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**SEAFOOD | SALMON PRESENTATION FISHPOOL**

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**A tight market expected, but we expect somewhat lower spot prices in 2023E**

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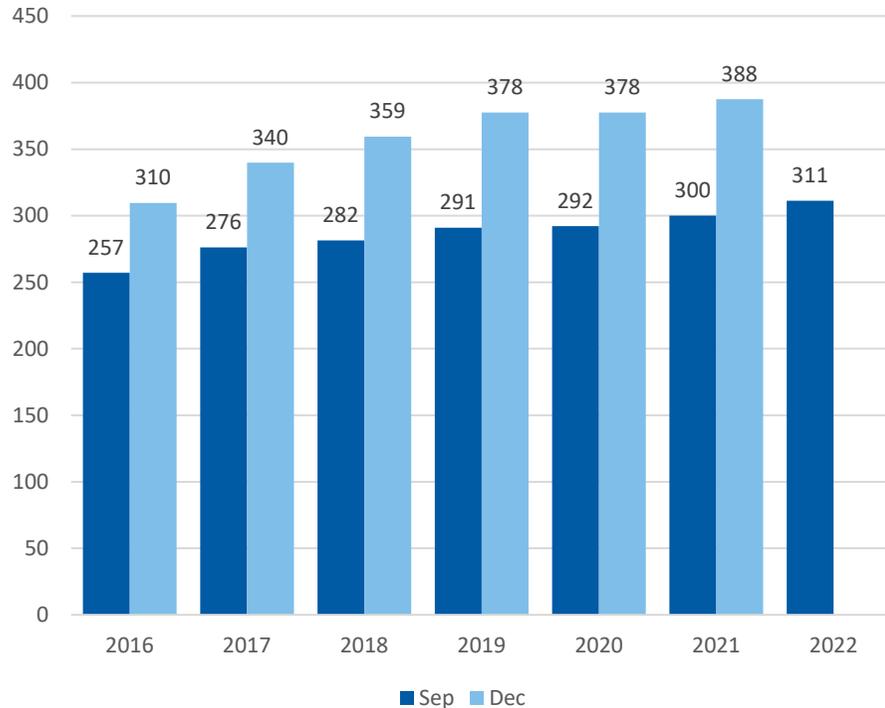
## A tight market expected, but we expect somewhat lower spot prices in 2023E

- Overall, we forecast strong salmon prices for at least the next 3-5 years, driven by low-to-moderate global supply growth and a continued strong demand.
- We forecast a salmon price of NOK74.5/kg in 2023E, down from cNOK79/kg in 2022E.
  - » Achieved salmon prices are expected stable or higher next year explained by higher contract prices and a lower contract coverage.
- We forecast global supply up 3.3% YOY in 2023E.
  - » Our estimate is somewhat higher than forecasted by salmon farmers
- Even though we expect a solid salmon price next year, we are a bit cautious due to:
  - » Risk of weaker demand from especially the restaurant market following the global recession. Not seen much yet, but higher interest rates are just starting to affect households
  - » Many salmon buyers did not experience the very strong prices seen in H1 2022 as contract prices were materially higher.
  - » The very strong spot prices in H1 2022 were explained by limited volumes available in the spot market.
  - » The proposed resource tax has delayed contract negotiations. Still some uncertainties. Overall, we expect a lower contract coverage in 2023E. Risk of losing some shelf space. Opposite reaction compared to Q2 2022.

# Norwegian smolt releases are up 3.7% YTD

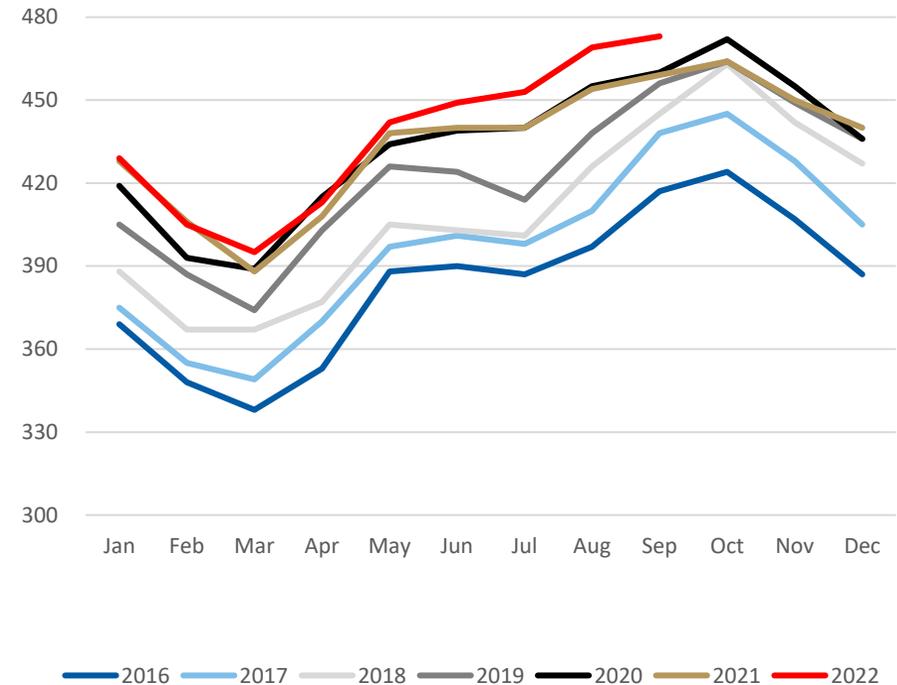
3.1% more individuals in the sea at the end of September

Smolt releases in Norway (Mill. Smolt)



