

## TRANSCRIPT

### Grieg Seafood Q3 2024 Results

27 November 2024

#### Andreas Kvame, CEO:

I would like to welcome you to the presentation of third quarter 2024 for Grieg Seafood. My name is Andreas Kvame, and I am the CEO. I will be accompanied by CFO Atle Harald Sandtorv who will go through our financials after I cover our operations. We will look at the highlights of the quarter, go through our operations, and give an update on our strategy. Atle Harald will look at financials, and then we will look at the future and our outlook.

#### Highlights

#### Andreas Kvame, CEO:

We will go straight to the highlights of the quarter. Our operating result was a negative NOK 175 million, which was NOK -9.80/kg. In Norway, our EBIT was positive at NOK 69 million, so our negative result was primarily due to our operations in BC, which we had guided for in Q2. Having said that, our underlying operations are currently very good. Our production in Norway is at an all-time high. We have full utilization of our MAB (*maximum allowable biomass*), which we have had since August-September, which is good, and we have rebuilt our biomass in Finnmark after Spiro (*Spironucleus Salmonicida*), so we are at full MAB in Finnmark, with plenty of fish in the sea.

We have moved forward with the process of finding a partner in Canada. It has taken somewhat more time than expected, so I don't have so much more to tell than that we are in a good dialogue with various partners and stakeholders, both when it comes to a partnership or a sale of our business in Canada or part of our business in Canada. In conjunction with the process taking a bit more time we have (in Q4) established a bridge loan to give us increased financial flexibility.

We expect to harvest 24,400 tonnes in Q4, and our target for 2024 is unchanged at 78,500 tonnes, the same as our guidance a quarter earlier. Now we will look at our different regions.

We will start with Rogaland, which is a stable region for Grieg Seafood, largely due to this being the region where we have come the furthest with post-smolt. Our operational EBIT was NOK 75 million this quarter, and so far this year we have had NOK 500 million in operational EBIT. Seawater production has gone well, with good utilization of MAB, and this is probably one of the regions in Norway with the highest utilization of MAB, regardless of company. Quality has improved, with the superior share of fish rising. We have also been impacted by the relatively low prices during the quarter, which is the normal seasonal pattern. We are continuing to develop Årdal Aqua, and in October we stocked smolt in the first two modules. The site has four modules and the first two are stocked with fish. The capacity is up to 6,000 tonnes of fish.

We expect costs to be stable this quarter around NOK 62/kg, which is what we had in the third quarter. This quarter (Q4) we expect to harvest 7,300 tonnes, and we are maintaining our harvest guidance of 28,000 tonnes for the year. In this region we are increasing our production to 30,000 tonnes in 2025. It is stable.

Costs are also coming down in Finnmark, which is good, considering that we have had one-and-a-half to two years with Spiro. Our costs were NOK 67/kg in the quarter, with a negative EBIT of NOK 6.2 million. The underlying production in Finnmark has been very good, and we haven't ever had a quarter with as much feeding as we had in the third quarter. In terms of production, things have gone very well, with full utilization of our MAB and some end of quarter MAB harvesting, and our MAB utilization is still high. We had a very high share of superior fish and the quality of salmon in the sea is excellent. We have used plenty of time and resources to have enough tools to help Finnmark since it was the region that lacked equipment last year to handle lice, when that problem appeared, especially in the Hammerfest area. This year, things have gone much better.

We harvested the tail end of the Spiro fish this quarter, in the month of July. We had a pause in harvesting in August, and restarted in September. The reason we started then was that we reached the full capacity of our biomass and had to harvest some to avoid exceeding the maximum allowable biomass. So we harvested some small fish where we had to, and allowed the fish to grow wherever we could. It can be a challenge to manage maximum allowable biomass for individual sites. But our MAB is full, our processing sites are running at full capacity, and that is the situation we want to be in.

The biological production has gone very well, and costs were looking to be almost at the level of Rogaland in the fourth quarter, but then we got string jellyfish (*Apolectia uvularia*) in one of our 16 sites in Finnmark, and it was hit heavily. Many of you have seen the pictures that have circulated, and it isn't easy to guard against them. We did all that we could to protect ourselves against string jellyfish, including at Vinnalandet, which was attacked. Those measures included 10-metre long, deep lice skirts, we stopped feeding, didn't wash our net pens for a period, stopped delousing, and so on, but we nevertheless suffered acute mortality, and took a write-down of approximately NOK 50 million, and we have taken into account that the harvested fish will have higher costs, and that it can be more, depending on how the site develops. We are monitoring this every day, and fish health and welfare determine whether we can leave the fish, or we need to harvest them early. That is why we say that costs are going to increase by NOK 70 to NOK 90 million in the fourth quarter. That is mainly due to write-downs from mortality due to string jellyfish and higher costs for harvesting small fish.

