



Benchmark<sup>®</sup>

The background of the slide is a high-quality photograph of a salmon swimming in clear, blue water. The fish is positioned horizontally, facing right, with its scales and fins clearly visible. Bubbles are scattered around the fish, and a rocky, textured surface is visible in the upper left background.

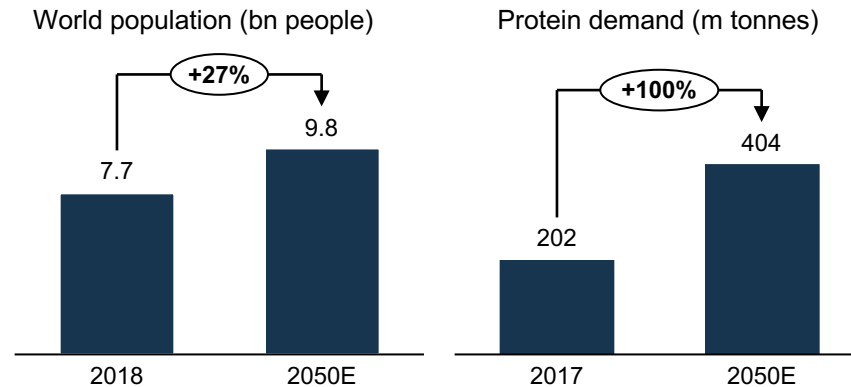
# **DRIVING SUSTAINABILITY IN FOOD PRODUCTION**

January 2020







# AQUACULTURE PLAYS AN IMPORTANT ROLE IN MEETING THE GROWING DEMAND FOR SUSTAINABLE PROTEIN

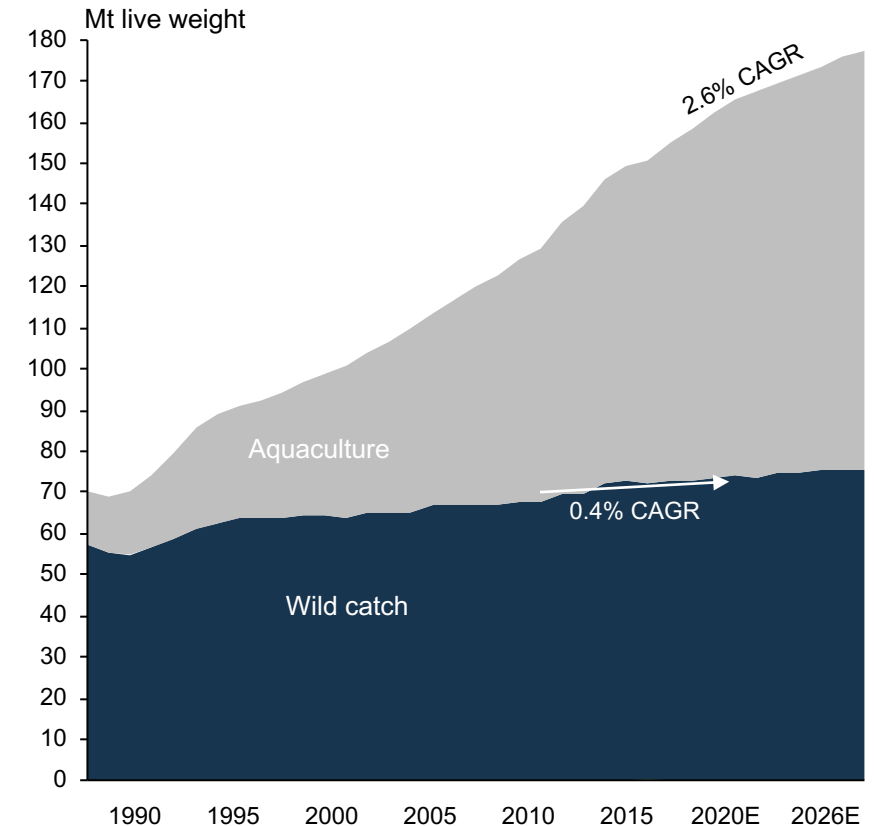
## Protein demand set to double



## Seafood is most sustainable farmed protein

				
Edible meat per 100 kg feed	61 kg	21 kg	17 kg	4-10 kg
Carbon footprint (kg CO2 / kg edible meat)	2.9 kg	2.7 kg	5.9 kg	30 kg

