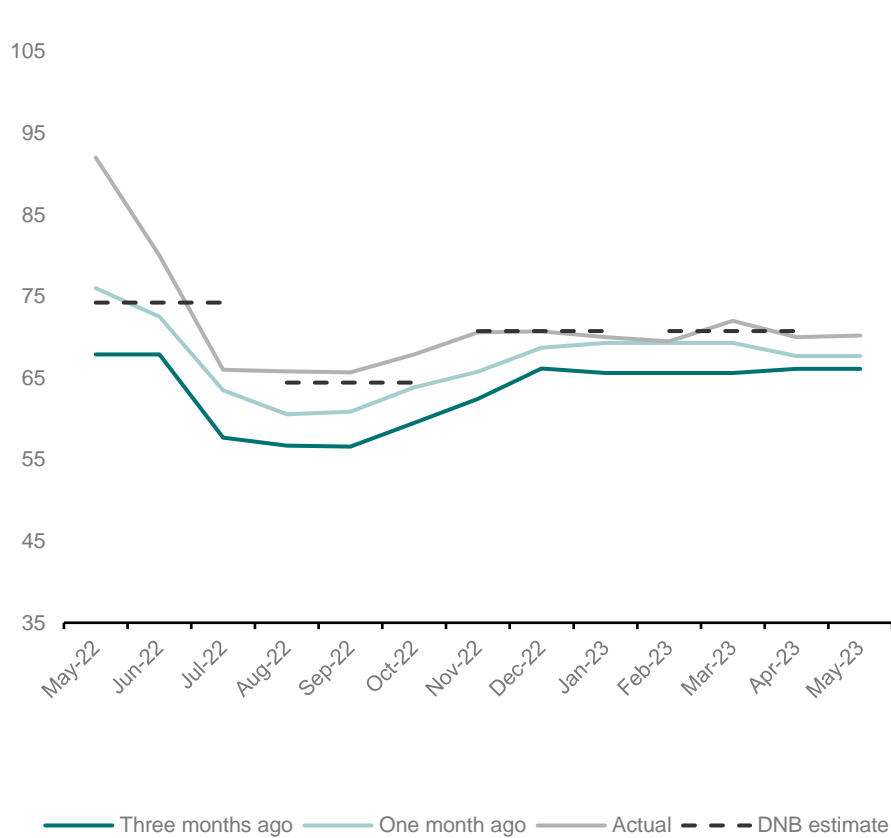


Norwegian export value (EURm) vs all time high

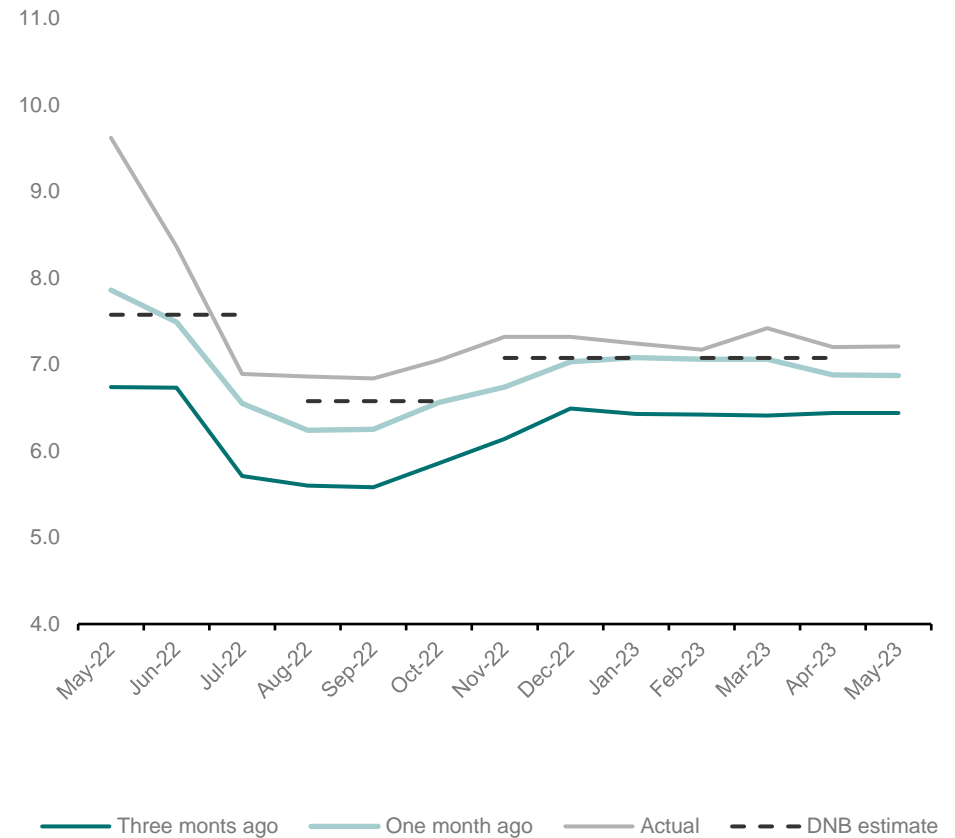


Salmon forward price above for Q2 2022, in line for H2 2022

Fish Pool forward prices (NOK/kg)



Fish Pool forward prices (EUR/kg)



Source: Fishpool (forward price), DNB Markets (estimate on price)

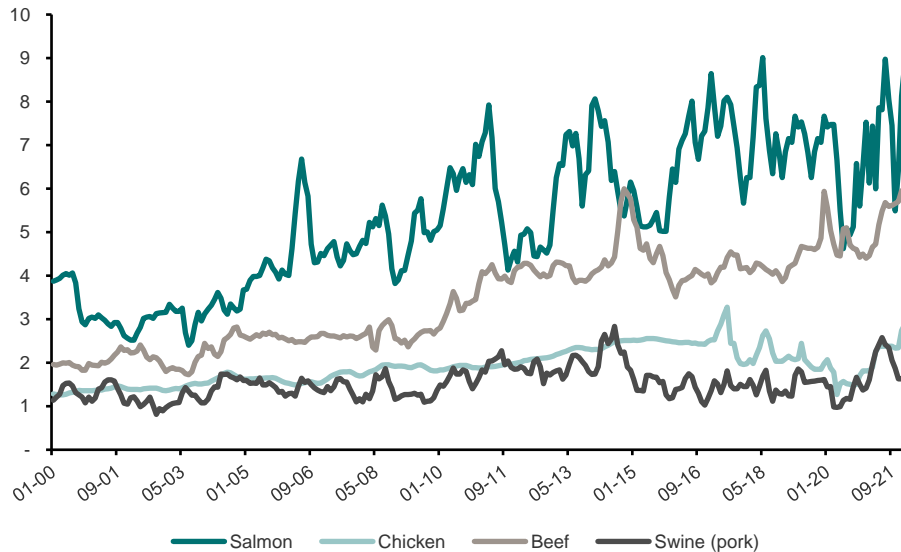
Note: The forward price reflects the expectations of market participants for the next 24 months. The trend illustrates the development in prices during the past week.

Note: From 2015, Fishpool forward prices include a trading/exporter margin of NOK0.75/kg, which needs to be deducted to get the old NOS price delivered for Oslo. To get price back to farmer, another NOK0.5–1.0/kg needs to be deducted for freight costs.