In the fourth quarter, we expect to harvest 11,400 tonnes and that will take place in October, November and until the middle of December. We still expect to harvest 27,000 tonnes this year, and we expect to harvest 32,000 tonnes next year. You can see from our guidance that we expect about 75% of our volume to be in Norway next year.

Then we have British Columbia, where results were a catastrophe with a negative NOK 218 million in EBIT. We warned about this in the second quarter when we saw the consequences of the low level of oxygen and the following poisonous algae bloom in the beginning of the third quarter. This led to mortality, naturally enough, and we also harvested fish at much lower average weights than we otherwise would have done. We would have liked to keep that fish until the fourth quarter, but the fish welfare was too negative, and we chose to harvest early. We have already harvested 12,500 tonnes this year, and we won't be harvesting more in BC. While waiting for the transition plan which the authorities have been working on for a long time, we have decided to stop our investments and just maintain what we already have. We are reducing our volume compared to earlier and that helps us to reduce some of our fixed costs, so now we are saying that our volume next year will be 12,000 tonnes in BC.

Underlying production is doing well now, with good seawater conditions and growth which is better than expected.

Over to Newfoundland, where we haven't had any harvesting in this period. We started harvesting in October, and 96-97% of the fish are superior. Someone who has been in aquaculture for 40 years said he has never seen fish as fine as the fish from Newfoundland. The fish look like wild salmon, look great, with good colours and customers are giving excellent feedback. Our seawater production has been good, and we are expecting to harvest 5,700 tonnes in the fourth quarter, evenly distributed through the quarter. We are maintaining our guidance of 11,000 tonnes for 2024, and expect a small decline to 10,000 tonnes in 2025 due to 150,000 fewer smolt released compared to the year-earlier release, impacting the annual production.

Newfoundland is a start-up region, with great potential. It is unique in how it will be able to grow. Based on the two generations of fish we have had in the sea, we see that the biology is very good in this region. We have seen very good growth in our fish, high feed utilization and very low mortality in this region.

But in order to grow we need to finish construction on our post-smolt site.

### **Strategy update**

#### **Andreas Kvame, CEO:**

Now some short comments on our strategy. Since it is well known, I won't use a lot of time on it. Here is the development of post-smolt at Grieg Seafood. Compared to the other regions, Rogaland is far ahead, and we are approaching 9,000 tonnes of capacity there this year. We are building a site in Adamselv, Finnmark, where we will end up with 5,000 tonnes of smolt capacity. That will give us 13-14,000 tonnes of post-smolt capacity in Norway. We can choose whether to release smolt at 500 grams or at 1 kilogram, depending on the MAB situation.

We are continuing to work on downstream capacity, which is a very important area for us, especially the possibility of upgrading fish that has been downgraded, and because of strong demand from customers for processed products. And we can't ignore that climate and CO<sub>2</sub> emission concerns mean that is much better for the environment to transport filets and portions than shipping the whole fish. This is under construction and will be finished in the autumn of 2025 so products will be available by winter next year.

That covers what I had to say. Atle Harald, it is your turn, please.

### **Financials**

#### **Atle Harald Sandtorv, CFO:**

Thank you, Andreas. We will look at our profit & loss accounts first. We had sales of NOK 1.5 billion in the quarter, with an operational EBIT of minus NOK 175 million. Andreas mentioned the main reasons for the negative result, where it was primarily BC that pulled results down. The fair value adjustment was positive this quarter at NOK 343 million, since we increased our biomass, especially in Norway. Net financial items were negative at NOK 124 million, with debt up somewhat and some impact from a negative foreign exchange item. Taxes were NOK 75 million, bringing an after-tax loss of NOK 31 million.

If we look at an analysis per kilo, our sales revenue declined this quarter by NOK 17.4/kg. On the positive side, costs declined, especially the underlying costs in Norway.