Source: Norwegian Seafood Federation, SB1M Estimates

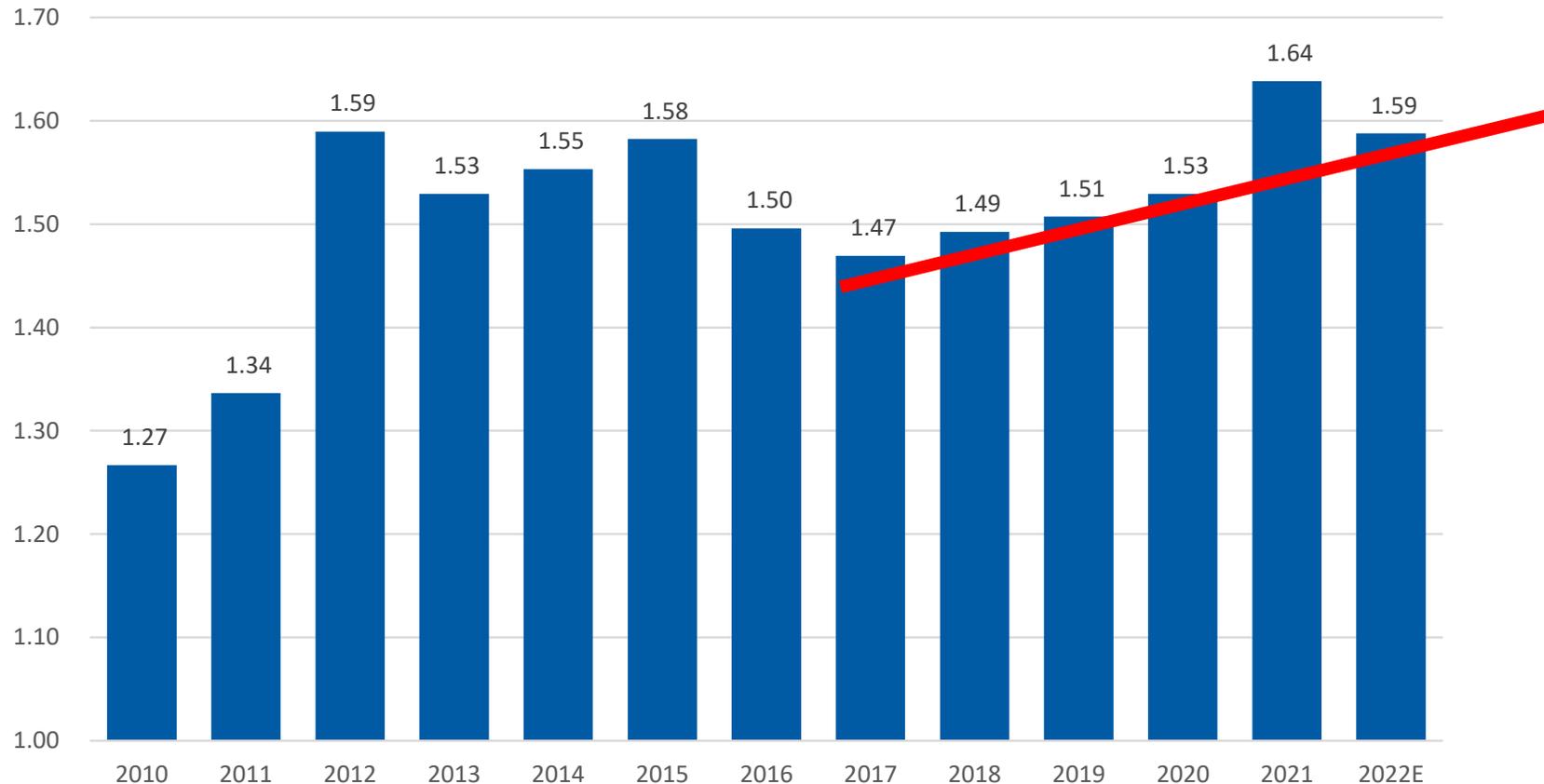
Number of fish in the sea at the end of September (mill.)



Source: Norwegian Seafood Federation, SB1M Estimates

- We forecast 4.2% growth in Norwegian harvest volumes in 2023E.
- The underlying growth in average smolt weights are shortening the production cycle.
- 1.4% net growth in the Norwegian capacity from the traffic light system should result in slightly higher harvest volumes next year.

## Harvest of salmon/trout per MAB unit (kg)



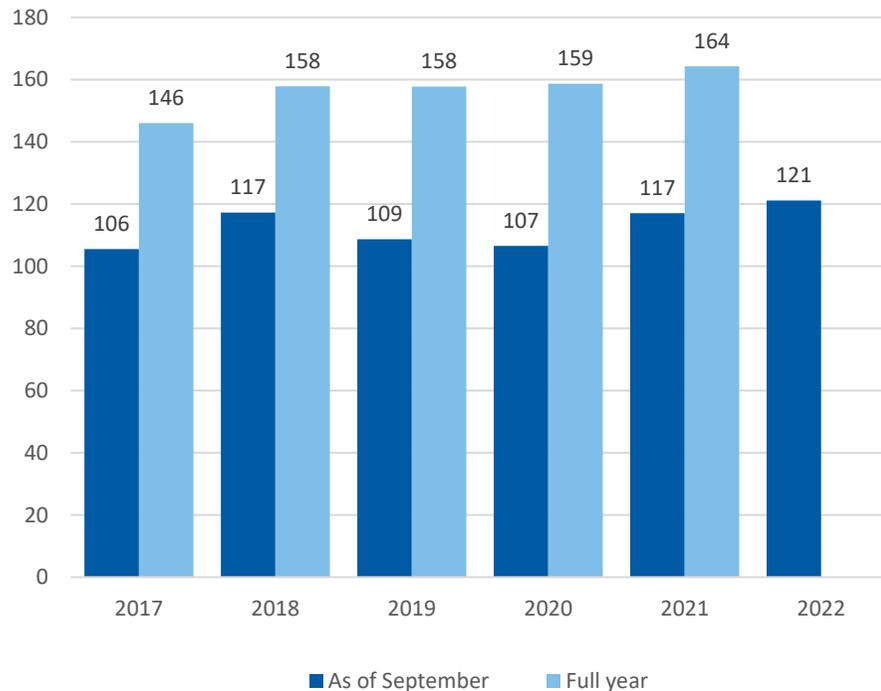
Source: Norwegian Fisheries Directorate, Norwegian Seafood Council, Company reports, Kontali, SB1M Estimates.