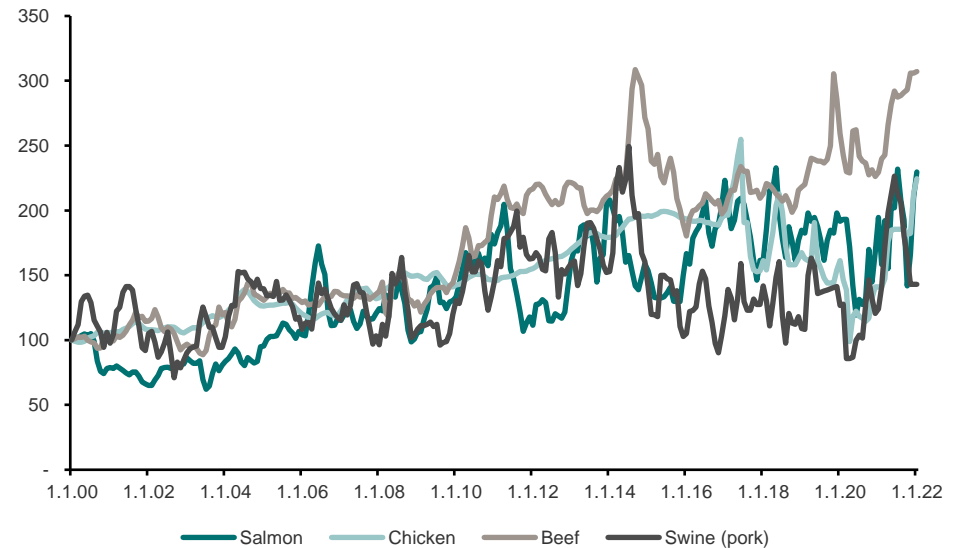
Salmon versus other animal protein prices

Evolution of salmon price compared to beef, chicken, and pork

Prices of various proteins (USD/kg)



Salmon versus other protein prices on a relative basis (Indexed)



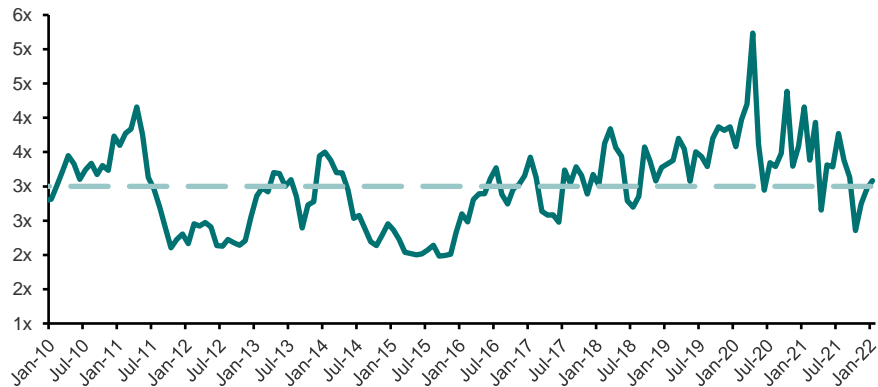
- Since the beginning of this century, salmon has been the most expensive animal protein in USD/kg, higher than beef.
- This price gap between salmon and beef prices closed at end-October 2021, but increased again at the end of the year

- Relatively speaking, beef is the most expensive protein indexed back to 2000.

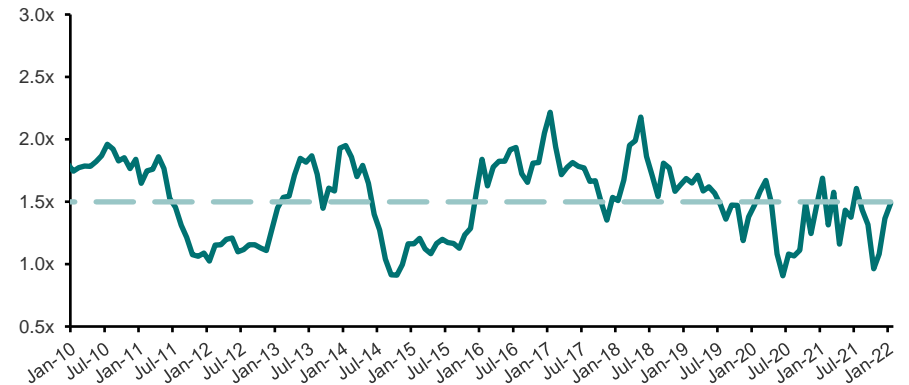
Salmon versus other animal protein prices

Salmon has struggled to maintain a price higher than beef

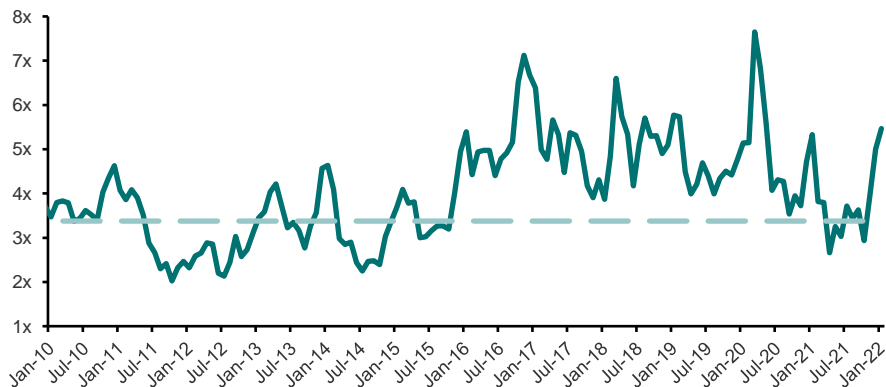
Salmon/poultry (USD/kg)



Salmon/beef (USD/kg)



Salmon/pork (USD/kg)



As at end-January 2022

- Poultry: salmon was 3.1x the price of poultry.
- Pork: salmon was 5.5x the price of pork.
- Beef: salmon was 1.5x the price of beef.
- Note that prices are not measured in the same markets.

Historical prices versus volumes

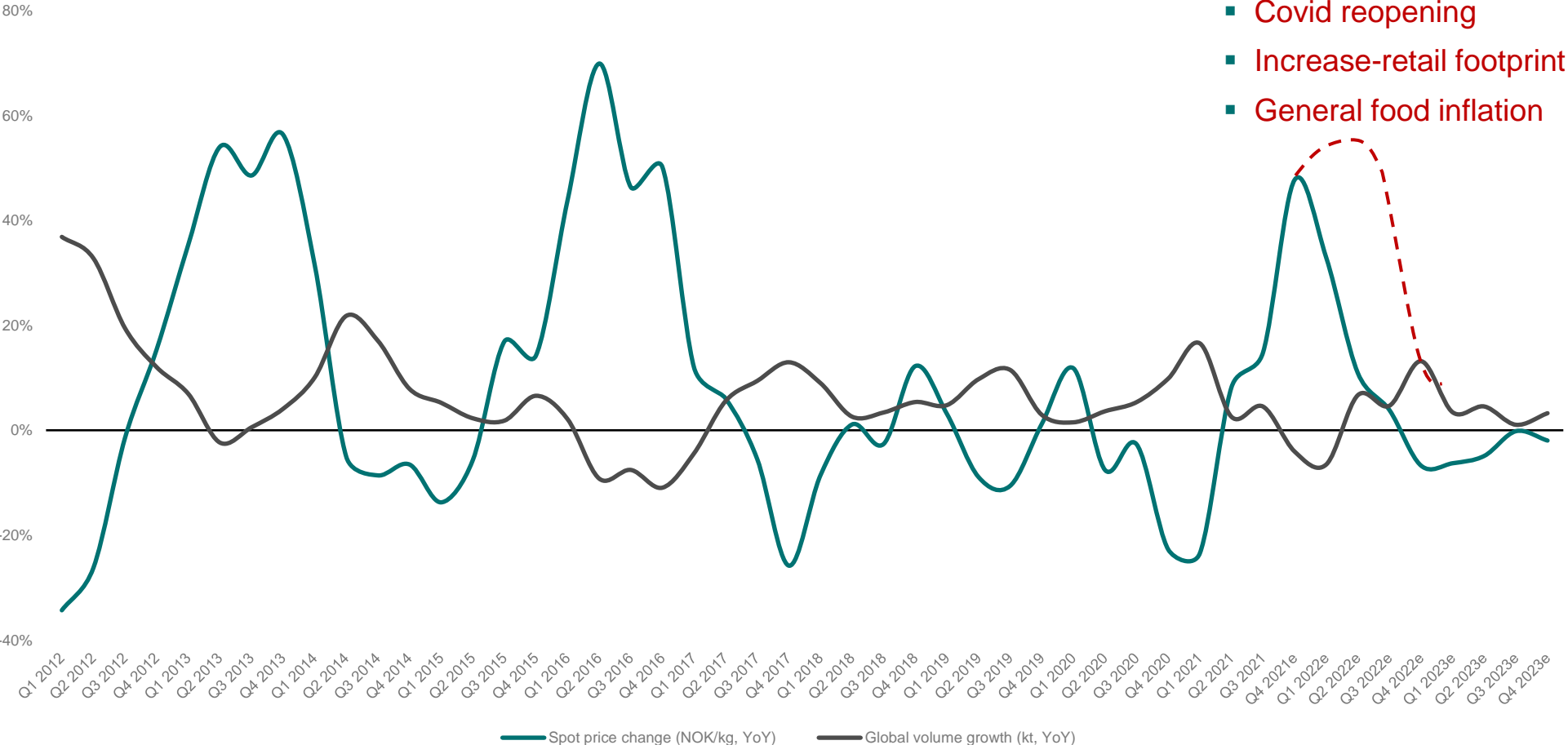
YOY change in price (NOK) versus global supply (% YOY)



