



Benchmark®

# Interim Results 2018

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## Benchmark's vision

### To be the leading global player in aquaculture health, genetics and advanced nutrition

- We address some of the main challenges facing the aquaculture industry
- We focus on improving yield, quality and profitability for our customers
- We bring together technology and biology to deliver innovative products that support producers throughout the growth cycle







# Benchmark at a glance

Global platform to serve the major aquaculture markets



- R&D facilities and farms
- Diagnostic laboratories
- Commercial services
- Manufacturing/production

Leading  
market  
positions

Innovative  
technology

Unique  
product  
offering

Established  
track record

Group  
Revenue  
**£140m**

Customers  
**1435**  
in 70  
countries

**1,000+**  
employees



## Overview

*Increased profitability driven by sales of higher margin products in Nutrition and Genetics*

Revenue **+9%**  
**+17%** at H1  
2017 forex rate

**£75.7m**

H1 2017: £69.2m

**16%** revenue  
increase in  
Advanced Nutrition

**11%** revenue  
increase in  
Genetics

**91%** increase  
in Adjusted  
EBITDA

**£6.3m**

H1 2017: £3.3m

Increasing  
interest in next  
generation sea  
lice treatment;  
field trials  
showing 100%  
efficacy

Appointment of  
Peter George as  
Chairman

Review of  
activities  
progressing

Strategically  
important  
genetics JV  
announced with  
AquaChile

Positive macro  
environment

On track to meet  
expectations for  
the year





## Operational highlights — good progress in key areas



### Genetics

- Good revenue growth; benefitting from more diversified business
- Construction of additional capacity in new land-based salmon egg facility (Salten) progressing to plan for production in Q3 2018 and delivery Q1 2019
- Positive results of SPR shrimp trials in Vietnam; expanding trials to Thailand and China
- Joint venture with AquaChile, 6<sup>th</sup> largest global salmon producer



### Advanced Nutrition

- Strong growth driven by demand for specialist diets and health products in all markets, particularly India and Ecuador
- Launch of three new products
- Increasing direct distribution to expand margin
- Record harvest of high quality GSL artemia, resulting in stability of supply
- Development of next generation larval diets progressing to plan



### Health

- Next generation sea lice treatment/CleanTreat<sup>®</sup> field trials continuing in Norway (100% efficacy)
- Increasing interest from major salmon producers
- Plan to expand field trials in additional markets



### Group

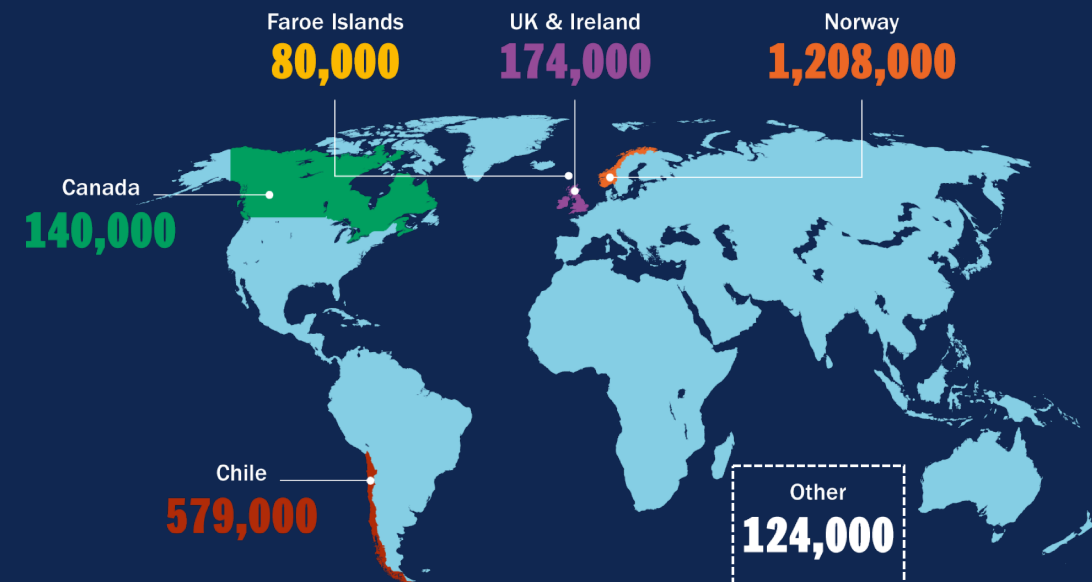
- Review of activities progressing
  - Reorganisation of diagnostics activities to harness expertise and reduce cost
  - Exploring partnerships for broader Animal Health technologies



