



Benchmark<sup>®</sup>

A leading aquaculture  
biotechnology company

# Driving sustainability in aquaculture

Q3 Results  
28 August 2020



GENETICS



ADVANCED NUTRITION



ANIMAL HEALTH



# Overview – significant recent progress

## **Divestments and exits substantially complete**

- Streamlined group focused on three synergistic divisions
- 5 divestments in Q3 and post period end raising up to £44m

## **Resilient trading against ongoing Covid-19 challenge**

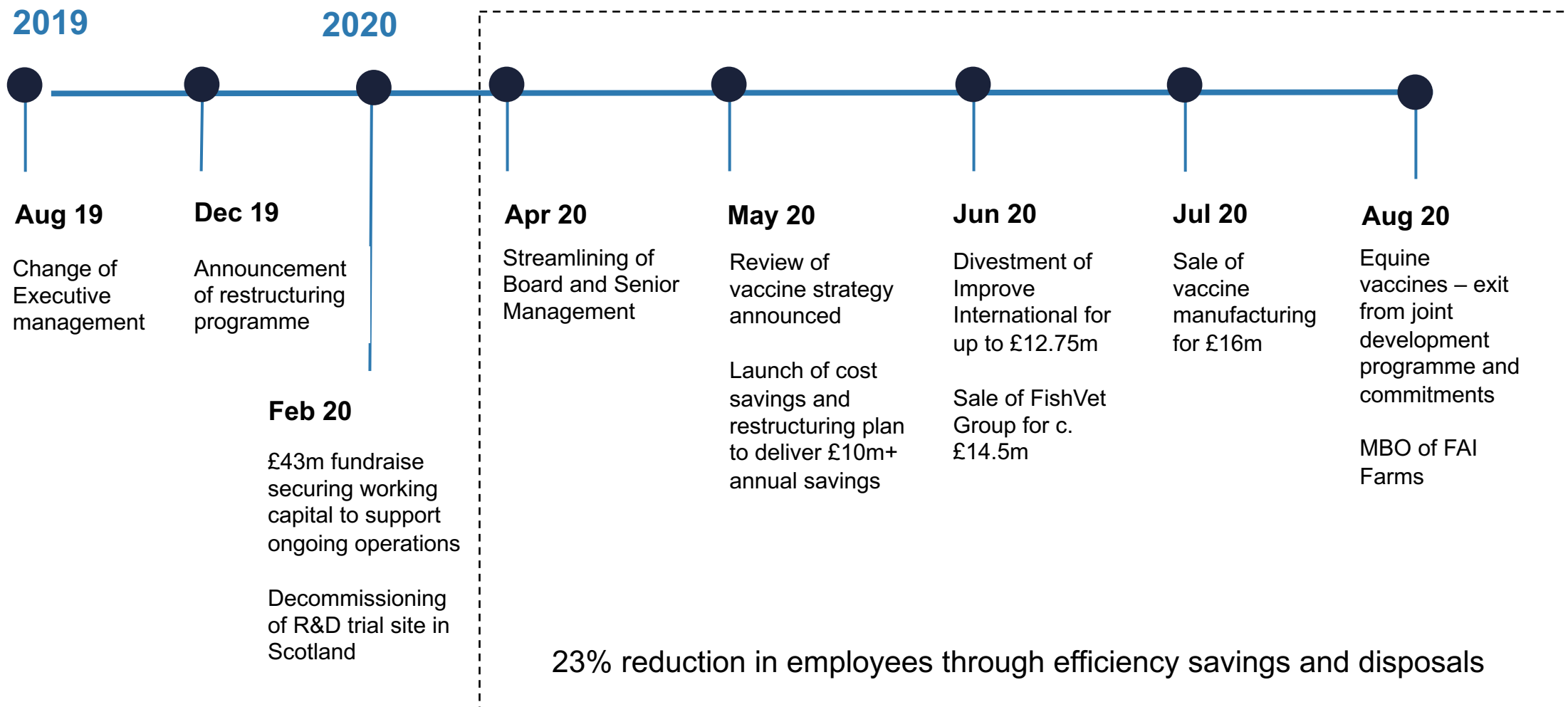
- Genetics performing strongly underpinned by resilient salmon industry
- Advanced Nutrition benefitted from some recovery of delayed orders, but market remains depressed and margins affected by Artemia pricing
- Salmon industry underpins ongoing preparations towards launch of BMK08 & CleanTreat®