Source: Kontali (historical figures), Fishpool (historical figures), DNB Markets (estimates and further calculations)

Historical prices versus volumes

YOY change in price (NOK) versus global supply (% YoY)



Source: Kontali (historical figures), Fishpool (historical figures), DNB Markets (estimates and further calculations)

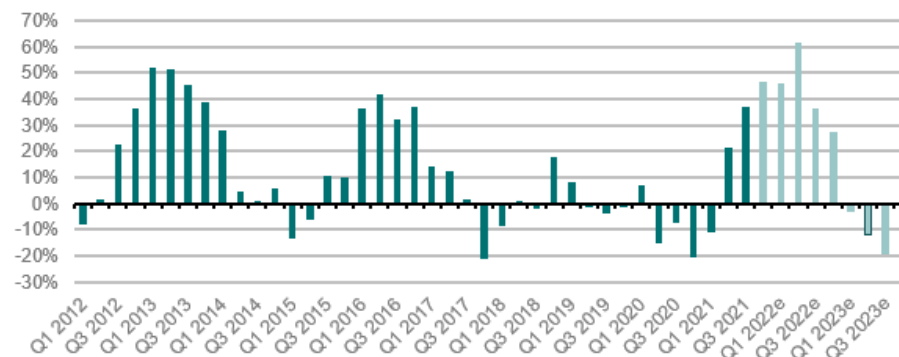
BULL-CASE SCENARIO ANALYSIS – NOK80-69kg in 2022-2023

Assumes prices continue to rise as more countries in the EU re-open the HORECA market

Norwegian reference price (NOK/kg)

NOK/kg	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Q1	39.8	26.2	35.4	46.6	40.2	57.8	64.7	59.1	61.0	68.2	52.2	80	75
Q2	36.5	27.0	41.5	39.4	37.1	63.1	66.9	67.7	61.6	57.0	61.6	95	80
Q3	25.7	25.3	37.6	34.3	40.2	58.8	55.5	54.1	48.3	47.0	54.0	75	60
Q4	22.8	26.3	41.1	38.4	43.9	65.9	48.9	54.9	55.6	42.9	63.4	70	65
	30.5	26.1	39.0	39.1	40.3	61.4	58.6	58.7	56.0	52.7	57.9	80	69
EUR/kg	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Q1	5.03	3.39	4.80	5.57	4.59	6.12	7.28	6.11	6.27	6.60	5.04	7.8	7.4
Q2	4.68	3.58	5.54	4.75	4.36	6.81	7.24	7.07	6.36	5.21	6.15	9.3	7.8
Q3	3.29	3.37	4.85	4.16	4.52	6.44	5.95	5.67	4.91	4.33	5.65	7.4	5.9
Q4	2.94	3.57	4.75	4.65	4.79	7.36	5.14	5.74	5.53	4.00	6.10	6.9	6.4
FY	3.98	3.48	4.99	4.79	4.57	6.68	6.40	6.15	5.77	5.03	5.74	7.8	6.9

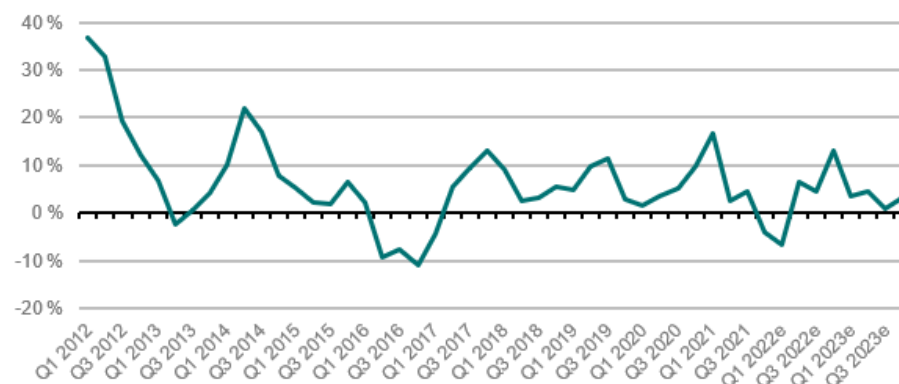
Estimated global value increase (YOY %, EUR)



Global supply growth (kt wfe, YOY %)

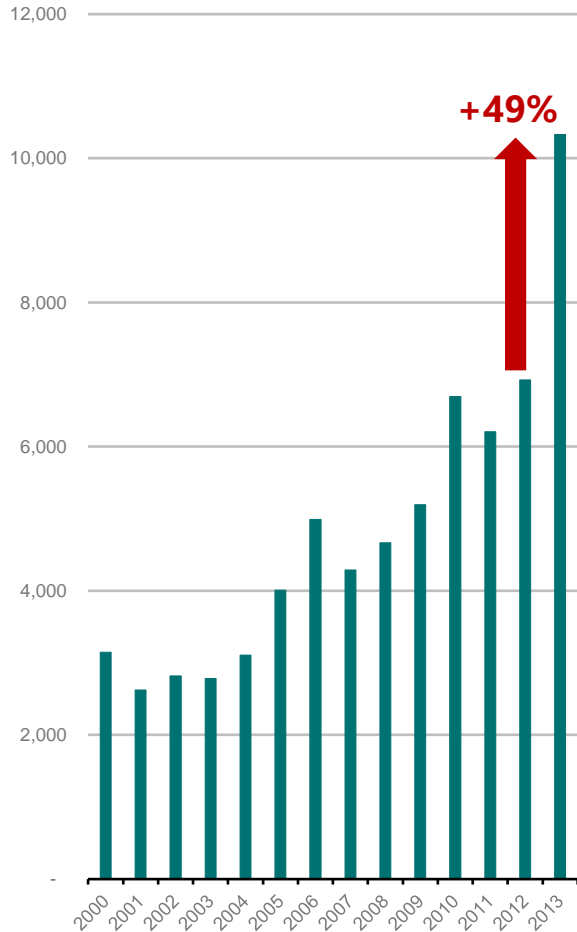
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Q1	315	431	461	507	534	545	521	568	595	604	704	658	680
Q2	344	457	446	543	556	504	533	546	599	621	637	679	710
Q3	405	484	486	569	579	535	586	606	675	711	743	778	786
Q4	484	542	564	608	648	577	652	687	707	776	745	843	870
	1,548	1,913	1,957	2,228	2,317	2,162	2,291	2,406	2,576	2,712	2,829	2,958	3,046
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Q1	37 %	7 %	10 %	5 %	2 %	-4 %	9.0%	4.8%	1.5%	16.6%	-7%	3%	
Q2	33 %	-2 %	22 %	2 %	-9 %	5.6%	9.7%	3.6%	2.6%	7%	5%		
Q3	19 %	1 %	17 %	2 %	-8 %	9.4%	3.4%	11.5%	5.3%	4%	5%	1%	
Q4	12 %	4 %	8 %	7 %	-11 %	13.0%	5.4%	2.9%	9.8%	-4%	13%	3%	
FY	24 %	2 %	14 %	4 %	-7 %	6 %	5 %	7 %	5 %	4.3 %	4.6 %	3.0 %	

YOY (%) value increase in EUR

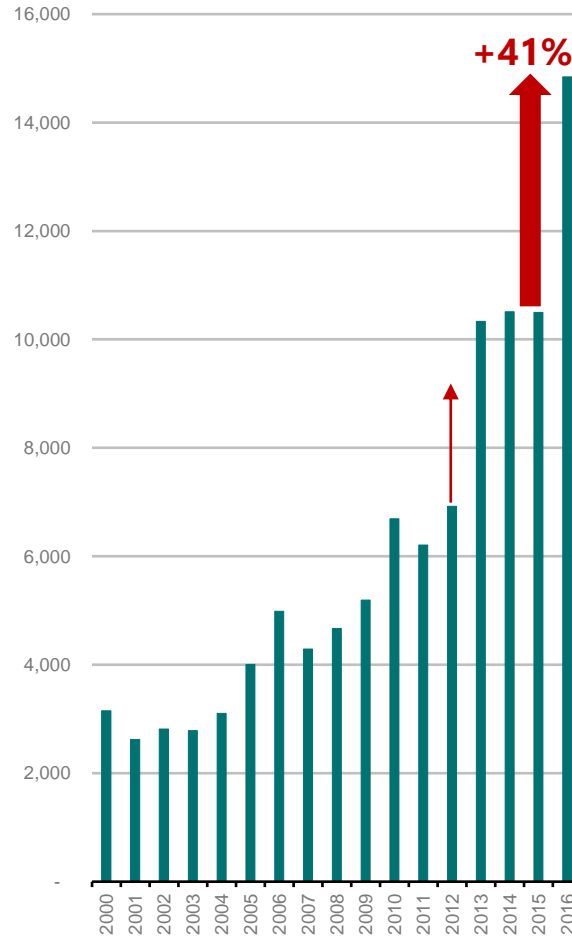


What did previous 'value-spikes' look like?