## Aquaculture's meeting growing seafood demand



# SUSTAINABLE GROWTH REQUIRES NEW TECHNOLOGIES





# BENCHMARK'S CORE AREAS ARE KEY DRIVERS OF PRODUCTIVITY AND SUSTAINABILITY

## ADVANCED NUTRITION

Specialist feeds and probiotics for early stage production



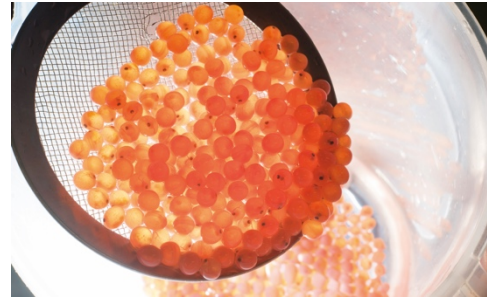
First stage nutrition is key to growth & stability

**c.680** customers

Shrimp and sea bass/bream

## GENETICS

Salmon eggs, shrimp breeders and tilapia breeding programme



Genetic selection improve growth, quality and disease resistance

**c.270** customers

Salmon, tilapia and shrimp & breeding for 12 other species

## HEALTH

Treatments, vaccines and veterinary services



Disease outbreaks are the biggest risk and constraint for growth

**c.450** customers

Salmon, sea bass/ bream

2019 % total  
revenue

**57%**

**30%**

**13%**



# FY 2019: CHALLENGING MARKETS AFFECTED PERFORMANCE, PROGRESS TOWARDS LAUNCH OF KEY PRODUCTS

## Divisional Revenues

### Revenue Total<sup>1</sup>

**£148.7m**

-2% (2018: £151.5m)

### Continuing Operations

**£127.3m**

-3% (2018: £131.6m)

### Advanced Nutrition

**- 10%**

**Artemia**

**- 23%**

**Diets and Health**

**-5%**

### Restructuring accelerated

- Management changes
- Non-core disposals – advisers appointed
- Refocused pipeline

### BMK08+CleanTreat®

**>99% efficacy,  
animal welfare and low  
environmental impact**

- Preparing for commercial launch in Q1 2021 CY

### Adjusted EBITDA<sup>2</sup> Total<sup>1</sup>

**£13.7m**

(2018: £17.0m)

### Continuing Operations

**£12.1m**

(2018: £19.1m)

### Genetics

**+11%**

**Health**

**+10%**

### Liquidity and going concern

- Reliant on restructuring

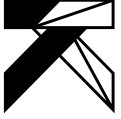
### Impairment

- INVE goodwill £44.8m
- Discontinued £7.5m

### SPR shrimp

- Positive results from further trials
- Production in Florida commenced
- Partnership agreement in Thailand





**Revenue**  
**£76.8m**  
2018: £85.7m

**Revenue**  
**£39.7m**  
2018: £35.8m

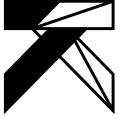
## ADVANCED NUTRITION



- Artemia affected by increased competition and price pressure but health and probiotics showed resilience and gained market share
- Core business with growth opportunities despite short term outlook
  - Expand into nursery and grow-out
  - Continued innovation e.g. Artemia with protection against vibrio
  - Increased capacity in Thailand for specialist diets

## GENETICS

- Good growth and prospects in salmon
  - Opening and ramp-up of state-of-the-art facility in Norway
  - Establishment of wholly owned facility in Chile
  - Positive market outlook
- Opening new markets with SPR shrimp



## HEALTH



- Increased sales of Salmosan as a result of high levels of sea lice
- Good progress in BMK08 which continued to show c.99% efficacy
- Prioritisation of pipeline. First sea bass/ sea bream vaccine launch expected H12020 CY