## **Financial strength to invest selectively and trade through market uncertainty**

- Significantly improved net debt and liquidity
  - Proforma net debt of £36m and liquidity of £84m as at 27 August
- Ongoing cash conservation; restructuring plan to deliver £10m annual savings well advanced



# 12 months of transformation to streamline and simplify the Group



Divestments substantially complete; sale of companion animal vaccine programme ongoing



# Q3 Highlights

## Revenue

Continuing Operations  
**£24.5m +8%**

YTDQ3: £81.6m -9%

Continuing operations  
Advanced Nutrition  
**£16.0m +19%**

Genetics  
**£7.2m +1%**

Animal Health  
**£1.4m -41%**

## Adjusted EBITDA

Continuing Operations  
**£0.3m**

(Q3 2019: £-1.4m)

YTDQ3 £3.2m -46%

Continuing operations  
Advanced Nutrition  
**£2.8m**

(Q3 2019: £1.4m)

YTDQ3 £6.2m: -45%

Genetics  
**£1.2m**

(Q3 2019: £0.8m)

YTDQ3 £9.8m: +71%

Animal Health  
**-£3.1m**

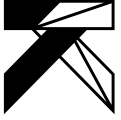
(Q3 2019: £-3.3m)

YTDQ3 -£10.6m: -15%

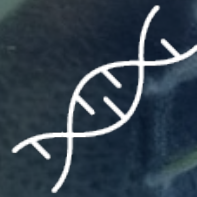
## Resilience through Covid-19

- Continued working arrangements to protect staff remain a priority
- Customer supply and service maintained
- Strong liquidity – £84m as at 27 August
  - Ongoing restructuring
  - Cash conservation
- Salmon industry resilient
  - demand for salmon eggs supported by longer production cycle
- Shrimp and Artemia markets will continue to be challenging
  - 30-60% stocking levels in hatcheries and farms





# Financial Review



GENETICS



ADVANCED NUTRITION



ANIMAL HEALTH



# Q3 - partial catch-up of delayed orders in AN; continued positive performance in Genetics

Continuing operations unless otherwise stated

## Revenue<sup>1</sup>

**£27.8m**

(Q3 2019: £28.7m)

## Continuing Operations

**£24.5m**

(Q3 2019: £22.8m)

## Adjusted EBITDA<sup>1,3</sup>

**£0.3m**

(Q3 2019: -£1.14m)

## Continuing Operations

**£0.3m**

(Q3 2019: -£1.4m)

## Adj. EBITDA Margin

**1.4%**

(Q3 2019: -6.2%)

## Adv. Nutrition

### Revenue

**£16.0m**

(Q3 2019: £13.5m)

### Adjusted EBITDA<sup>3</sup>

**£2.8m**

(Q3 2019: £1.4m)

### Adj. EBITDA Margin

**17.4%**

(Q3 2019: 9.5%)

- Some recovery of delayed sales
- Oversupply and price reduction in Artemia
- Artemia +58%, Diets -1%; Health-10%

## Genetics

### Revenue

**£7.2m**

(Q3 2019: £7.1m)

### Adjusted EBITDA<sup>3</sup>

**£1.2m**

(Q3 2019: £0.8m)

### Adj. EBITDA Margin

**16.7%**

(Q3 2019: 11.3%)

- Similar volumes and higher price offset by forex
- Margin increase from in-house production and cost savings
- Test market sales of SPR shrimp breeders continue

## Animal Health

### Revenue

**£1.4m**

(Q3 2020: £2.4m)

### Adjusted EBITDA<sup>3</sup>

**£-3.1m**

(Q3 2019: £-3.3m)