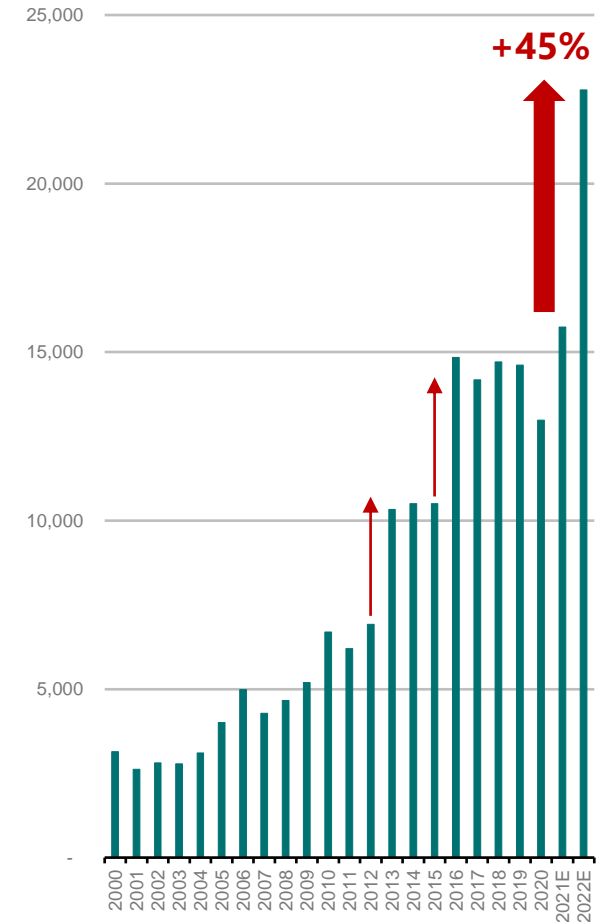
2013 value spike +49% (EURm)



2016 value spike +41% (EURm)

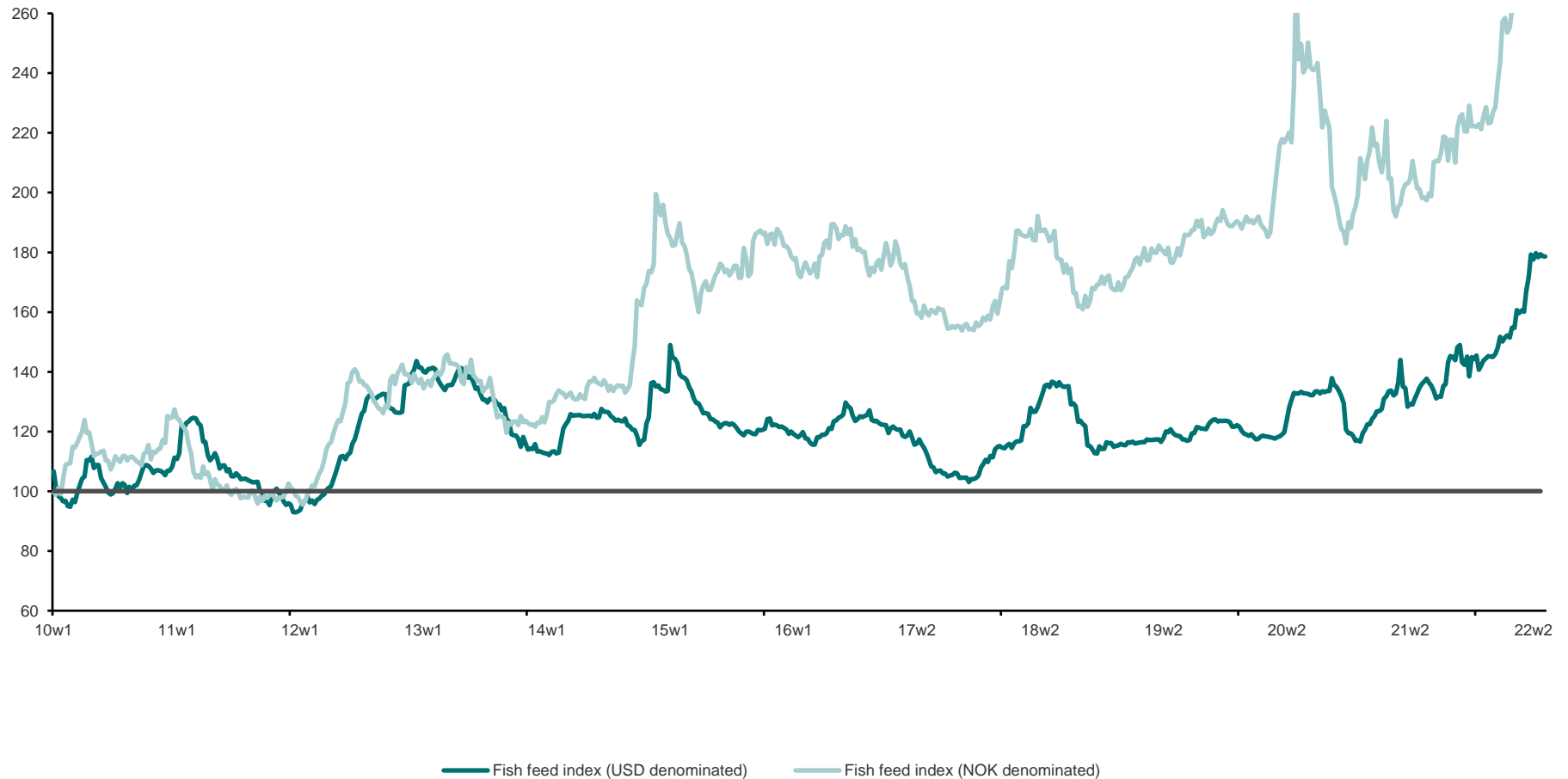


2022e value spike +45% (EURm)