- **The Norwegian salmon industry is gradually getting more efficient. We expect this trend to continue in the upcoming years.**
- The biological performance has been negatively affected by a high share of sea lice over the summer.

# Chilean smolt releases are up 3.5% YTD

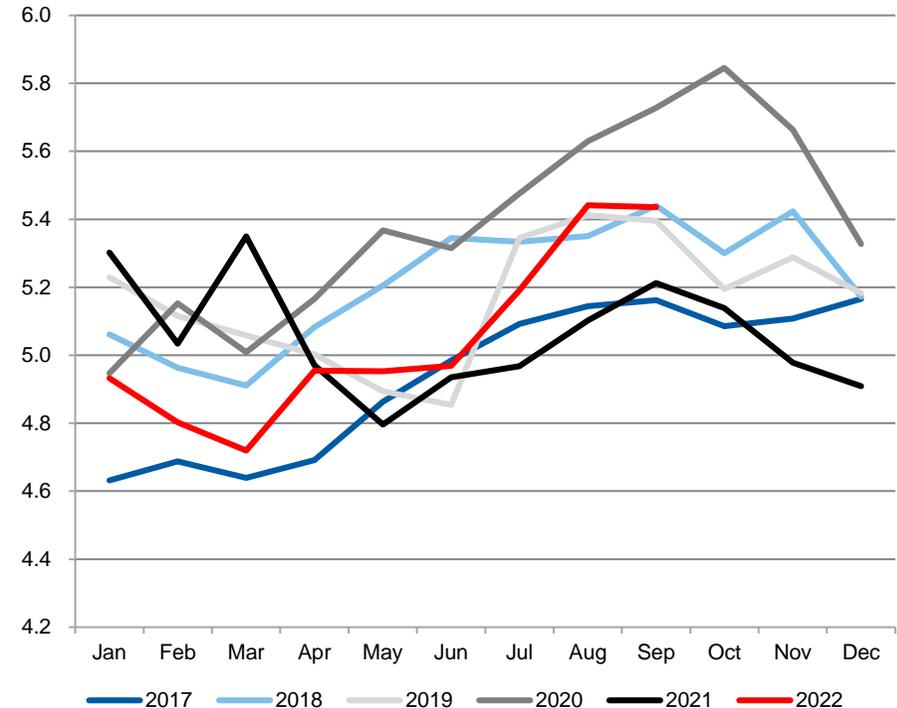
Harvest weights are also trending up

Smolt releases in Chile (Mill. Smolt)



Source: Aquabench, SB1M Estimates.

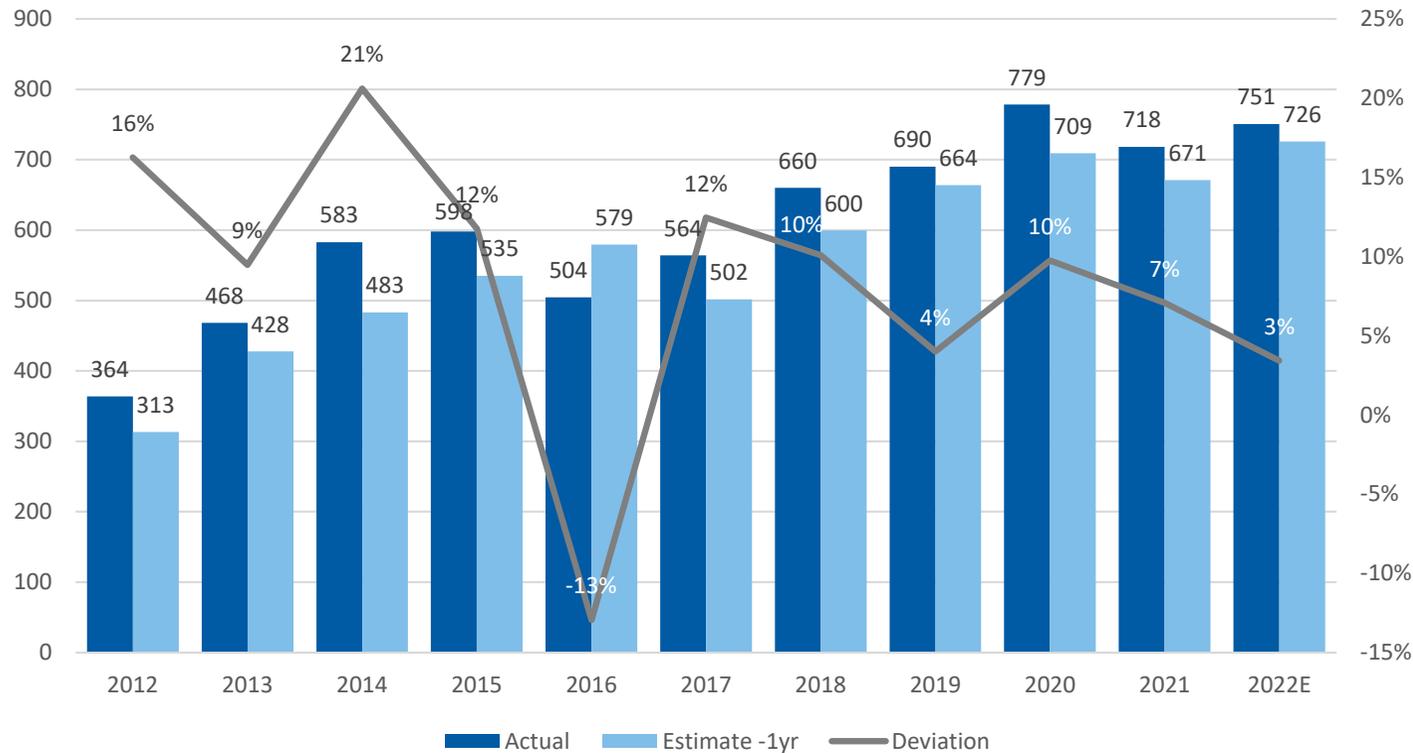
Average harvest weights in Chile (wfe kg)



Source: Aquabench, SB1M Estimates.