Revenue

**£17.7m**

2018: £16.2m

## BMK 08 - A TRANSFORMATIONAL SOLUTION

Sea lice treatment and prevention  
+ reputation & production loss  
**£2-3bn**

### BMK 08

c.99% Efficacy

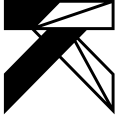
Low environmental impact

Superior animal welfare

**No treatment in the market is fully efficacious**

● **Extensive programme of trials over 24 months with five top producers**

● **Regulatory approval progressing; preparing launch**



# CLEANTREAT® - TRANSFORMING THE SUSTAINABILITY LANDSCAPE FOR MEDICINAL TREATMENTS IN AQUACULTURE

- Winner of the 2019 Aquaculture Innovation Award
- Addresses environmental contamination; one of most pressing societal concerns in sustainability
- Broad potential application for current and future medicinal treatments in the industry
- Proven - removed medicines in large scale trials - 400,000+ m3 water treated
- Now defining optimal strategy for commercial scale-up







# SUSTAINABILITY IS AT THE CORE OF OUR MISSION

## HIGHLIGHTS OF 2019 SUSTAINABILITY EFFORTS

### CleanTreat® wins Innovation Award



**40%**  
reduction in Group  
accident rates

**Published first thought  
leadership magazine**  
*“Technologies shaping the  
future of shrimp production”*



### Shrimp welfare – building a strong case for non-ablation



**40%**  
reduction in waste to  
landfill in Thailand  
production facility

### Employee community clean





# RECAP ON STRATEGIC PRIORITIES

- 1 Complete restructuring**
  - Disposals, exits and cost reductions

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- 2 Commercial delivery of major pipeline products in Health**
  - BMK08 + CleanTreat
  - Sea bass/sea bream vaccines

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- 3 Grow in established markets**
  - Salmon genetics - Ramp up production in Norway; expand in Chile
  - Advanced Nutrition - expand into nursery and grow-out segments

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- 4 Focused investment in markets that leverage Group platform**
  - SPR Shrimp
  - Probiotics

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- 5 Position Benchmark in areas of future growth**
  - Tilapia genetics

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# FINANCIAL OVERVIEW





# FINANCIAL OVERVIEW: FY19

(Continuing Operations unless stated otherwise)

**Revenue  
Total<sup>1</sup>**

**£148.7m**

-2% (2018: £151.5m)

**Continuing Operations**

**£127.3m**

-3% (2018: £131.6m)

**Gross profit**

**£66.0m**

**GP% 52%**

(2018: £68.5m; 52%)

**Operating costs  
as % of revenue**

**32%**

(2018: 28%)

**Adj. Operating  
Profit<sup>4</sup>**

**£3.6m**

(2018: £14.2m)

Depreciation up  
as new production  
assets launched

**Adjusted EBITDA<sup>2</sup>  
Total<sup>1</sup>**

**£13.7m**

(2018: £17.0m)

**Continuing Operations**

**£12.1m**

(2018: £19.1m)

**Loss for period**

**£(73.3m)**

(2018: £0.5m profit)

**Impairment**

• INVE goodwill £44.8m

**Free cash outflow<sup>5</sup>**

**£23.9m**

2018: £36.2m

**Capex Investment**

**£12.5m**

2018: £25.1m

**Net debt<sup>6</sup>**

**£87.1m**

Refinancing in June

2018: £55.7m

(1) Continuing and discontinued

(2) EBITDA is earnings before interest, tax, depreciation and amortisation and impairment

(3) Adjusted EBITDA is EBITDA<sup>2</sup> before exceptional items and acquisition related expenditure

(4) Adjusted Operating Profit is operating loss before exceptional items including acquisition related items and amortisation of intangible assets excluding development costs

(5) Free Cash Flow is operating cashflow less investment capex (including capitalised development costs)