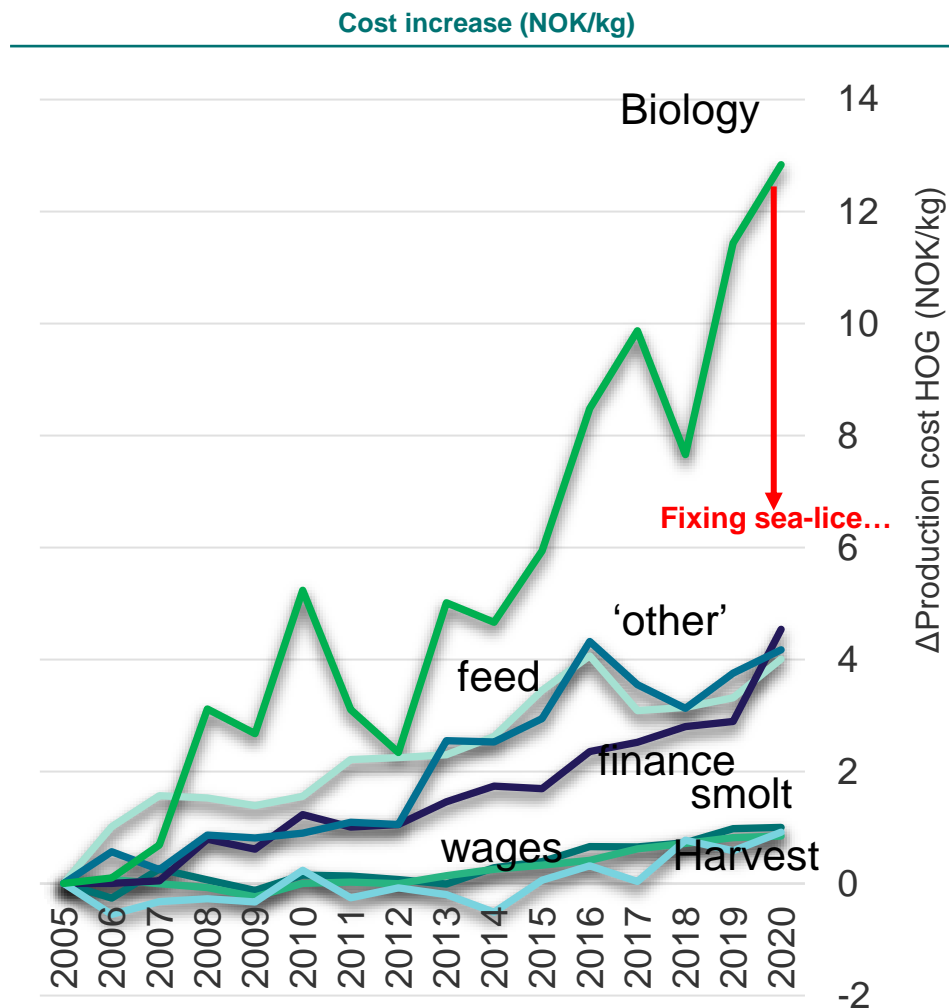
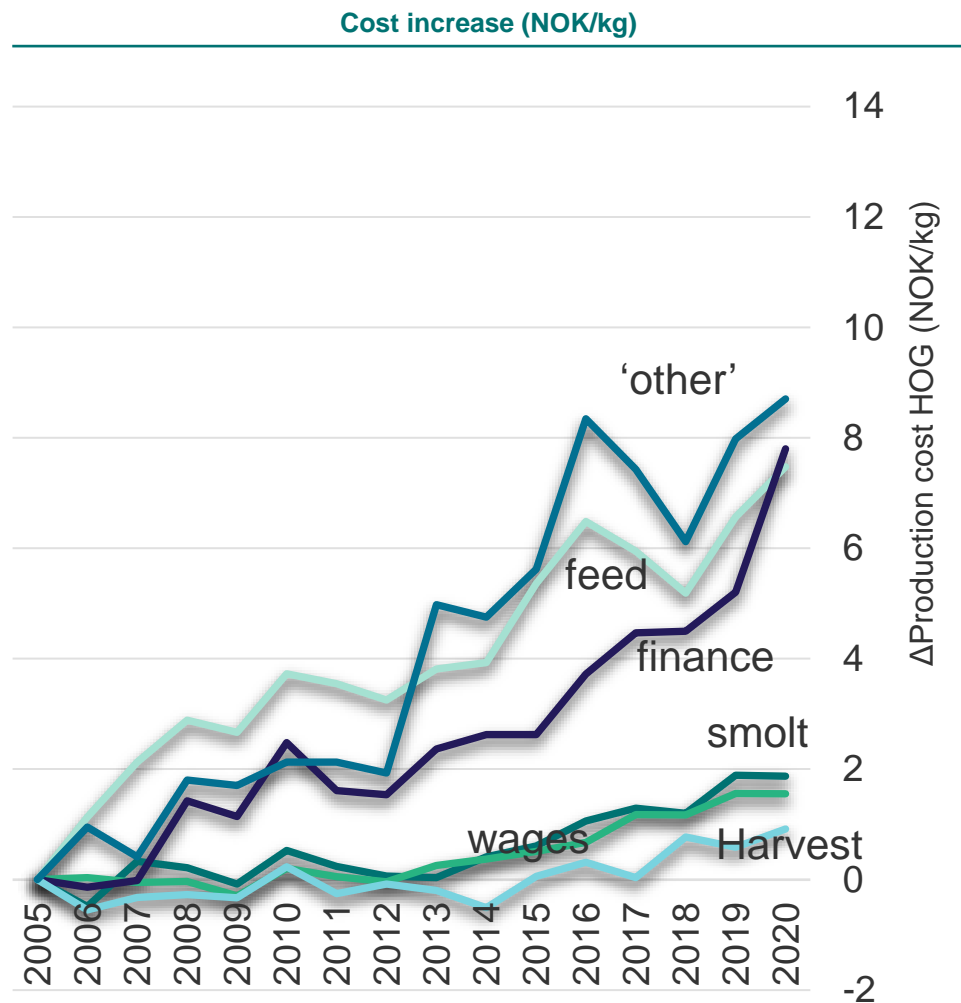
Fish feed index on the rise...

Estimated trend in fish-feed prices (indexed from January 2010)



Could there be further savings from better biology?

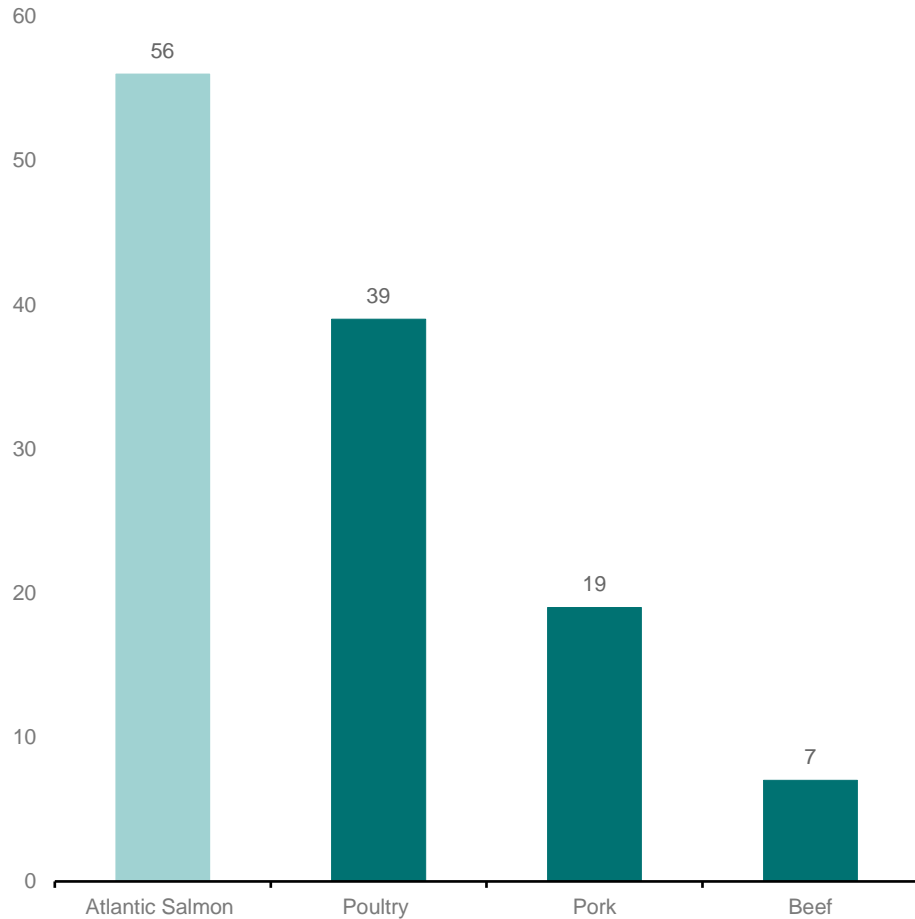
Charts borrowed from Bård Misund - University of Stavanger