## Strategically important JV in Chilean salmon genetics

- **Partnership with AquaChile, world's 6th largest salmonid producer, and largest in Chile**
  - Production and sale of Atlantic salmon eggs to AquaChile and into Chilean market
  - Development of salmonid genetics in Chile
  - Provision of genetics advisory services, R&D and technical support
- **Transformational for Benchmark's platform in Latin America**
  - Accelerates and de-risks strategy in Chile, world's 2nd largest salmon market
  - Expected to be immediately and continuously earnings accretive
  - Anticipate year 1 adjusted EBITDA contribution (four months) of £1.8m; first full year contribution of £2.4m; £4.1m at full capacity

### Top salmon producing countries 2017 (tonnes GWE\*)




Source: Kontali



## Next generation sea lice treatment + CleanTreat®

- Launched commercial trials in the first half, with four now completed and next batch underway  
Shown 100% efficacy whilst eliminating all medicine residues ahead of water discharge into the ocean
- Annual loss to industry from sea lice estimated to be >\$500m
- Estimated annual peak revenue: up to £45m
- Field trials will continue
  - Optimising efficiency of CleanTreat® system
  - Plan to extend trials to other markets
  - Field trials generating revenue
- Increasing interest from leading producers



**>8000**  
tonnes of salmon treated to date





# Growth opportunities across the Group

Supported by market fundamentals: growing demand for quality fish protein, need for solutions to disease and continuous drive for yield improvement

## Genetics



### Main Opportunities

- Increase market share in salmon through new disease resistant eggs and increased capacity
  - Implement AquaChile JV
- Penetrate Asian shrimp market with SPR shrimp
- Develop market for tilapia

## Nutrition



### Main Opportunities

- Next generation larval diets
- Disease resistant protocols (nutrition/health)
- Build on leadership in hatchery to expand into grow-out phase
- Expansion into new and growing markets

## Health



### Main Opportunities

- Next generation sea lice treatment and CleanTreat roll-out
- Mediterranean sea bass/bream vaccine portfolio
- Tilapia portfolio
- Chilean vaccine portfolio

Increasing recognition from consumers, producers and regulators of the need for sustainable solutions to enable future growth



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# Financial Highlights





## Financial Overview

### H1 FY18

Advanced  
Nutrition revenue  
**+16%**

(58% of Group  
revenues)

Genetics  
revenue  
**+11%**

(28% of Group  
revenues)

Animal Health  
revenue  
**-42%**

(5% of Group  
revenues)

Operating costs  
maintained as %  
of revenue  
**29%**

H1 2017: 29%

Adjusted EBITDA  
margin  
**8%**

H1 2017: 5%

Total investment  
in R&D  
maintained as %  
of revenue  
**10%**

H1 2017: 10%

Underlying cash  
inflow from  
operations offset  
by investment  
capex (Salten)