(6) Net debt is cash and cash equivalents less loans and borrowings

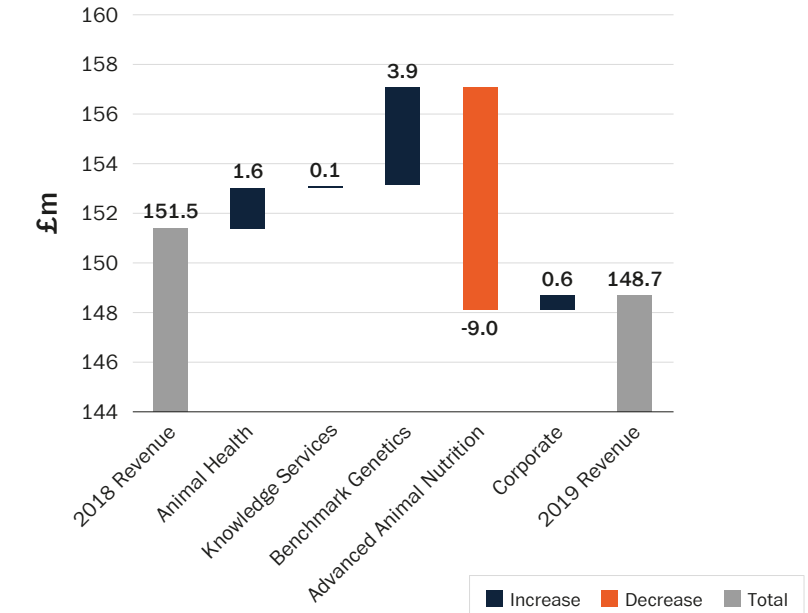


# PROFITABLE GROWTH IN GENETICS NUTRITION MARGIN MAINTAINED

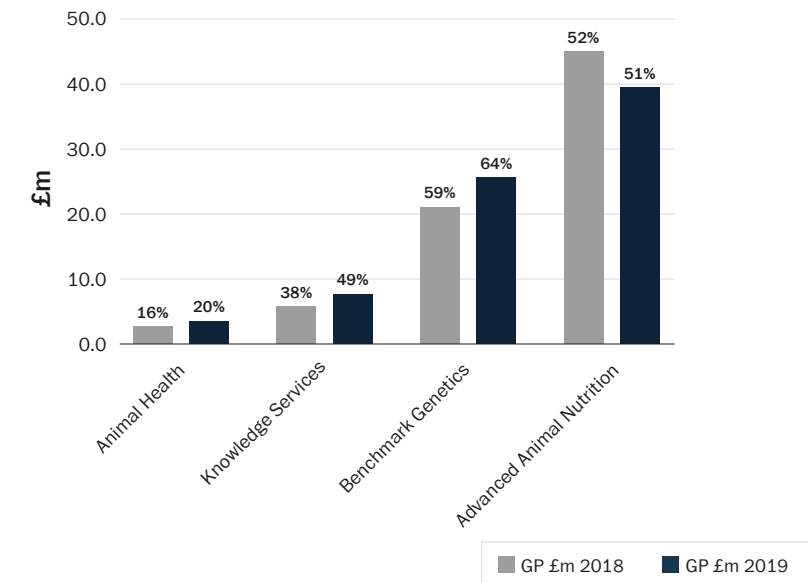
- **Group GP% stable at 52% (2018: 52%)**
- **Adv. Nutrition revenue -10%; GP% 51% (2018:52%)**
  - Selling prices held, diets & health relatively resilient
  - GP% change results from sales mix
- **Genetics revenue +11%; GP% 64% (2018: 59%)**
  - Continued rise in salmon egg prices and volumes
  - Benefit of expanding own production including biological asset valuation increase
- **Health<sup>1</sup> +10%; GP% 20% (2018:16%)**
  - Increased Salmosan sales
  - Margin improved with sales mix

Note - all figures are from Continuing Operations unless otherwise stated  
(1) Continuing and discontinued

Change in total<sup>1</sup> revenue by division



Total<sup>1</sup> Gross Profit





# OPERATING COSTS REFLECT PRIOR YEAR INVESTMENTS

## Operating Expenses as % of sales 32% (2018: 28%)

- Increase in production opex as facilities come onstream
- Annualised effect of 2018 key management hires
- Offset by the benefit of one-off other income

## Total R&D Investment 16.1% of sales (2018: 14.6%)

- 7% increase in expensed R&D to maintain leadership in core markets
- 7% increase in capitalised development costs driven by products close to launch