- Currently, there are 4% less individuals in the sea in Chile end September 2022 vs September 2021. This points to low harvest volumes in Chile in Q4 22E and Q1 23E.
- Overall, we forecast 1% volume growth in Chile in 2023E.
  - » Smolt releases are up 3.5% YTD.
  - » Harvest weights are trending up again in Chile.

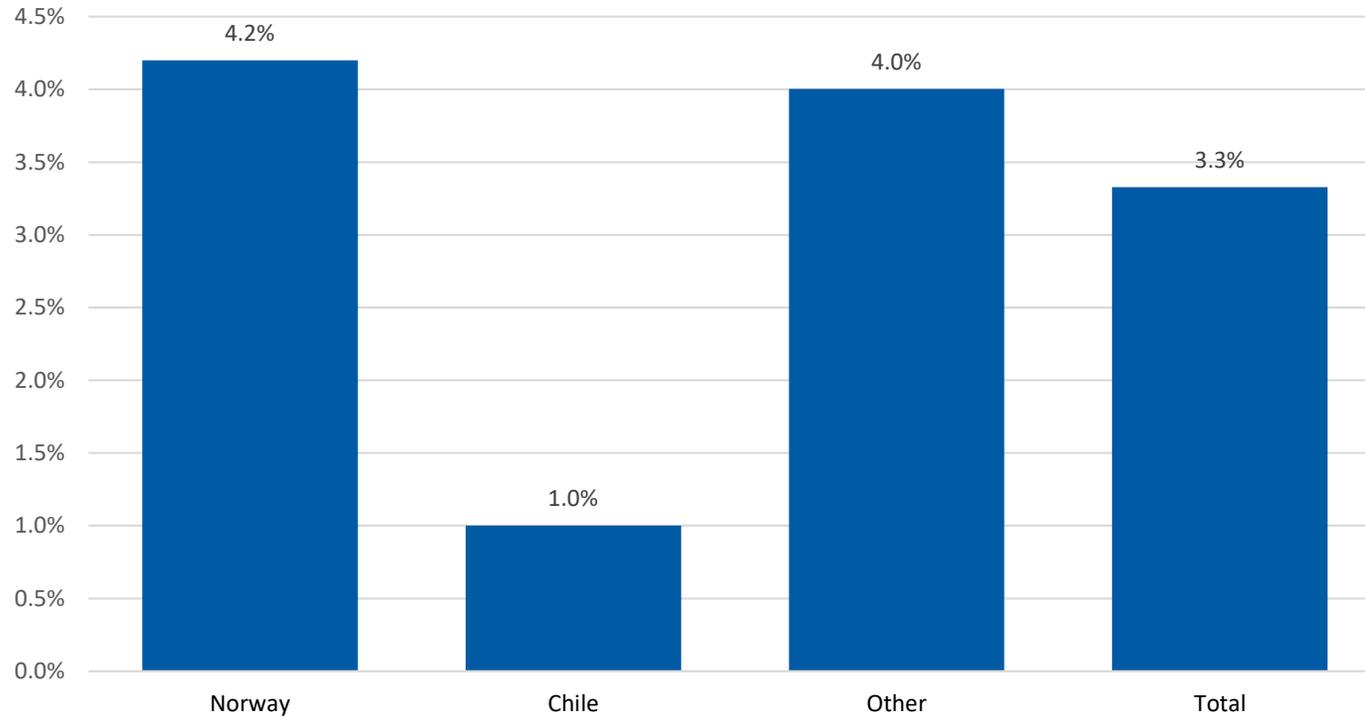
## Chile volumes “always” surprise on the upside



Source: SB1 Markets Estimates

- Chile volumes have ended up higher than Lerøy (Kontali) initially has forecasted in 9 out of the last 10 years. Most likely to surprise on the upside in 2022E as well.
- We forecast a supply growth of 1% YOY in 2023E, above Lerøy Seafood forecasting -2.5% and Mowi forecasting -5% to 0%.