Net debt  
**£41.3m**  
After £15.1m  
of capex

FY 2017: £23.9m





## Revenue growth despite lower Animal Health sales

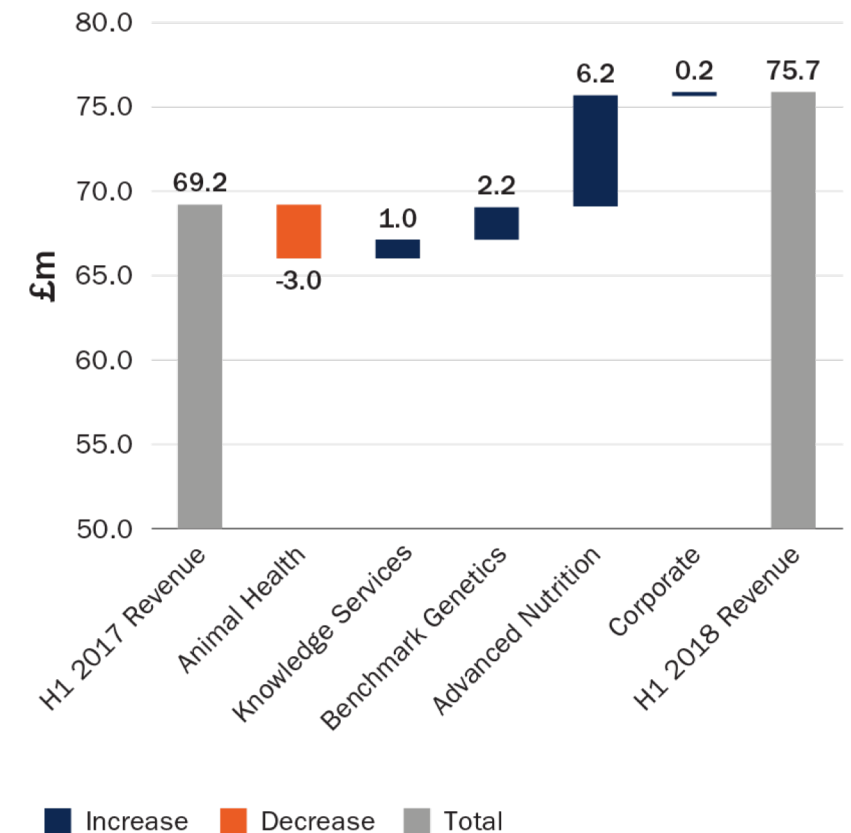
### Group revenue up 9%

- Genetics up 11% — continued volume and average selling price growth
- Advanced Nutrition up 16% — demand for specialist diets and health products
- Animal Health revenue decreased from £7.1m (H1 2017) to £4.1m — non-recurring impact of renegotiation of distributor relationships
- Using same forex rates as H1 2017 revenue increased by 17%

### Group Revenue



### Group Revenue by Division





## Revenue growth and cost control drives higher margins

- GP% 45% (H1 2017: 43%)
  - Continued trend towards higher margin products
- Opex as % of revenue stable at 29%
- Headcount up 8%
  - Commissioning of new facilities in advance of commercial production
  - Scale up of genetics and nutrition business

### Headcount H1 2018



### Operating costs as % of revenue





## Adjusted EBITDA beginning to reflect operational leverage

- Adjusted EBITDA<sup>1</sup> up 91%
- Adjusted EBITDA<sup>1</sup> margin 8% (H1 2017: 5%)
  - Genetics 15% (H1 2017: 15%)
  - Advanced Nutrition 26% (H1 2017: 22%)
  - Animal Health — Adjusted EBITDA loss of £7.9m (H1 2017: loss of £5.8m)
- Adjusted PBT<sup>2</sup> £4.4m (H1 2017: loss of £0.7m)

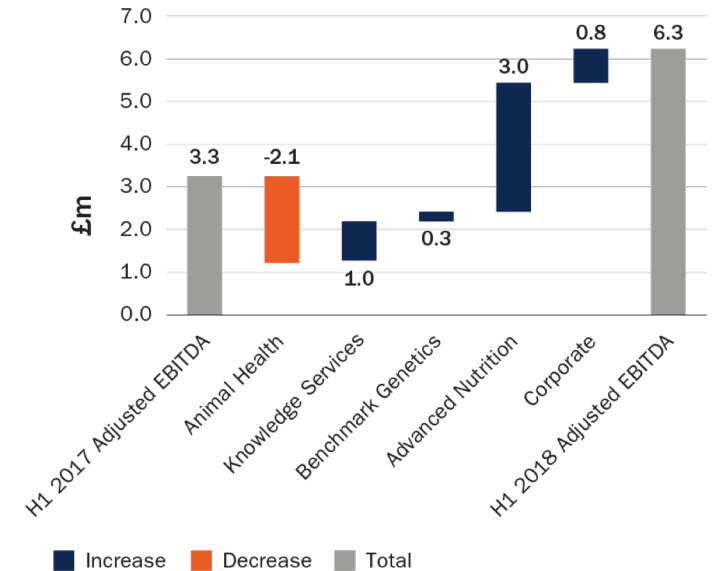
<sup>1</sup>Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, exceptional items and acquisition related expenditure