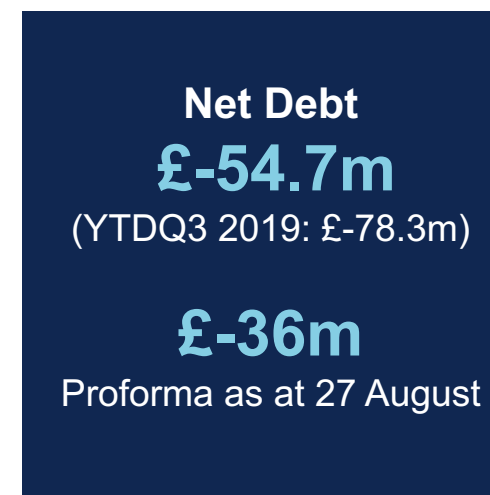
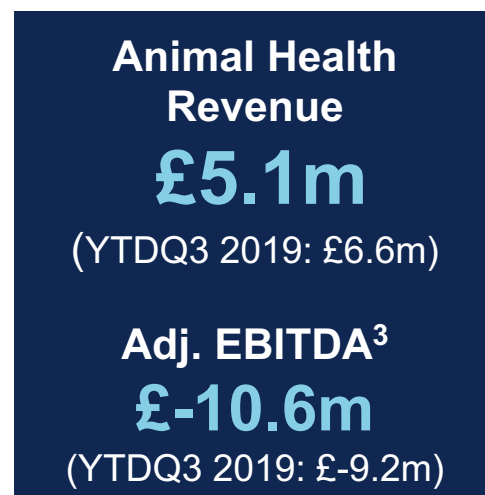
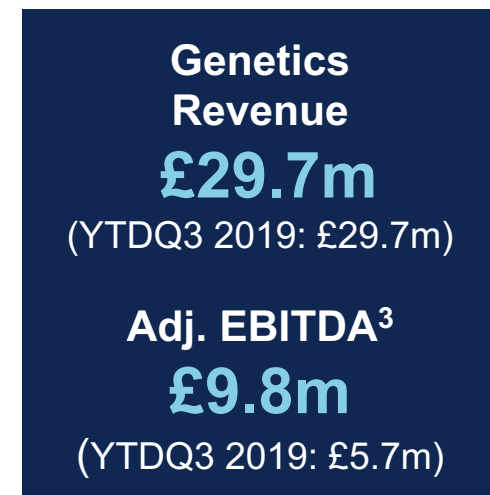
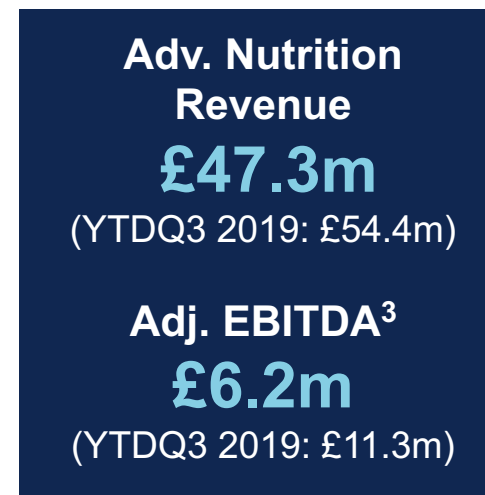
- No revenues from BMK08 trials in 2020
- Lower sales from toll manufacturing and Salmosan
- Investment in launch of BMK08 partially offset by reduction in R&D spend

(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 (Continuing Operations unless stated otherwise)