### Continuing Operating Costs as a % revenue

2019	32.0%	£40.7m
2018	28.1%	£37.0m

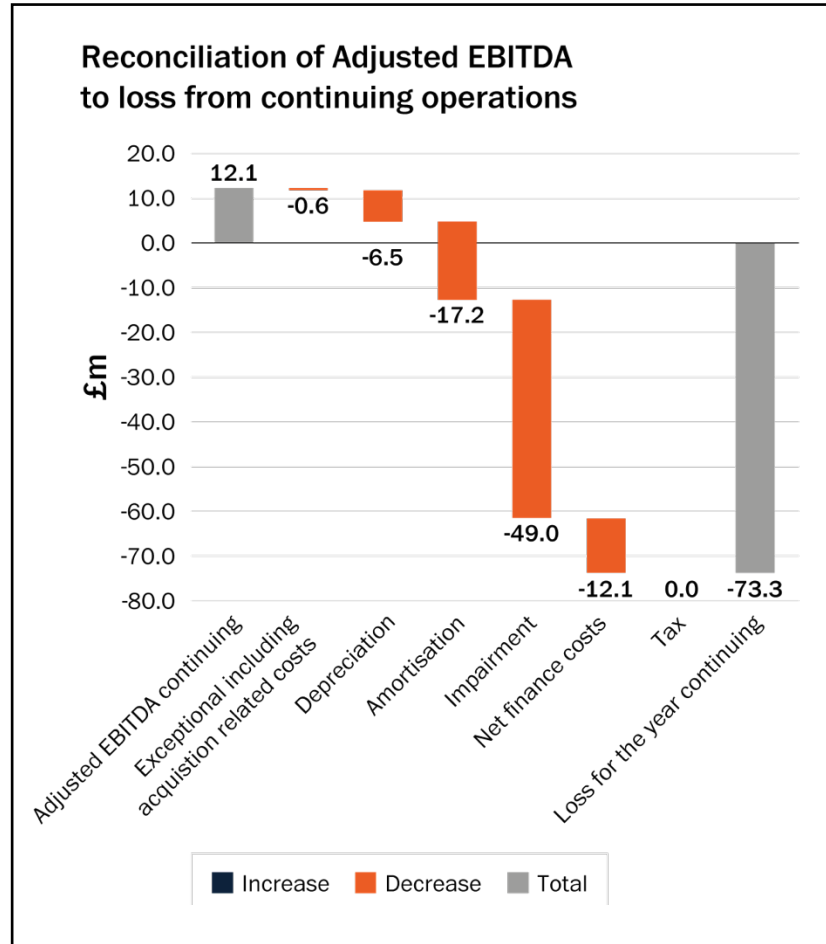
### Investment in R&D (including capitalised)

2019	16.1%	£20.5m
2018	14.6%	£19.2m





# NON-CASH ITEMS DRIVE INCREASED LOSS FOR THE YEAR



- **Continuing Operations Adjusted EBITDA<sup>3</sup>** - £12.1m (2018: £19.1m) at 9% margin (2018: 14%)
- **Loss for the period £(73.3m) (2018: profit of £0.5m):**
  - Exceptionals – management restructuring
  - Depreciation - New production assets come onstream
  - Impairments – includes impact of challenging AAN markets
  - Finance costs – refinancing and associated hedging; fx losses