<sup>2</sup>Adjusted PBT is profit before tax, amortisation, share option charge and exceptional and acquisition related items

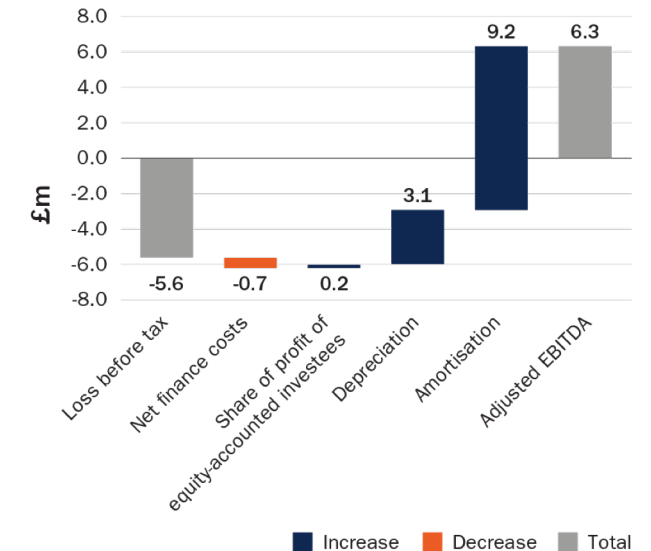
### Adjusted EBITDA



### Adjusted EBITDA bridge by division



### Reconciliation of Group Loss before Tax to Adjusted EBITDA







## Genetics — continued growth

- Revenue
  - Salmon volumes and average prices up
  - Lumpfish volumes up
- Gross profit % 45% (H1 2017 42%)
- Opex up 38%
  - Additional headcount to scale up shrimp and tilapia
  - Credit to opex in H1 2017 re forex impact on retranslation of balances
  - Opex related to new salmon egg facility
- Adjusted EBITDA<sup>1</sup> margin 15% (H1 2017: 15%)
  - Despite forex influenced increase in opex

### Genetics Revenue



### Genetics Adjusted EBITDA



### Summary Income Statement Genetics

£m	H1 2018	H1 2017
Revenue	21.0	18.8
Cost of Sales	(11.5)	(11.0)
Gross Profit	9.5	7.9
Research and development costs	(1.7)	(1.6)
Operating costs	(4.7)	(3.4)
Adjusted EBITDA	3.1	2.8
Exceptional including acquisition related items	-	2.5
Depreciation and amortisation	(1.7)	(1.6)
Operating profit / (loss)	1.4	3.7

<sup>1</sup>Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, exceptional items and acquisition related expenditure



## Advanced Nutrition — growth in higher margin specialist products

- Revenue
  - Specialist replacement diets up 40% volume growth
  - Health products up 27% - volume growth
  - Artemia up 8% - volume growth and lower costs
- Gross profit % 52% (H1 2017 50%)
- Opex up 9%
  - Forex impact on retranslation of balances
- Adjusted EBITDA<sup>1</sup> margin 26% (H1 2017: 22%)

<sup>1</sup>Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, exceptional items and acquisition related expenditure

### Advanced Nutrition Revenue



### Advanced Nutrition Adjusted EBITDA



### Summary Income Statement Advanced Nutrition

£m	H1 2018	H1 2017
Revenue	44.1	37.9
Cost of Sales	(21.4)	(18.7)
Gross Profit	22.7	19.1
Research and development costs	(1.2)	(1.5)
Operating costs	(10.2)	(9.4)
Adjusted EBITDA	11.3	8.3
Operating profit / (loss)	3.3	(0.1)



## Animal Health

- Revenue
  - Next generation sea lice treatment — first revenue achieved from field trials
  - Salmosan
    - Move to direct sales in Chile - improving margin
    - Repurchase of inventory in Chile (move to direct sales) and Norway
  - Planned reduction in low margin distribution business
- Total investment in R&D increased to £4.5m (H1 2017: £3.8m)