# YTD Q3 – impact of weak shrimp markets on Group

Continuing operations unless otherwise stated



Note - all figures are from Continuing Operations unless otherwise stated

(1) Continuing and discontinued

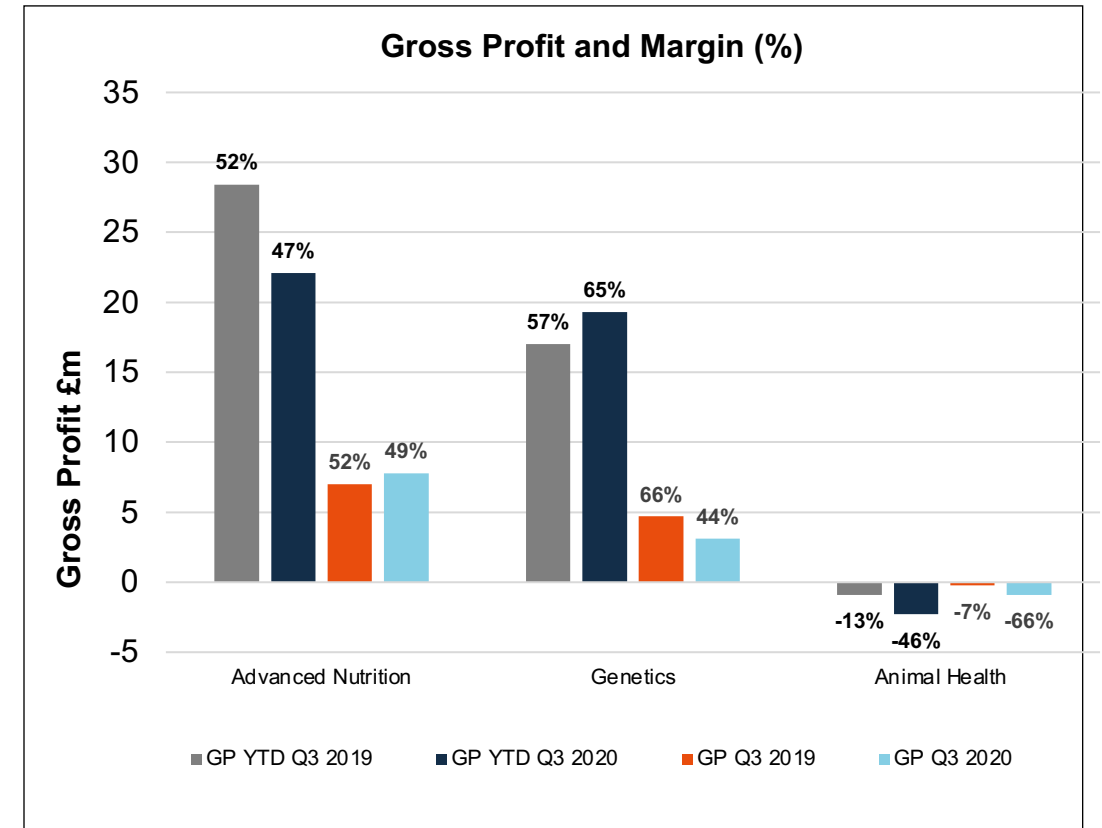
(2) EBITDA is earnings before interest, tax, depreciation and amortisation and impairment

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



# GP Margin impacted by Artemia price partially offset by increased margin in Genetics

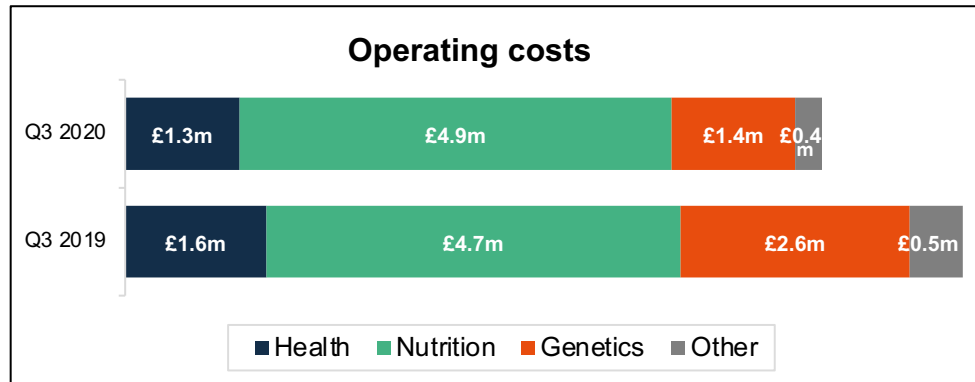
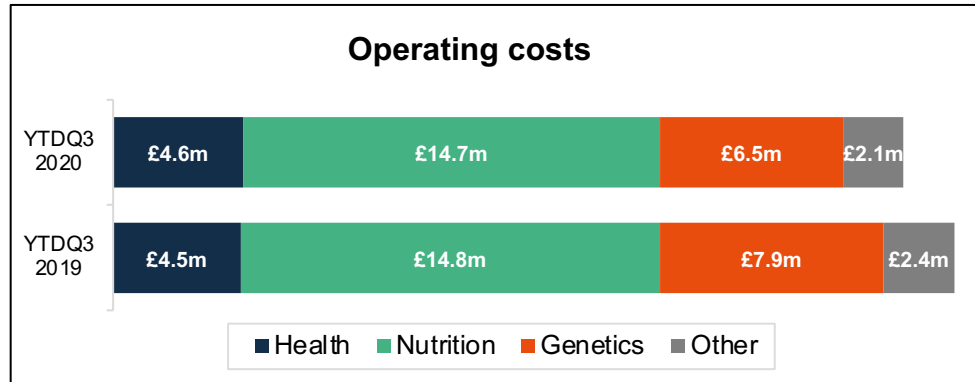
- YTD Q3 Group gross profit margin at 48% (YTDQ3 2019: 50%) affected by lower Artemia pricing in Advanced Nutrition (-20%) and product mix
- Partially offset by increase in Genetics gross profit margin to 65% (YTDQ3 2019: 57%)
  - Move to in-house production at Salten
  - Higher egg prices and higher royalties