## We estimate 3.3% global supply growth in 2023E

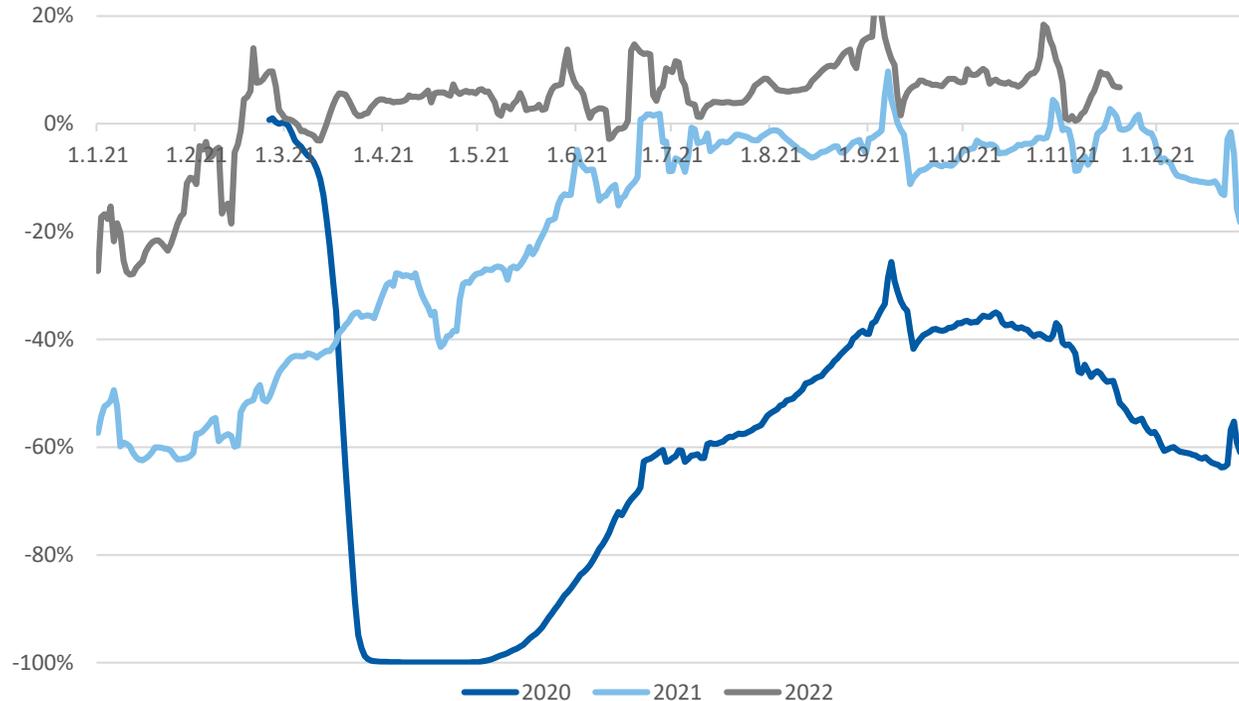


Source: SB1 Markets Estimates

- We forecast 3.3% harvest volume growth in 2023E.
- Our estimates are somewhat higher than salmon farmers estimating c1.5% global supply growth in 2023E (Q3 reports). The deviation is seen in Norway and Chile.
- The 4% expected volume growth in other markets in 2023E is driven by a recovery in Scotland and some growth in “new” farming regions.

# Online restaurant bookings vs 2019 are still above pre COVID levels

The strong inflation has so far had only limited effect on restaurant bookings (+6-7% vs 2019)

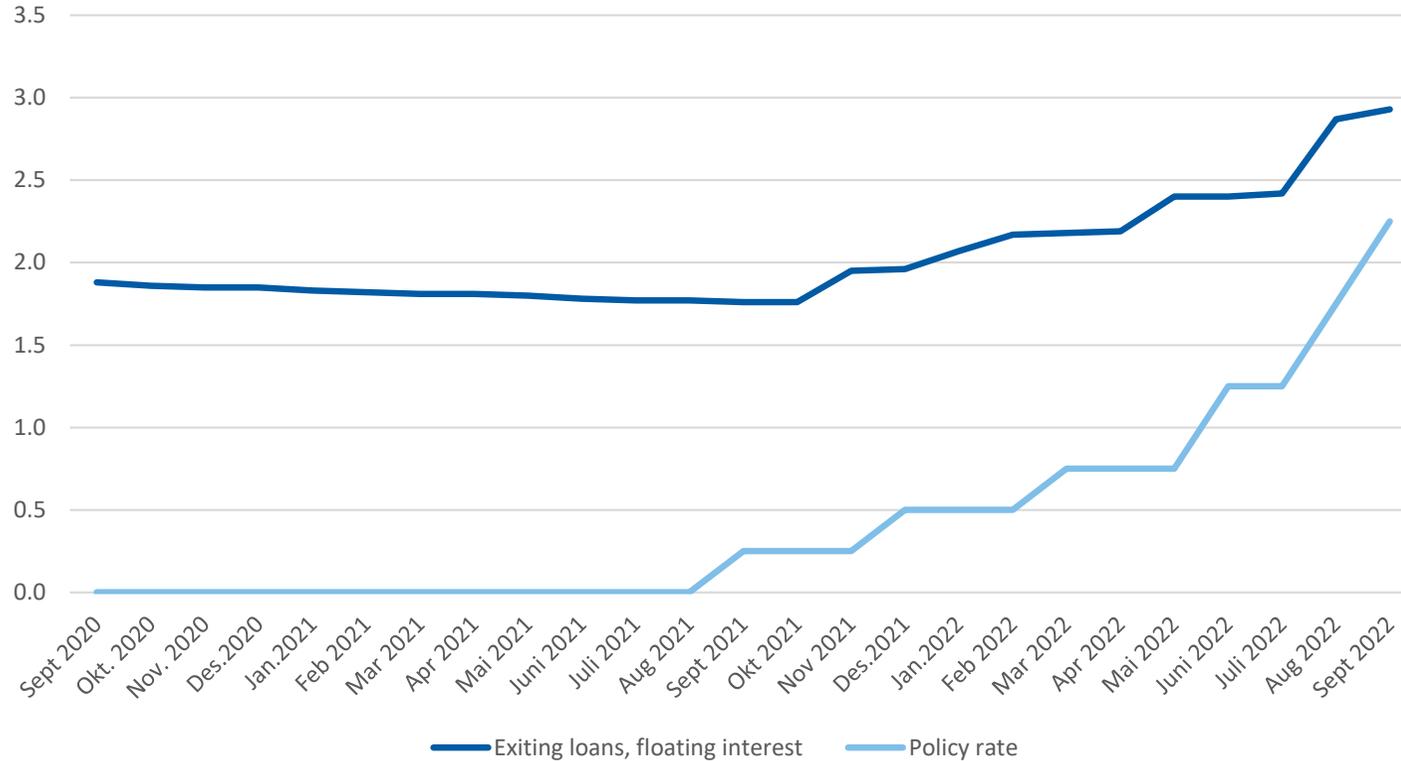


Source: Opentable.com, SB1M Estimates.