### Animal Health Revenue



### Animal Health Adjusted EBITDA



### Summary Income Statement Animal Health

£m	H1 2018	H1 2017
Revenue	4.1	7.2
Cost of Sales	(5.4)	(5.9)
Gross Profit	(1.3)	1.3
Research and development costs	(2.7)	(3.4)
Operating costs	(3.9)	(3.7)
Adjusted EBITDA	(7.9)	(5.8)
Exceptional including acquisition related items	-	(0.2)
Depreciation and amortisation	(1.1)	(0.8)
Operating profit / (loss)	(9.1)	(6.7)

<sup>1</sup>Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, exceptional items and acquisition related expenditure





## Total investment in R&D as % of revenue stable

- Total investment in R&D - 10% of revenue
- Animal Health total investment increased to support next generation sea lice treatment launch
- Mix of investment swung more towards capitalised costs reflecting focus on later stage of development

### Total investment in R&D as a % of sales

H1 2018	10.3%	£7.8m
H1 2017	10.2%	£7.1m

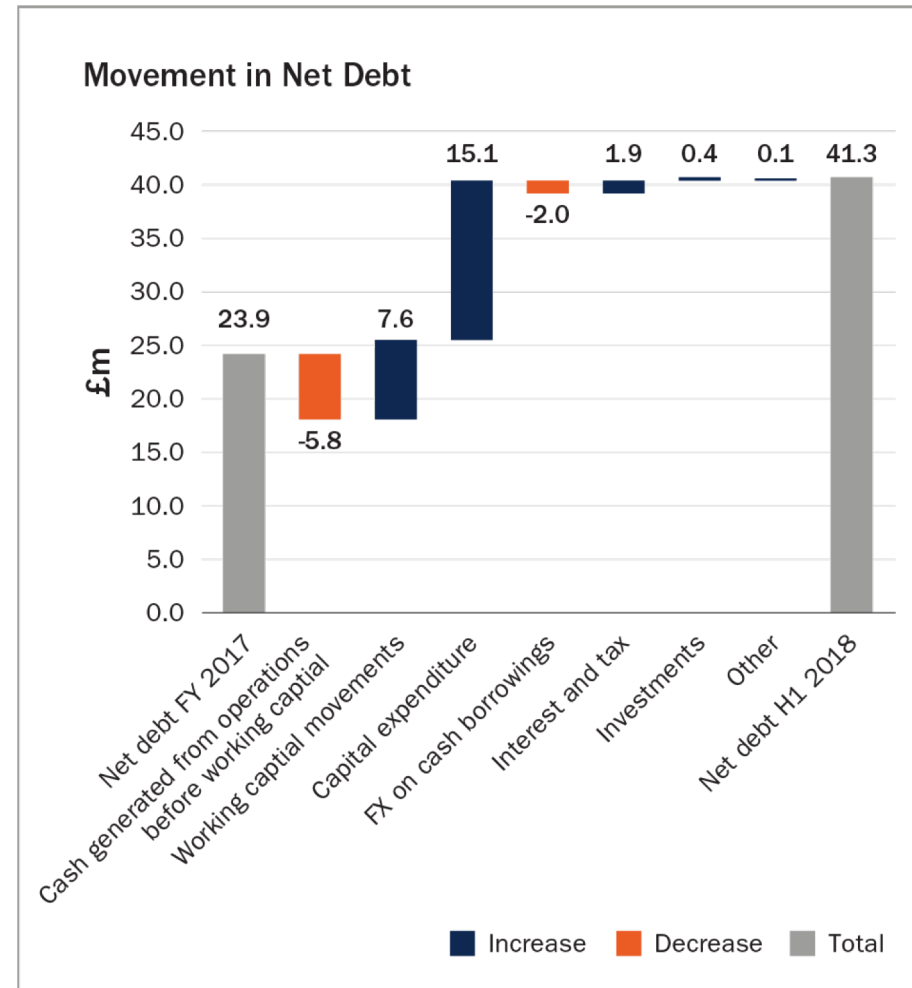
### Expensed R&D costs as a % of sales

H1 2018	7.4%	£5.6m
H1 2017	9.3%	£6.4m



## Increase in net debt to fund investment capex

- Free cashflow<sup>1</sup> — outflow of £18m (FY 2017: £21m outflow)
  - Underlying cash inflow from operations