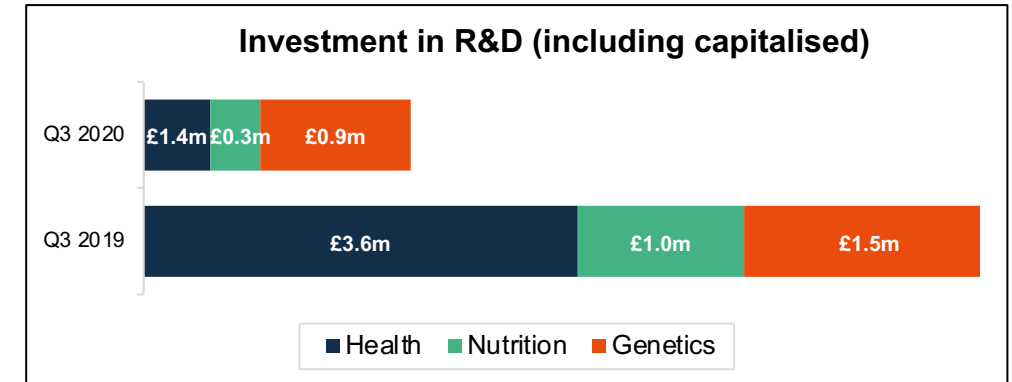
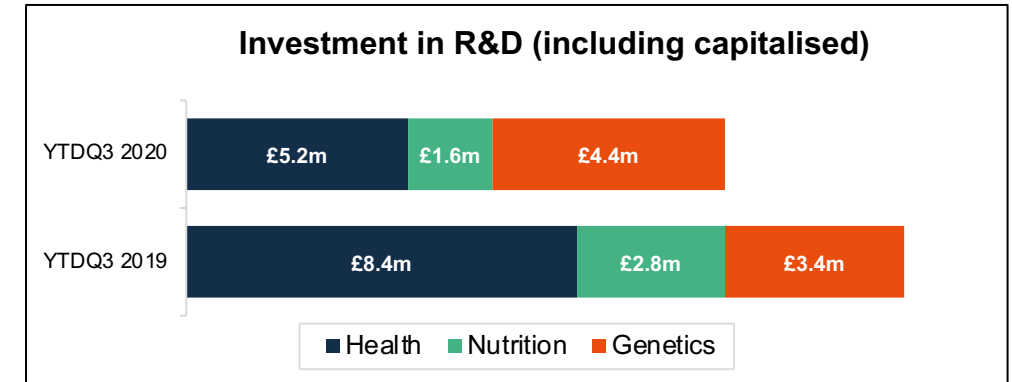