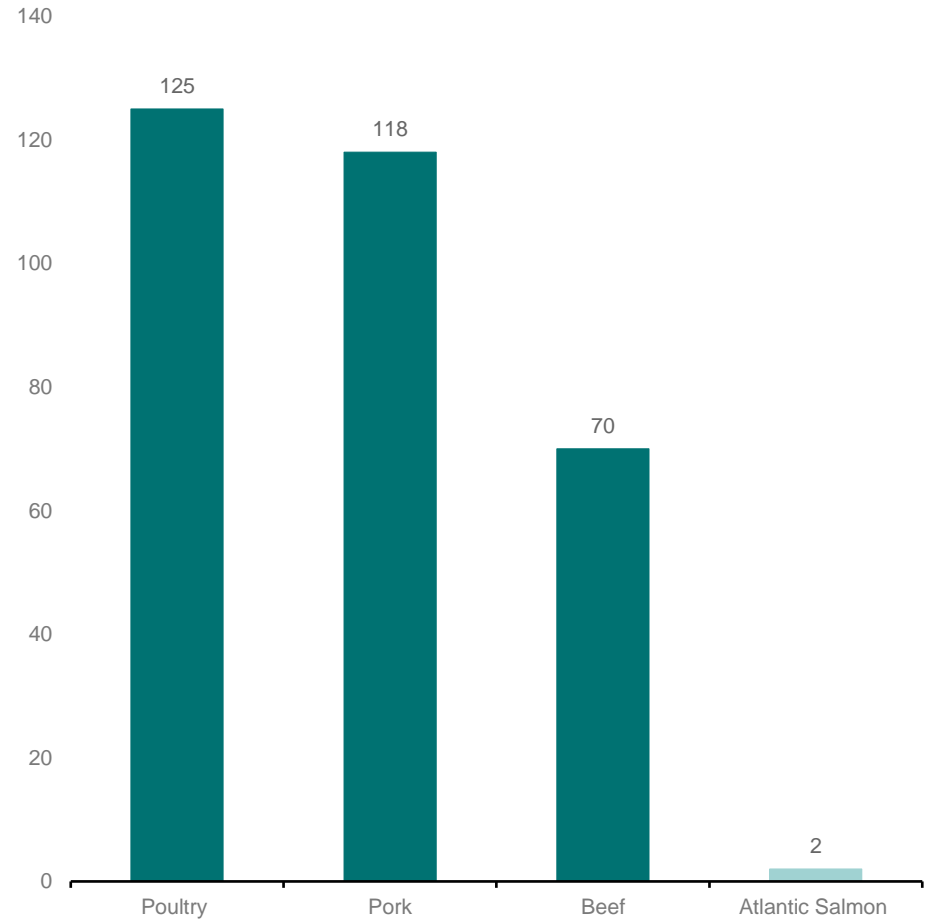
Raw material inflation...

... who's the relative winner?

Edible meat per 100kg feed



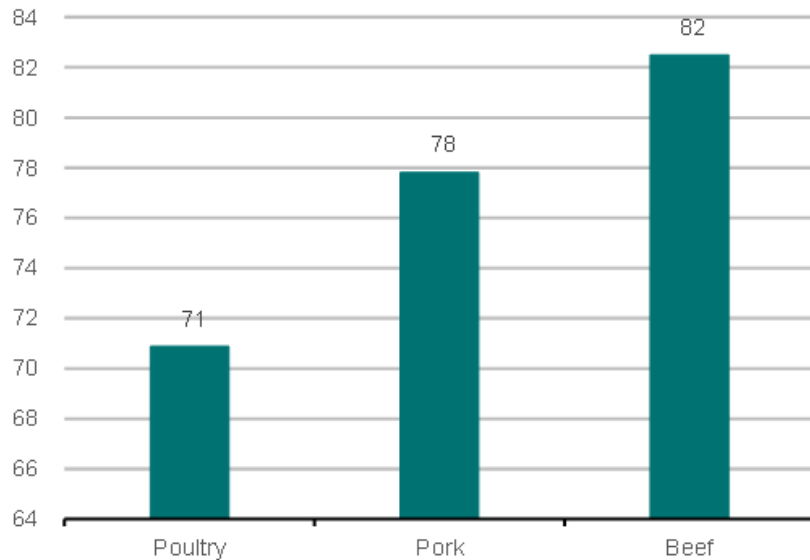
Global protein consumption (mill tonnes)



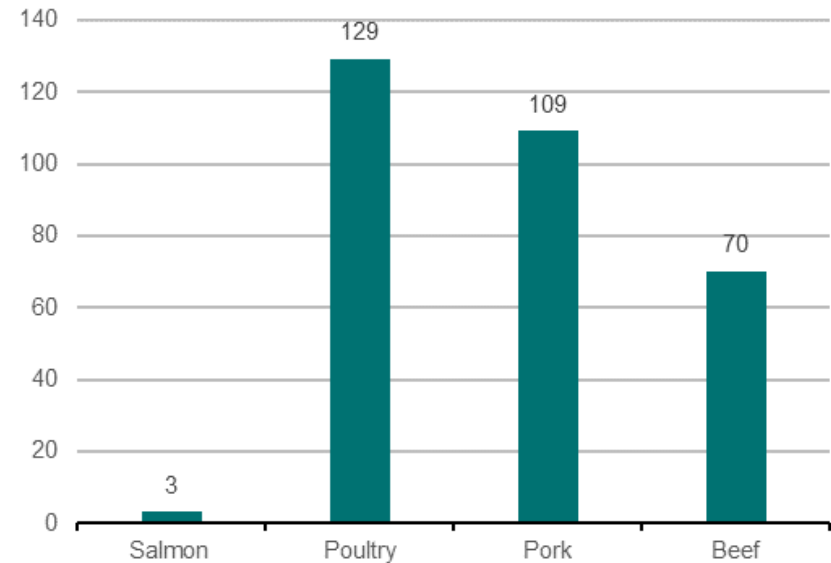
Cost inflation could boost salmon's relative attractiveness

If historical price relationship holds, salmon price could climb to NOK71–82/kg if feed costs increased by 50%

Implied price for salmon if historical premium to other proteins holds (3x for poultry and pork, 1.5x for beef)



Global market size (m tonnes)



X-factors

Possible X-factors that could impact the salmon market and stocks during our forecast period

Taxation

Food scare

Cost inflation

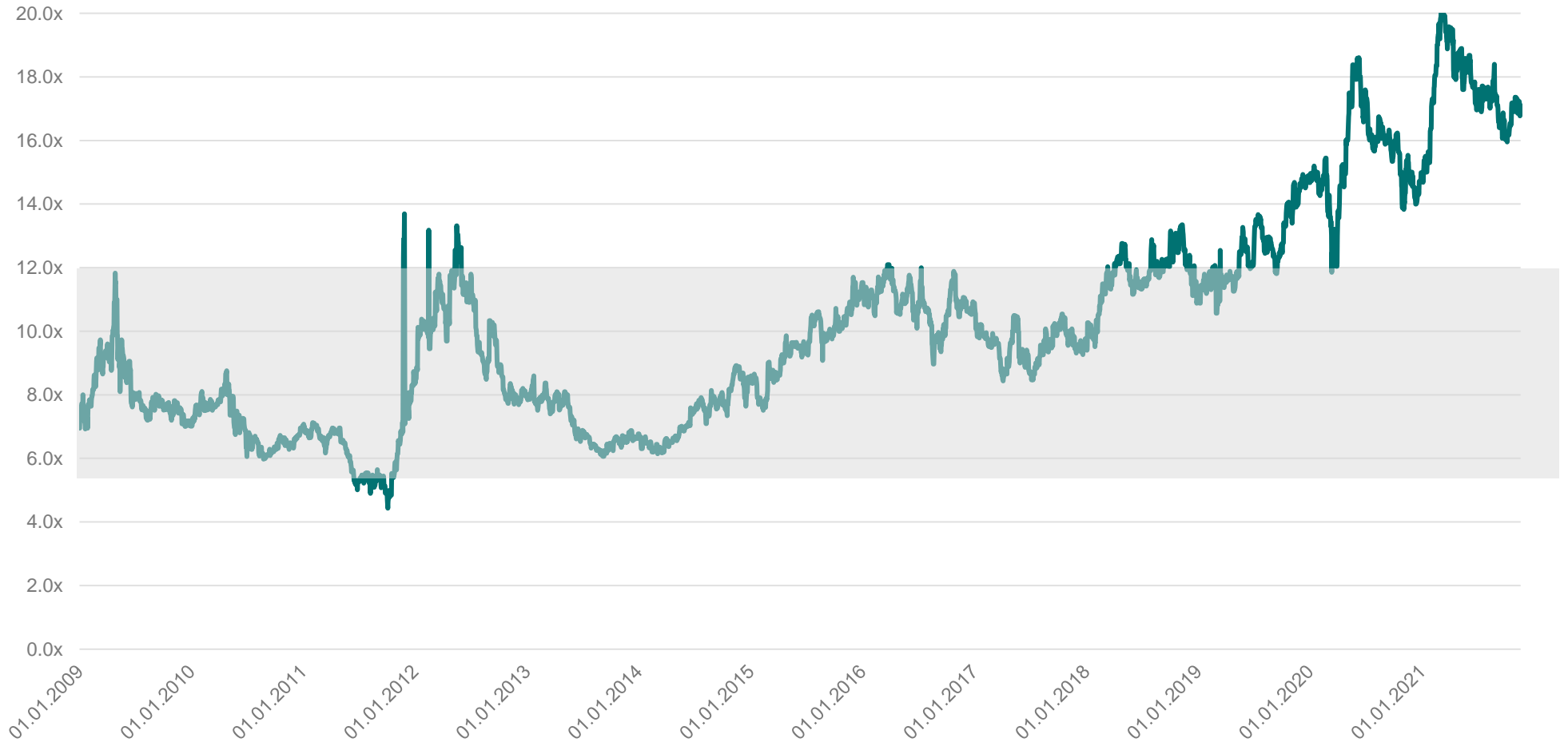
War

Chile going forward?