  - Net working capital outflow includes movement related to investment capex (Salten)
  - Investment capex £14.0m including
    - £8.6m ongoing construction of salmon egg facility
    - £2.3m capitalised R&D
- Net debt increased as anticipated:
  - Includes £18m of ringfenced non-recourse debt re construction of salmon egg facility
  - Decrease of £2.0m due to forex rates



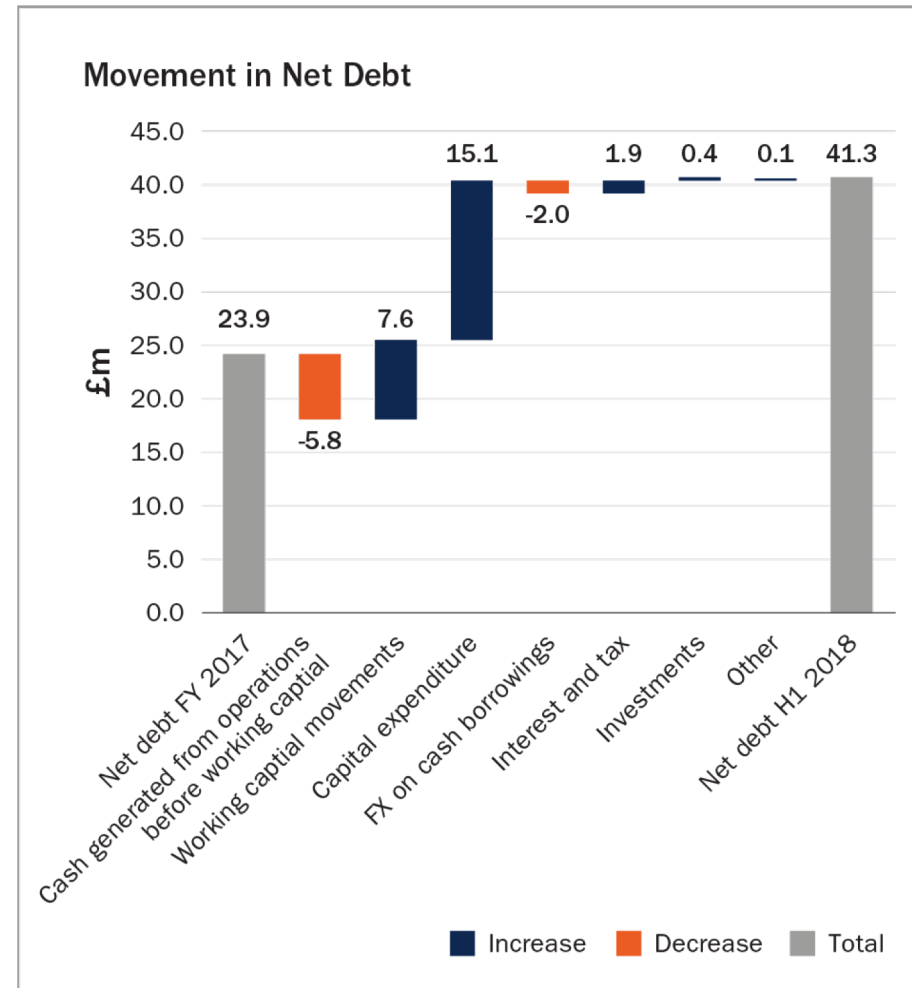
<sup>1</sup> Free cashflow is operating cashflow less investment capex (including capitalised development costs).

<sup>2</sup> Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, exceptional items and acquisition related expenditure



## Leverage well within covenant threshold

- Liquidity
  - Cash balances £21.9m (2017: £18.8m)
  - £5.0m undrawn debt facility
- Leverage (Net Debt to Adjusted EBITDA<sup>2</sup>)
  - Covenant threshold 3.0x (1.8x at period end)
  - Leverage benefits from Placing in the short-term; mid-term requirement for investment continues in existing projects
  - Envisaged to drop from 2021 as profitability develops



<sup>1</sup> Free cashflow is operating cashflow less investment capex (including capitalised development costs).