# Continued reduction in operating costs



**Operating Costs reflect actions taken to mitigate impact of Covid-19**

- Q3 operating costs down 15%
- YTDQ3 operating costs down 6%



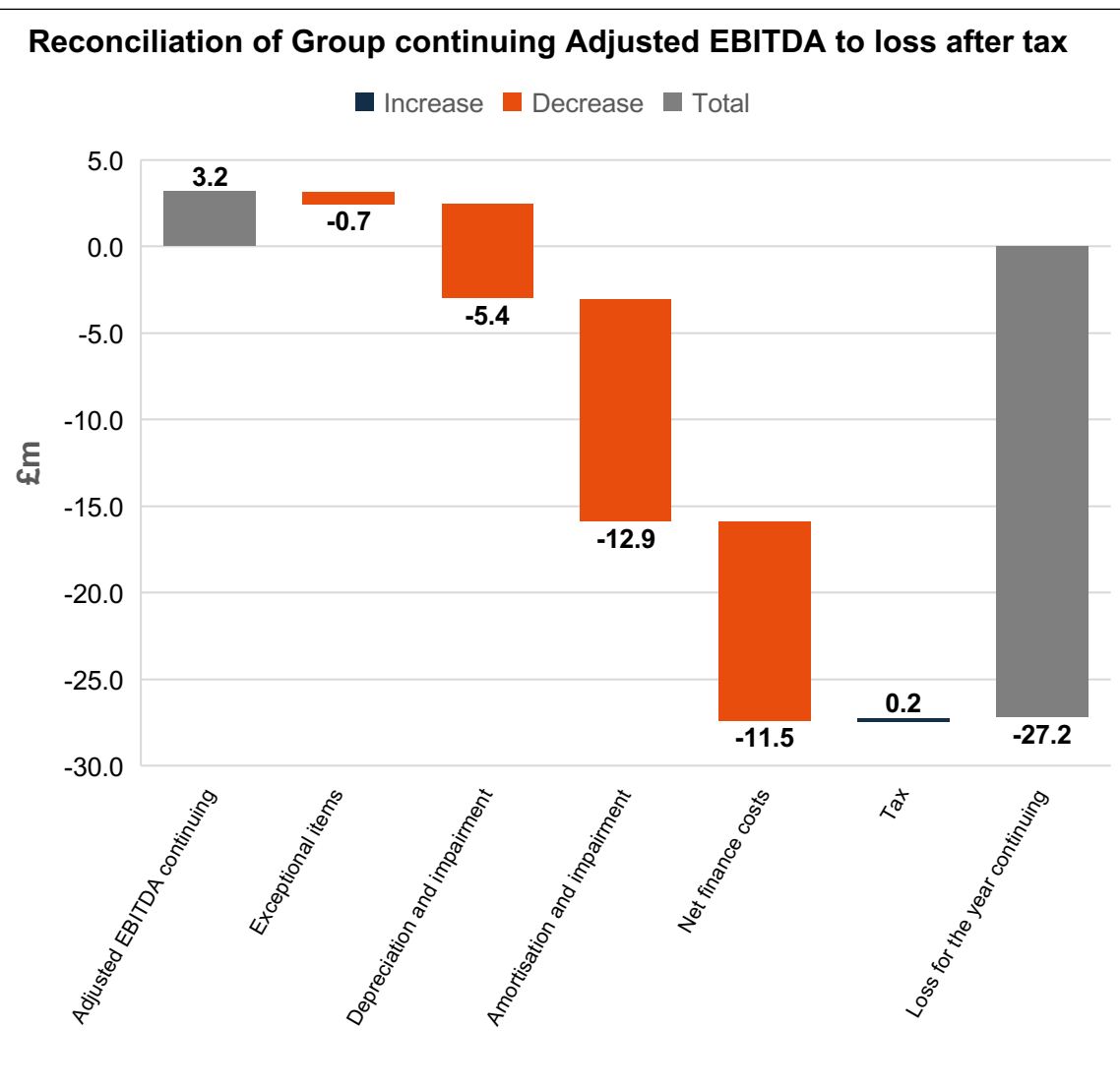
**Total R&D spend (expensed and capitalised) down by 23%**

- Reduction driven by curtailment of all discretionary and non contractual spend with the exception of BMK08 and CleanTreat®

Note - all figures are from Continuing Operations unless otherwise stated



# YTD Net result impacted by finance costs and increased Depreciation



- Higher finance costs -£4.5m from YTD Q3 2019
  - Unrealised Derivative revaluation -£2.1m
  - Higher interest -£1.5m due to NOK bond
  - FX losses -£0.9m
- Higher depreciation -£0.8m from YTD Q3 2019 mainly due to adoption of IFRS16
- Exceptional costs – management restructuring