- Based on information from opentable.com, bookings are up in Europe and Australia. Marginally down in North America.
- Note that salmon is quite popular in the takeaway market, which is not part of this table.

# Higher interest rates are just now starting to hurt households

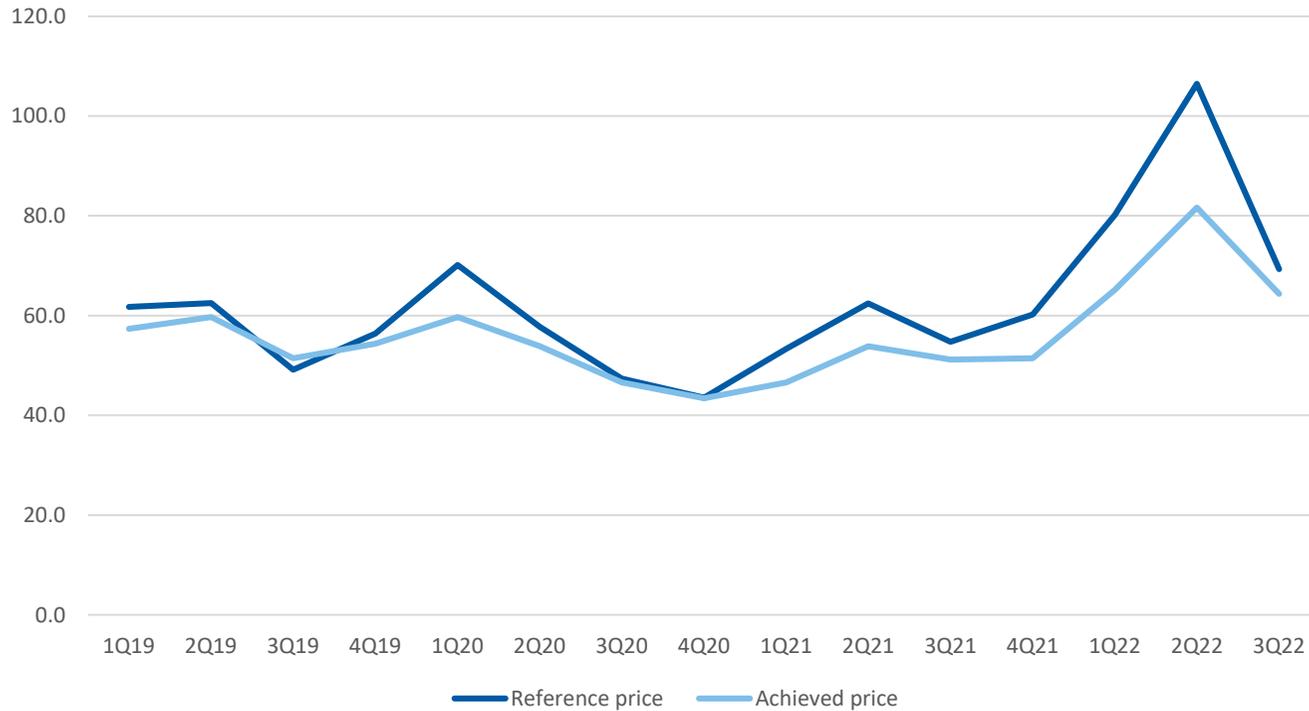
6 weeks notice on increasing interest rates in Norway



Source: Statistics Norway, SB1M Estimates.

## Mowi achieved prices vs the reference price (NOK/kg)

Relative price achievement in 2022 stands out on the negative side as contract prices lagged spot prices sharply.

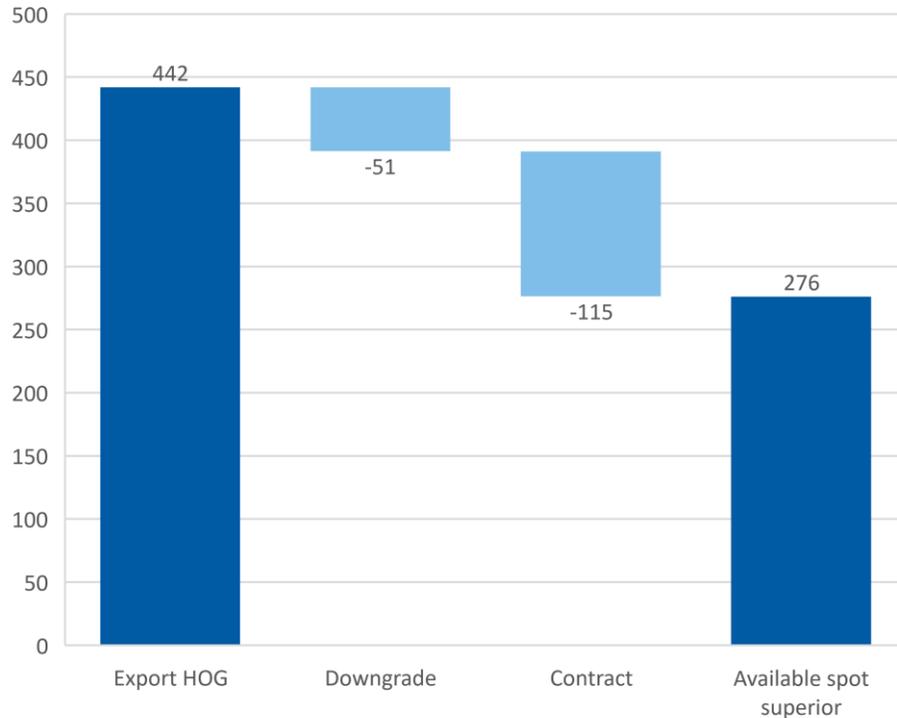


Source: Company data, SB1M Estimates.