<sup>2</sup> Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, exceptional items and acquisition related expenditure



## H2 2018 Priorities and Outlook

### 2018 Priorities

- Continue next generation sea lice treatment field trial programme
- Complete SPR shrimp trials in Vietnam, Thailand and China
- Continue programme to realise synergies from complementary platform — Key Accounts
- Expand production capacity for Advanced Nutrition in Thailand
- Review of activities
- Recruit CSO and Group Marketing Director
- Launch of first sea bass vaccines — awaiting regulatory approvals

### Outlook

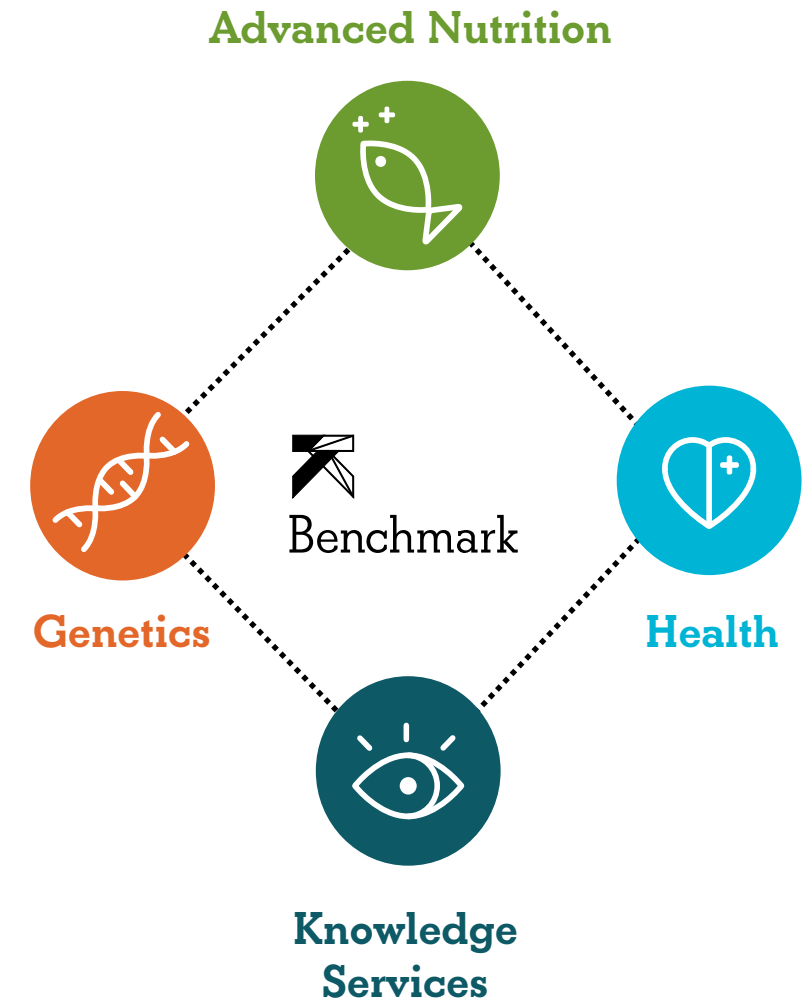
- Positive macro environment in main markets
- Steadily improving profitability, with increased scale and diversification helping to mitigate risks
- Expect to benefit from Chilean JV in H2 and beyond
- Company on track to deliver on expectations for the full year





## Summary – Unique platform serving high growth markets

- **High growth** – focus on well established, growing aquaculture industry. Solutions to main health challenges will unlock further growth
- **Unique model** - Integrated, multi-product solutions with opportunity to cross sell
- **High margin potential**– Target 25% EBITDA margin by 2021. Two mature divisions delivering at/close to target
- **Barriers to competition** – market leadership, strong IP investment, accredited manufacturing capability
- **Scalable** – global distribution network and production capacity to support growth
- **First mover advantage** – demand pull from customers for solutions



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