Note - all figures are from Continuing Operations unless otherwise stated

(1) Continuing and discontinued

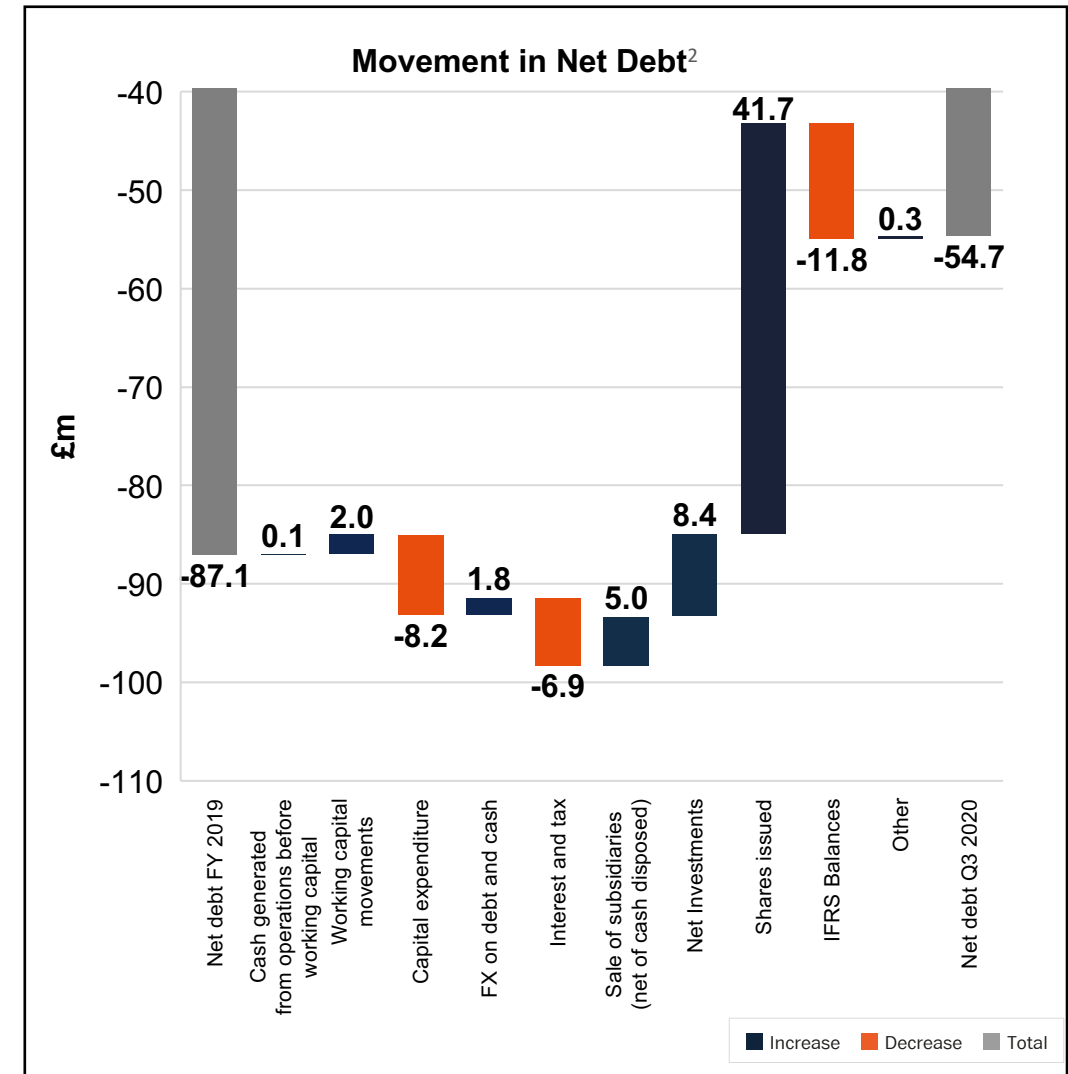
(2) EBITDA is earnings before interest, tax, depreciation and amortisation and impairment

(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 YTD Q3 of £7.7m (YTD Q3 2019: outflow of £16.9m)**
  - Adjusted EBITDA lower by £2.7m
  - Cash inflow from operations £0.5m. Inflow from working capital movements – increase in inventory for new Genetics production offset by reduced debtors
  - Normalised maintenance/regulatory capex spend
- **Liquidity<sup>3</sup> of £67m at 30 June 2020; £84m at 27 August**
  - Comprises £54m cash and £12m fully undrawn RCF
  - Significant headroom against £10m covenant and equity covenant
- **Significant reduction in Net Debt**
  - £54.7m as at 30 June 2020. £36m at 27 August



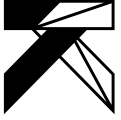
Note - all figures are from Continuing Operations unless otherwise stated

(1) Free Cash Flow is operating cashflow less net capex (including intangibles)

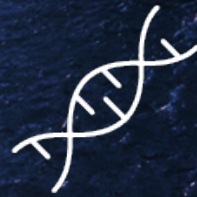
(2) Net debt is cash and cash equivalents less loans and borrowings