# We est. Norwegian volumes sold in the spot mkt down c25% in Q2 22

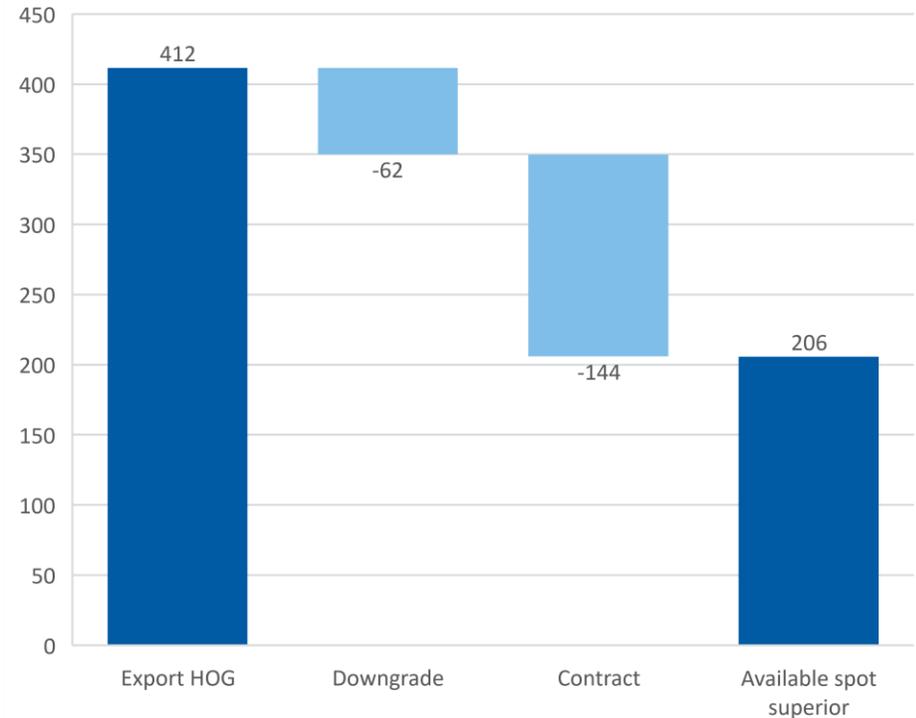
Export volumes were down only 6.9% YOY

Est. export of fresh superior in spot mkt 21E (k tons)



Source: FishPool, SB1M Estimates.

Est. export of fresh superior in spot mkt 22E (k tons)

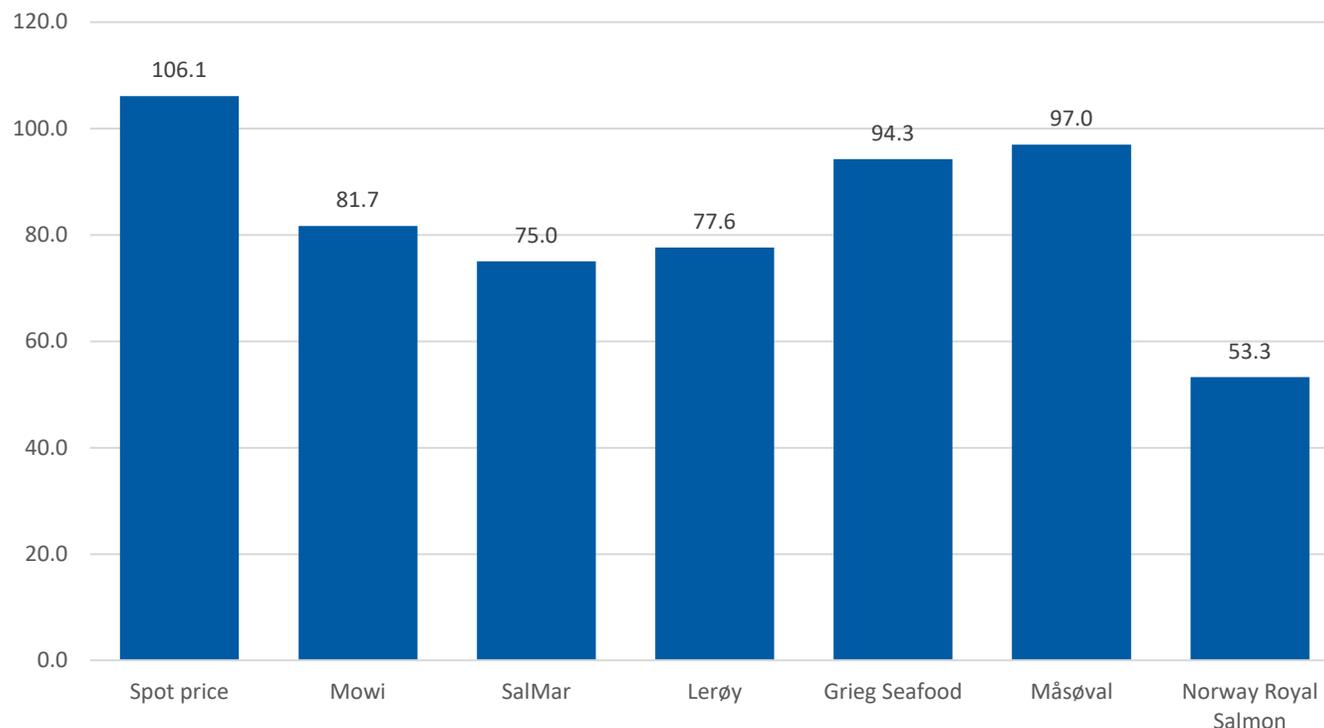


Source: FishPool, SB1M Estimates.