Currency

Soooo, is it a commodity industry after all...?

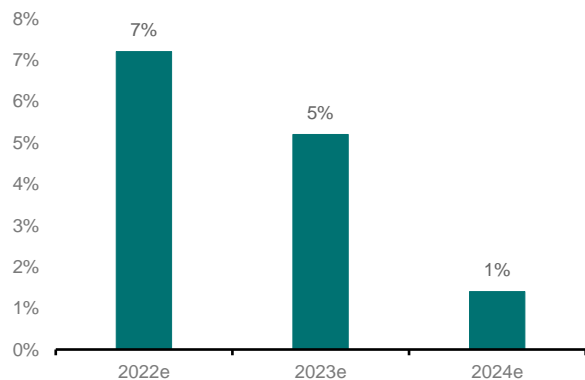
Historical P/E valuation (next fiscal year, x)



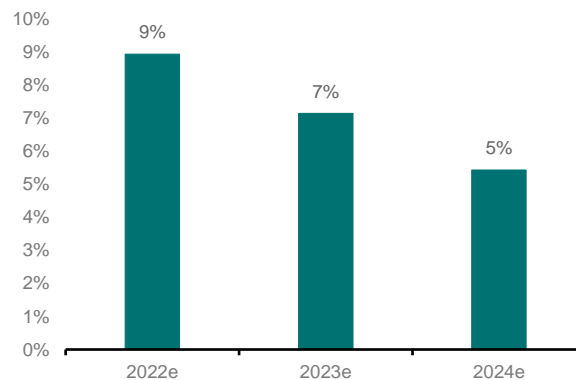
Deviation versus consensus overview

For DNB Markets' covered salmon companies

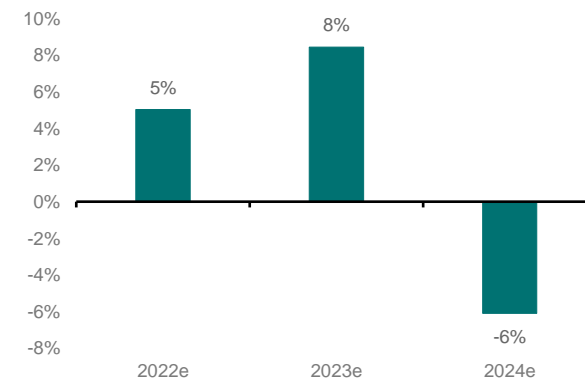
EBIT (sector average ex. Landbased)



EPS (sector average ex. Landbased)



Dividend (sector average ex. Landbased)



- Consensus needs to come up...
- ...but most investors are aware...
- ...share prices are unlikely to move in tandem with consensus going forward.

Valuation overview

DNB Markets' coverage of salmon companies

DNB Markets estimates

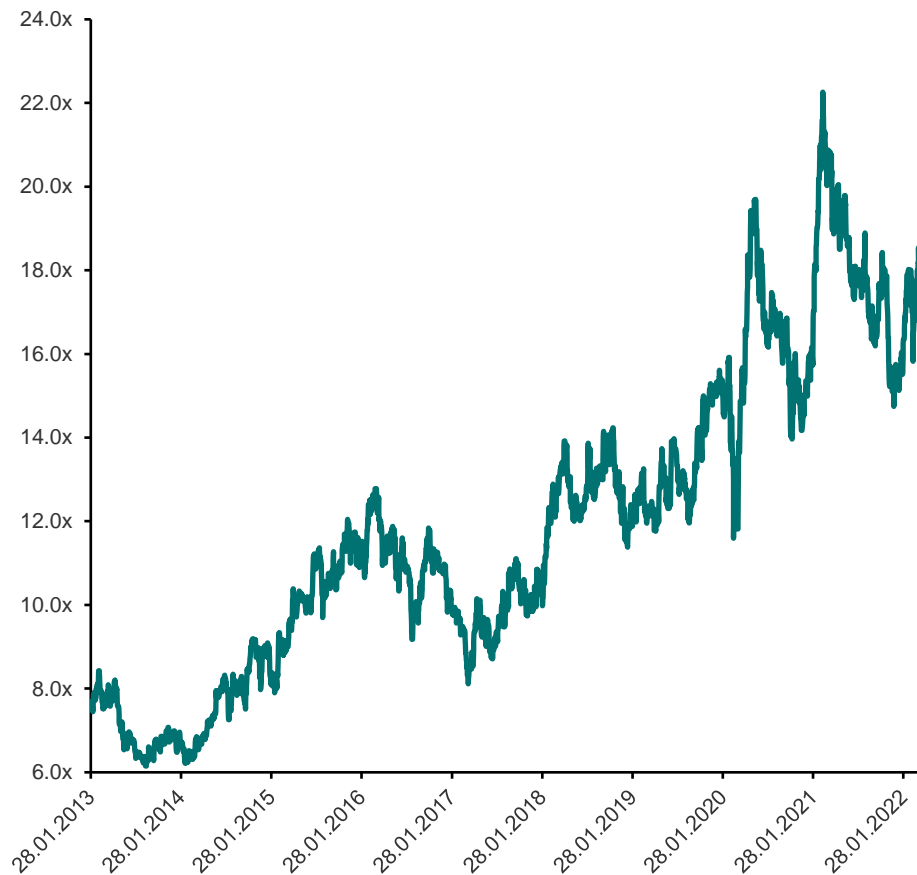
(Share prices in NOK, comp. size in reporting FXm)

	Rec	Target price	Share price	Upside potential (%)	EV/EBITDA			EV/EBIT			P/E			DVD yield		
					2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
Mowi	BUY	240	254	-6 %	11.4x	11.5x	11.2x	16.4x	16.9x	16.2x	19.4x	20.2x	19.3x	3.5 %	4.1 %	4.1 %
SalMar	HOLD	743	762	-2 %	16.7x	17.0x	15.4x	19.7x	20.3x	18.2x	23.6x	24.2x	21.8x	2.9 %	2.9 %	2.9 %
Lerøy Seafood	BUY	100	86	16 %	12.7x	11.3x	9.9x	12.7x	11.3x	9.9x	16.4x	14.2x	12.5x	3.5 %	4.1 %	4.1 %
Grieg Seafood	BUY	130	136	-5 %	8.1x	8.6x	8.1x	10.1x	11.1x	10.3x	12.1x	13.4x	12.4x	0.0 %	2.9 %	2.9 %
Norway Royal Salmon	No Rec	n.a.	240		13.1x	8.6x	3.7x	15.9x	9.7x	9.2x	22.1x	13.1x	12.3x	2.6 %	4.6 %	4.9 %
Bakkafrost	BUY	650	644	1 %	13.2x	11.2x	10.1x	15.9x	14.6x	12.8x	25.0x	19.9x	17.4x	2.4 %	2.4 %	2.4 %
Austevoll	BUY	150	143	5 %	9.1x	8.4x	7.6x	12.5x	11.2x	10.0x	13.3x	11.5x	9.9x	3.1 %	3.8 %	3.8 %
Salmones Camanchaca	BUY	58	42	36 %	5.7x	5.6x	5.5x	7.1x	7.1x	6.8x	8.0x	7.8x	7.5x	0.0 %	5.1 %	5.3 %
Måsøval	BUY	50	48	4 %	10.7x	11.9x	10.5x	12.3x	14.0x	12.2x	14.0x	16.5x	14.1x	0.0 %	3.9 %	4.6 %
Atlantic Sapphire	BUY	60	33	81 %	n.a.	n.a.	3.3x	n.a.	20.4x	4.6x	n.a.	73.8x	7.3x	0.0 %	0.0 %	0.0 %
Salmon Evolution	BUY	11.3	9	26 %	n.a.	n.a.	23.7x	n.a.	n.a.	34.4x	n.a.	n.a.	n.a.	0.0 %	0.0 %	0.0 %
Average ex. landbased					11.2x	10.5x	9.1x	13.6x	12.9x	11.7x	17.1x	15.7x	14.1x	2.0 %	3.8 %	3.9 %