(3) Liquidity is defined as undrawn facilities plus cash balances





# Summary and outlook



GENETICS

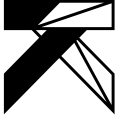


ADVANCED NUTRITION



ANIMAL HEALTH





# Summary and outlook

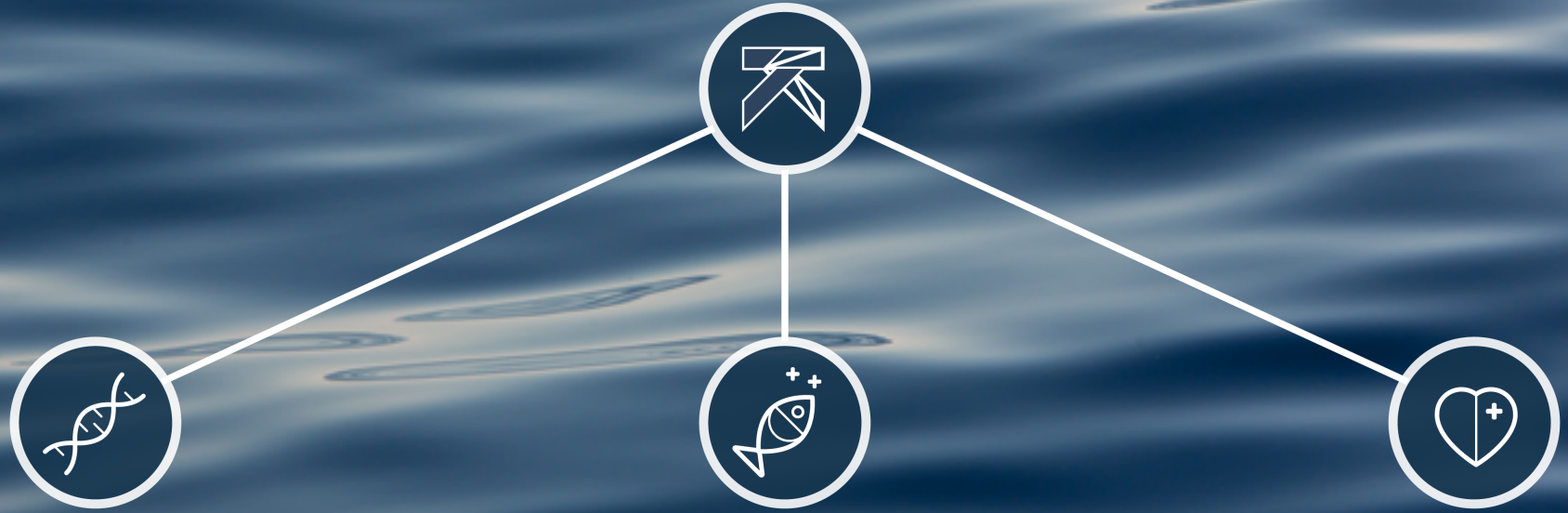
**We have taken a significant step forward in our plan to become a streamlined business focused on core divisions — Genetics, Advanced Nutrition and Health**

- Restructuring plan to deliver £10m in annual savings well advanced taking us a step closer towards becoming sustainably profitable.
- Flexible Covid-19 processes in place to protect employees and maintain operational continuity as well as a solid financial position which together give us resilience
- Good visibility of orders in Genetics and a resilient salmon industry underpinning the launch of BMK08 and CleanTreat®
- Challenging conditions in the shrimp market are expected to endure
- Expect to deliver full year results in line with expectations



# Looking forward

## A streamlined focused Group with growth opportunities



### GENETICS

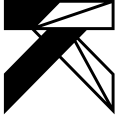
- Continued innovation in salmon genetics
- Capacity expansion in Chile
- Roll-out of SPR shrimp as markets recover

### ADVANCED NUTRITION

- Diversify product portfolio reducing Artemia dependence
- Expand into specialist high margin segments

### ANIMAL HEALTH

- Focus on delivery of BMK08/CleanTreat<sup>®</sup>



## An attractive market



Aquaculture is growing faster than any other animal protein production creating a need for products that improve productivity and support sustainable growth

## Uniquely positioned



With a unique complementary offering, market leading positions, a focused strategy and an experienced team, we are uniquely positioned to deliver on this opportunity

## Committed to profitability



Having completed an extensive streamlining programme exiting non-core and loss-making activities we are now in a strong financial position to achieve profitability and deliver growth





Benchmark®

A leading aquaculture  
biotechnology company

# Driving sustainability in aquaculture



GENETICS



ADVANCED NUTRITION



ANIMAL HEALTH