If we look at our debt, we entered the quarter with about NOK 4.3 billion in net interest-bearing debt, and unfortunately our negative EBITDA increased our debt by NOK 8 million, and we used NOK 547 million to increase our biomass to reach our maximum allowable biomass, especially in Norway. Q3 is also a quarter that always has the most feeding. We invested for NOK 354 million, and we had a decline in debt of NOK 405 million due to other changes. The key item there was that due to the feeding in the quarter, we ended the quarter with more trade payables to our feed suppliers. That made a positive contribution to working capital, pulling net interest-bearing debt down. We thus ended the quarter with NOK 4.8 billion in net interest-bearing debt. Our free liquidity at the end of the quarter was a bit more than NOK 1 billion, consisting of bank deposits and cash of NOK 155 million, and an undrawn credit facility of NOK 900 million. The bridge loan that Andreas mentioned of NOK 750 million was not included in these numbers because it came in October and will come in addition to the Q3 free liquidity.

So far this year we have invested NOK 946 million and we are planning to invest another ~NOK 400 million, so we are guiding for total investments this year of NOK 1.4 billion. Of that amount, NOK 300 million are maintenance investments, where we have cut as much as possible to keep that level as low as we can. Then we have NOK 500 million for post-smolt investments in Finnmark and then NOK 600 million in Newfoundland. In Newfoundland, about half of the capex is for land sites and half is for developing seawater sites.

When it comes to building biomass in the fourth quarter, we don't expect any increase because we are at our maximum allowable seawater biomass in Norway, and we are harvesting in Newfoundland, so we don't have to increase working capital to accommodate biomass growth in Q4. That was done in Q3.

To summarize the financials, our partner process or potential sales process in Canada will of course impact our balance sheet and is an important process for our balance sheet. We have established a bridge loan of NOK 750 million which gives us financial flexibility in that process. Our equity ratio was 39 per cent, and 42 per cent calculated according to our bank covenants. Our debt per kilo was NOK 61, and our free liquidity as we said earlier was about NOK 1 billion, and on a pro-forma basis including our bridge loan, it is NOK 1.8 billion, but that is in the fourth quarter. We have a bond loan of NOK 1.4 billion which matures in June (2025) and that will also be an important refinancing process for us going forward. We see that in conjunction with the ongoing partner/sales process we are working on there. For our outlook, I will give the word back to Andreas.

## **Outlook**

### **Andreas Kvame, CEO:**

First, let us take our harvest guidance by region for 2025. Rogaland will harvest 30,000 tonnes, Finnmark will harvest 32,000 tonnes, BC 12,000 tonnes, and we will get 10,000 tonnes from Newfoundland. So we will increase from 78,500 tonnes this year to 84,000 tonnes, with about 75% coming from Norway.

We still expect a good and strong market. We see that 2024 has been a special year, but the underlying demand is good. I cannot see that the increase in supply is going to be very big. On the contrary, based on what you see in Norway today, with so much harvesting of small fish, biomass numbers, fish in the sea, a zero to two per cent increase looks likely – a stable supply side. So it remains to be seen how the market will be, but the demand is out there. The challenge will be what happens politically, when Trump is inaugurated in the USA, since we see threats about import tolls, and so on, but we have had these

situations before in our industry, with different rules, but the salmon market is global, and the salmon can end up in different places. We need to keep that in mind.

We have a relatively small share of contracts in the fourth quarter, around 7%, and we have 8% for the full year 2024. As we speak, we are working on increasing that somewhat for 2025. We still have a goal of 25% value-added processed products in 2026. That may seem ambitious, but it is our goal, and we are working on increasing our tolling production now, so when our Gardermoen factory starts, we are up to full speed.

Looking at the various markets, we are particularly pleased that things are finally picking up this quarter given the difficult economic conditions in many markets and especially the US, which has been difficult this year. The third quarter was depressed, I have to say that. Volumes declined about 3%, but we see that Europe, which has had the same inflation challenges, has seen 6% growth so far this year, which is positive. Note that Asia, especially China, was a market that grew very much during the last quarter. All in all, we have a positive view about the market development.

To sum up, Norway is very good with full utilization of our capacity at the end of the quarter, after we rebuilt our biomass during the third quarter after the Spiro situation we have struggled with. By the way, knock on wood, there are no signs of Spiro in fresh water or sea sites now. So we think we have solved that by the measures we implemented. We had biological challenges in BC in the third quarter, especially with algae, but things are looking better in the fourth quarter.

We are working on finding a partner or a full sale our operations in Canada, and we have come far in that process. Although it has taken more time than expected, the progression is good. To maintain full financial flexibility, we have (in Q4) established a bridge loan to facilitate that transition, just in case. We are now open for questions, Atle Harald.

## **Q & A**

### **Questions from online audience:**

When it comes to the process in Canada, can you be more specific about this, Andreas? You said during the Q2 presentation that you had several offers in Canada. Are you now in the final process of considering an offer, and how far are you from concluding?