Note - all figures are from Continuing Operations unless otherwise stated

(1) Continuing and discontinued

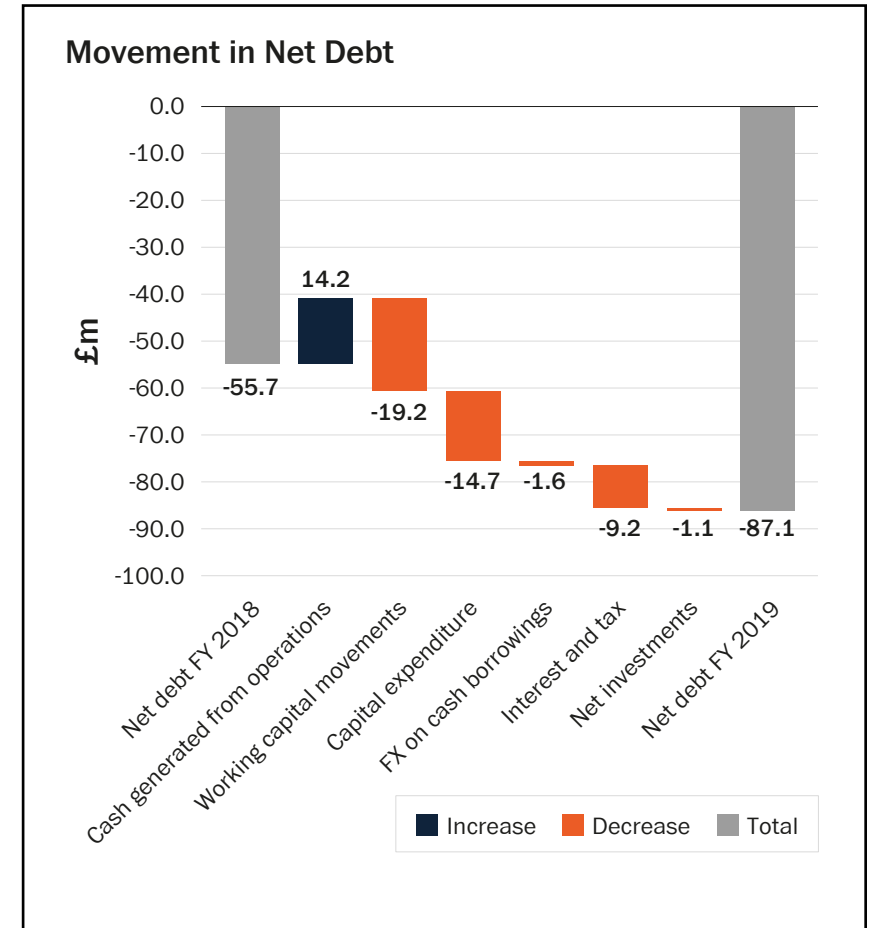
(2) EBITDA is earnings before interest, tax, depreciation and amortisation and impairment

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



# CASHFLOW, NET DEBT AND LIQUIDITY

- **Free Cash Flow<sup>1</sup> outflow of £23.9m (2018: outflow of £36.2m)**
  - Increased inventory for new Genetics production facility
  - Inventory increase from key supplier agreement
  - Timing of sales resulted in higher year end net working capital
  - Capex reduction – maintenance plus reduced investments
- **Liquidity<sup>3</sup> of £28.2m at year end**
  - Comprises £16.1m cash and £12.1m undrawn RCF
  - Significant covenant headroom
  - Going concern - focus on programme of disposals and cost efficiencies



Note - all figures are from Continuing Operations unless otherwise stated  
(1) Free Cash Flow is operating cashflow less investment capex (including capitalised development costs)  
(2) Net debt is cash and cash equivalents less loans and borrowings  
(3) Liquidity is defined as undrawn facilities plus cash balances



# MARKET CONDITIONS AND OUTLOOK

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## Salmon

### Favourable conditions

- Growing demand and consistently high prices
- Expect to continue, driven by demand from US and Asia (China)

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## Sea bass/ Sea bream

### Challenging markets continue

- Low prices and overstocking exacerbated by economy in Turkey

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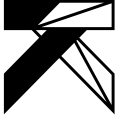
## Shrimp

### Challenging markets

- Low prices as a result of overstocking following record harvests
  - Some recovery expected but not returning to 2018 levels in 2020
- 

Overall, expect to deliver underlying Adjusted EBITDA  
(before one-off other income) in line with FY19





# 2020 PRIORITIES

- Disposals, exits and cost reductions
- Continued execution of strategy in core businesses
  - Genetics: Salten ramp-up, local production in Chile, SPR shrimp
  - Advanced Nutrition: focus on specialist diets and health including probiotics
- Commercial readiness of product candidate BMK 08 and scaling up CleanTreat®

## A LEADER RAISING SUSTAINABILITY STANDARDS IN AQUACULTURE



Improving **animal health and welfare**



**Innovation** track record -  
disruptive solutions  
supported by patents



**Environment and Sustainability**



Strategy to move from  
Moving from R&D  
Investment phase to  
**profitability**



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