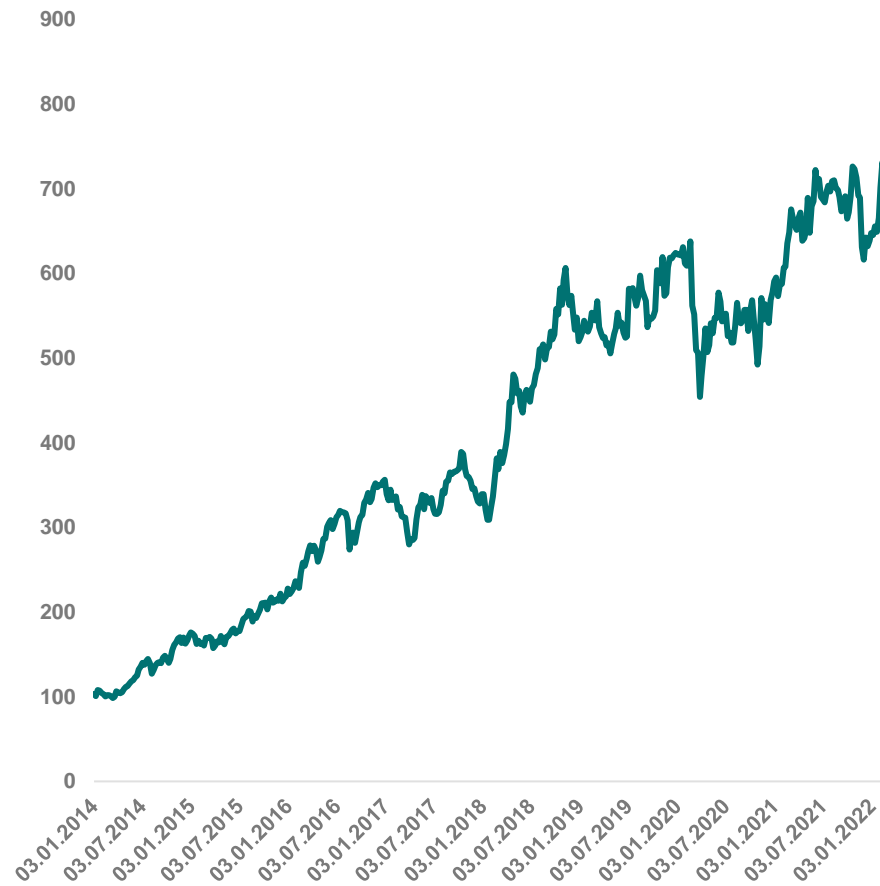
Seafood update

Further share price appreciation likely driven by earnings growth

12month forward P/E (cons, x)

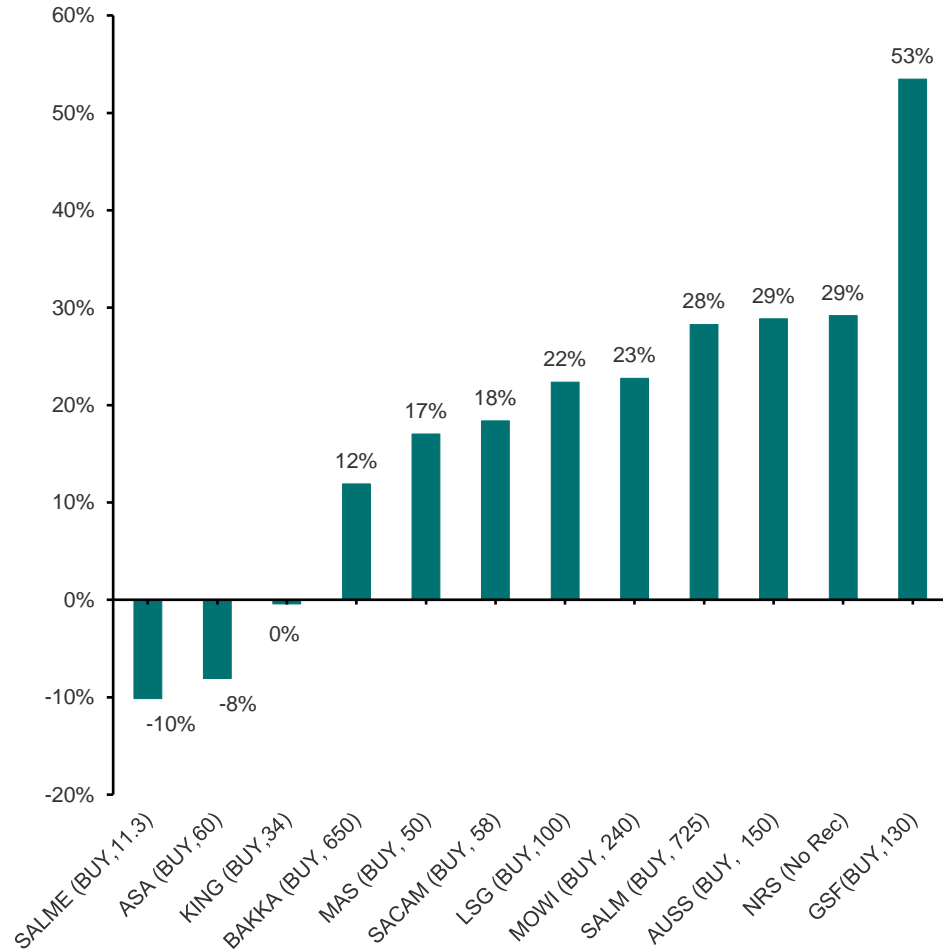


Oslo Seafood index (2013-2022)

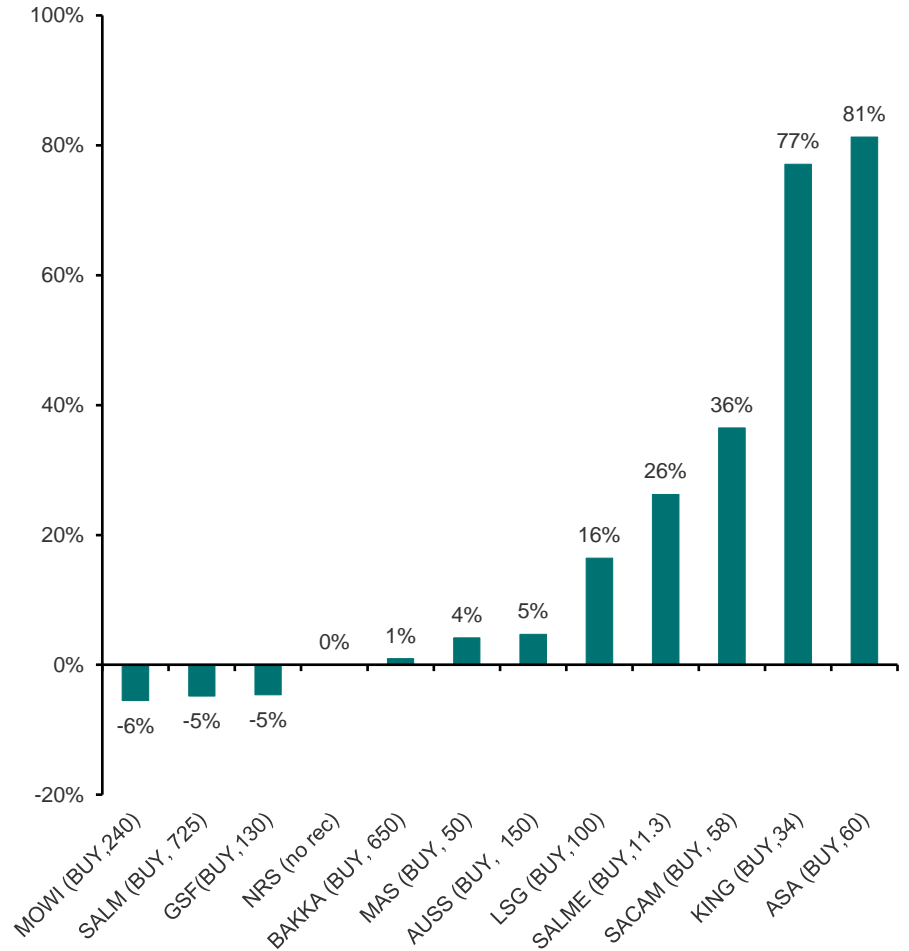


Share price performance and potential upside to target prices

3-month share price performance (%)



Upside potential to target price (%)



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