- Norway exported 412k tonnes of fresh salmon (HOG) as of June 2022, down 6.9% from 442k tonnes in 2021.
- There has been more downgrading of fish in 22. Mowi indicates a superior share of 85% in H1 22, down from 88-89% in H1 21
- We estimate a contract coverage of 26% in 2021 (contract is for superior quality), increasing to 35% in 2022. Our estimates are based on reported contract coverage for listed salmon farmers.
- Based on assumptions above, volumes available in the spot market were down c25% YOY in H1 22 (Kontali forecast +20% decrease)

# Achived prices for listed salmon farmers in Q2 2022

Indicate also some of the problem with the earlier proposed norm price.



## Resource tax example SalMar Q2 22

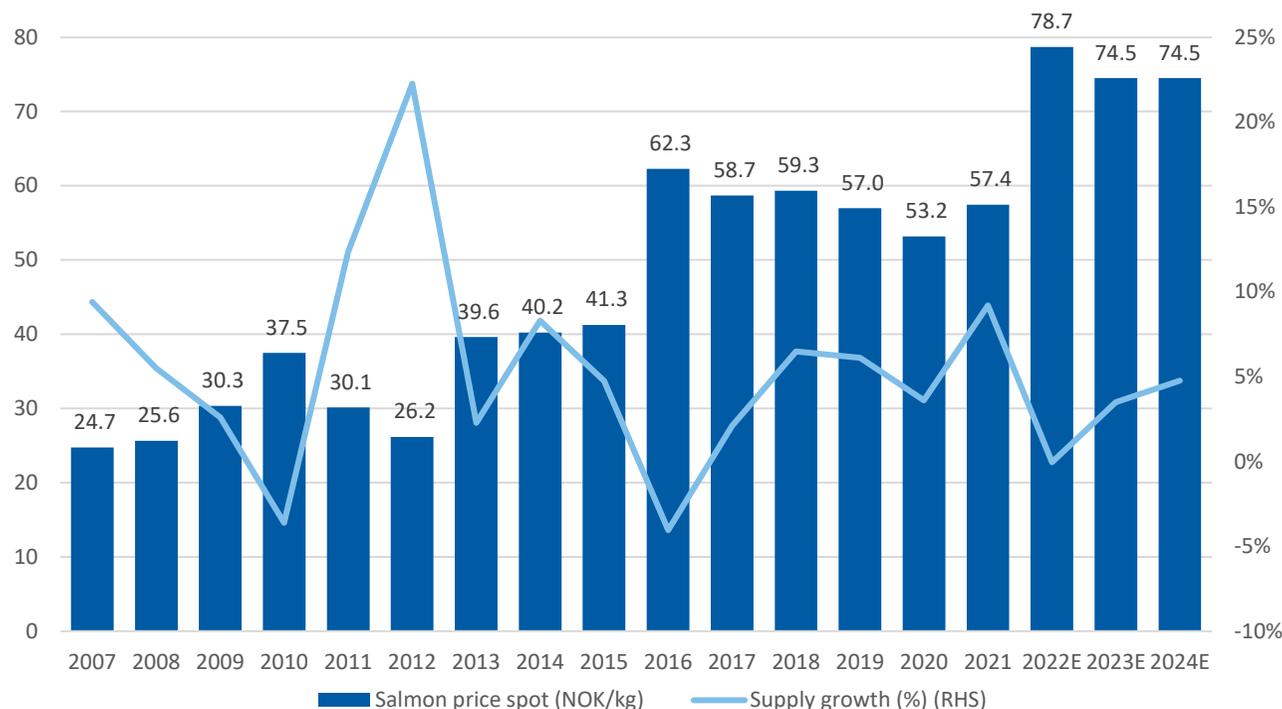
	Actual	Actual with 40% tax	Norm price
Sales price	75.0	75.0	100.0
cost/kg	43.9	43.9	43.9
<b>EBIT/kg</b>	<b>31.1</b>	<b>31.1</b>	<b>56.1</b>
EBIT/kg internal pricing	3.5	3.5	3.5
<b>EBIT/kg farming</b>	<b>27.6</b>	<b>27.6</b>	<b>52.6</b>
Minimum deductable		-0.4	-0.4
Resource tax base		27.2	52.2
Resource tax		-10.9	-20.9
Corporate tax estimate	-6.8	-6.8	-6.8
Total tax income state	6.8	17.7	27.7
<b>EBIT/kg SalMar</b>	<b>24.3</b>	<b>13.4</b>	<b>3.4</b>
<b>Implicit tax rate</b>	<b>22%</b>	<b>57%</b>	<b>89%</b>

Kilde: SpareBank 1 Markets estimator,

- Achieved salmon prices were materially lower than spot prices in Q2 2022. The relatively low price achievement is explained by low contract prices (NOK60-65/kg) and a high share of downgraded fish.
- The achieved price is more relevant than the spot prices alone as many buyers purchased large volumes of salmon at materially lower prices.
- Shows some of the risk of entering contracts following the proposed resource tax. It appears that most of the norm-price issues are resolved, but there are still some uncertainties.
  - » Overall, we expect a lower contract coverage in 2023E as buyers are less willing to pay NOK15-20/kg more for contracts, while the farmers are less willing to enter contracts.

# Historical relationship between price and volume

We forecast a salmon spot price of NOK74.5/kg in 2023E, down from cNOK79/kg in 2022E



Source: FishPool, Company data, Kontali, AquaBench, SB1M Estimates.

- We expect 2023E price development similar to what we experienced in 2017. Achieved prices were higher in 2017 as contracts were renegotiated at a higher level.
- We believe the demand for salmon is robust, but it is likely that we will see some effects of the global recession.
- 2022 spot prices have been supported by relatively low contract prices at around NOK60-65/kg. Contract prices will be materially higher in 2023.
- The proposed resource tax has delayed contract negotiations for 2023. Even though issues with norm-prices are partially solved, there is a risk that the overall contract coverage will be lower (resulting in higher volumes offered in the spot market).

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Neutral	29.0%	22.5%
Sell	11.2%	6.5%
Total	100%	

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