### **Andreas Kvame, CEO:**

I will take the last part first. In M&A processes like this, it is very difficult to say exactly when you will be finished as long as you have several interested parties and typically some different solutions, you must use some time with them to figure out what the best alternative is for Grieg Seafood. As we said, we are making progress, we are working hard on this, but I don't dare make an exact prediction on when this will be completed.

### **Question from online audience:**

Another question about a sale versus a partnership. Can you say anything more concrete about what direction you are moving in?

**Andreas Kvame, CEO:**

I have said that we are open for both solutions, including a full sale of all our Canadian operations, or a partial sale of our Canadian operations, for example, Newfoundland.

**Question from online audience:**

When it comes to the sales process, could all your Norwegian activities be for sale?

**Andreas Kvame, CEO:**

No, they are not.

**Question from online audience:**

When it comes to capex, how much investment remains for the post-smolt investments in Finnmark and Newfoundland in 2025?

**Andreas Kvame, CEO:**

In Finnmark, we will give guidance after the next quarter, but Finnmark is at about NOK 1.2 billion, and post-smolt in Canada is about CAD 60 million.

**Atle Harald Sandtorv, CFO:**

To summarize, you could say that in Finnmark we are using about NOK 500 million this year, according to our guidance, which means that we will have about a half billion next year, and then there will be a tail amount for that, and as Andreas said, the total budget in Finnmark is a little more than one billion. In BC we have used about CAD 300 million, and converted to Norwegian kroner, we have about NOK 600 million left, of which NOK 400-500 million will come next year, and the remainder will be tail investments in 2026.

**Question from online audience:**

What about increased import tariffs for Canadian goods being sent to the US? Is it possible for you to send salmon by air from Canada to other markets, for example, Asia?

**Andreas Kvame, CEO:**

Yes it is, and we also do that today. If you have the right salmon harvest sizes, you can send it to Asian and China from BC, the easiest Canadian place to ship from. Keep in mind that the home market in Canada is roughly 70,000 – 75,000 tonnes HOG, and the total harvest volume is 100,000 to 105,000 tonnes, so the domestic market is also very large compared to production. But all import tariffs are negative, of course. They aren't anything we are very enthusiastic about, but now that Trump has talked about this 25% we will see how Canada responds. Canada has very many products that the US demands, and the US really needs healthy, good food from sustainable sources, so I don't think we have seen the final word in this case. But import tariffs are never positive.

**Atle Harald Sandtorv, CFO:**

Now we are open for questions for those who are attending in person.

**Wilhelm Røe, Danske Bank:**

Is it possible to say how much of Canada's production goes to the US today?

**Andreas Kvame, CEO:**

Off the top of my head I think it is 60-40, that is, 60 per cent is export to the US and 40 per cent is domestic demand or export to other destinations.

**Wilhelm Røe, Danske Bank:**

You say that the increase in costs of NOK 70-90 million that you are guiding for in Finnmark, is mainly from Vinnalandet and costs related to string jellyfish, right? But could you say anything about the trend in costs if you exclude that incident?

**Andreas Kvame, CEO:**

Yes, it is. If you exclude that incident, costs in Finnmark would have been at the level as Rogaland.

**Wilhelm Røe, Danske Bank:**

Thank you.

**Alexander Aukner, DNB Markets:**

Can you say anything about the duration of the bridge financing?

**Andreas Kvame, CEO:**

18 months.

**Alexander Aukner, DNB Markets:**

18 months, okay. Question two. Can you say anything about the increase in working capital? In the second quarter, you guided for a NOK 500 million increase in working capital in 2024, but to me, that doesn't seem to be taking place. It looks like you are increasing it much less.

**Atle Harald Sandtorv, CFO:**

In Q2 we guided for a NOK 500 million increase in the second half.

**Alexander Aukner, DNB Markets:**

And how much did you increase in Q3?

**Atle Harald Sandtorv, CFO:**

Roughly NOK 500 million in the third quarter.

**Christian Nordby, Arctic Securities:**

Can you say anything about the costs of the bridge loan and any covenants involved?

**Atle Harald Sandtorv, CFO:**

We can't comment on that other than saying that the terms are okay, but no comment beyond that.

**Christian Nordby, Arctic Securities:**

But you don't have any new covenants?

**Atle Harald Sandtorv, CFO:**

No, we don't have any new covenants.

**Andreas Kvame, CEO:**

Well, if there aren't any more questions, we won't take any more of your time. Thank you for coming-