



Benchmark<sup>®</sup>

# **DRIVING SUSTAINABILITY IN FOOD PRODUCTION**

## **INTERIM RESULTS**

June 2019



# ADJ. EBITDA GROWTH AND PROGRESS TO COMMERCIALISE MAJOR PRODUCTS AND DRIVE EFFICIENCIES

Revenue  
**+3.4%**  
**£78.3m**

Growth in Genetics,  
Health and Knowledge  
Services offset drop in  
Adv. Nutrition

H1 2018: £75.7m

Adjusted EBITDA  
**+25%**  
**£7.5m**

Adj. EBITDA Margin  
**10%**

H1 2018: £6.0m  
(8% Adj. EBITDA margin)

Excellent progress  
towards  
commercialisation  
of next generation  
sea lice treatment

- Regulatory process on track
- Third wave of trials commenced

Key milestones  
towards launch of  
disease resistant  
shrimp in Asia

- Successful trials
- Production commenced in Florida

R&D investment  
focused on key  
projects at  
advanced stage

**£8.5m**  
**10.9% Revenue**

H1 2018: £7.8m; 10.3%

Delivering on  
efficiencies

- Adv. Nutrition facilities streamlined in Asia
- Closure of lumpfish operation

Ongoing programme





# POST PERIOD-END MILESTONES

## Commercial opening of Salten

- Biosecure facility with 150m egg capacity
- Located in fastest growing salmon production region

## Shrimp genetics JV in Thailand

- Leading local players as partners
- Construction of multiplication centre and market access

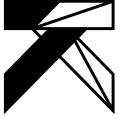
## Successful refinancing of credit facilities

- Tapping new investor base
- Increased flexibility

## Independent strategy in Chile

- Dissolution of JV resulting in wholly owned breeding facility
- Growing market recognition





# NEXT GENERATION SEA LICE TREATMENT/CLEANTREAT® ON SCHEDULE TOWARDS COMMERCIALISATION

- **Third wave of trials in Norway commenced in April**
  - Old and new customers
  - Continued trial success 99%+ efficacy
  - Ongoing optimisation of CleanTreat
- Regulatory process progressing to plan
- Environmental certification – ASC PTI Score = 0 (Aquaculture Stewardship Council parasiticide treatment index)

## Growing customer interest and market need

- No new medicines introduced in the market in last 10 years
- Sea lice are multi resistant to most available medicines\*
- Two main treatments raise welfare concerns:

The **Fish** Site

Study questions fish welfare in  
thermal delousing

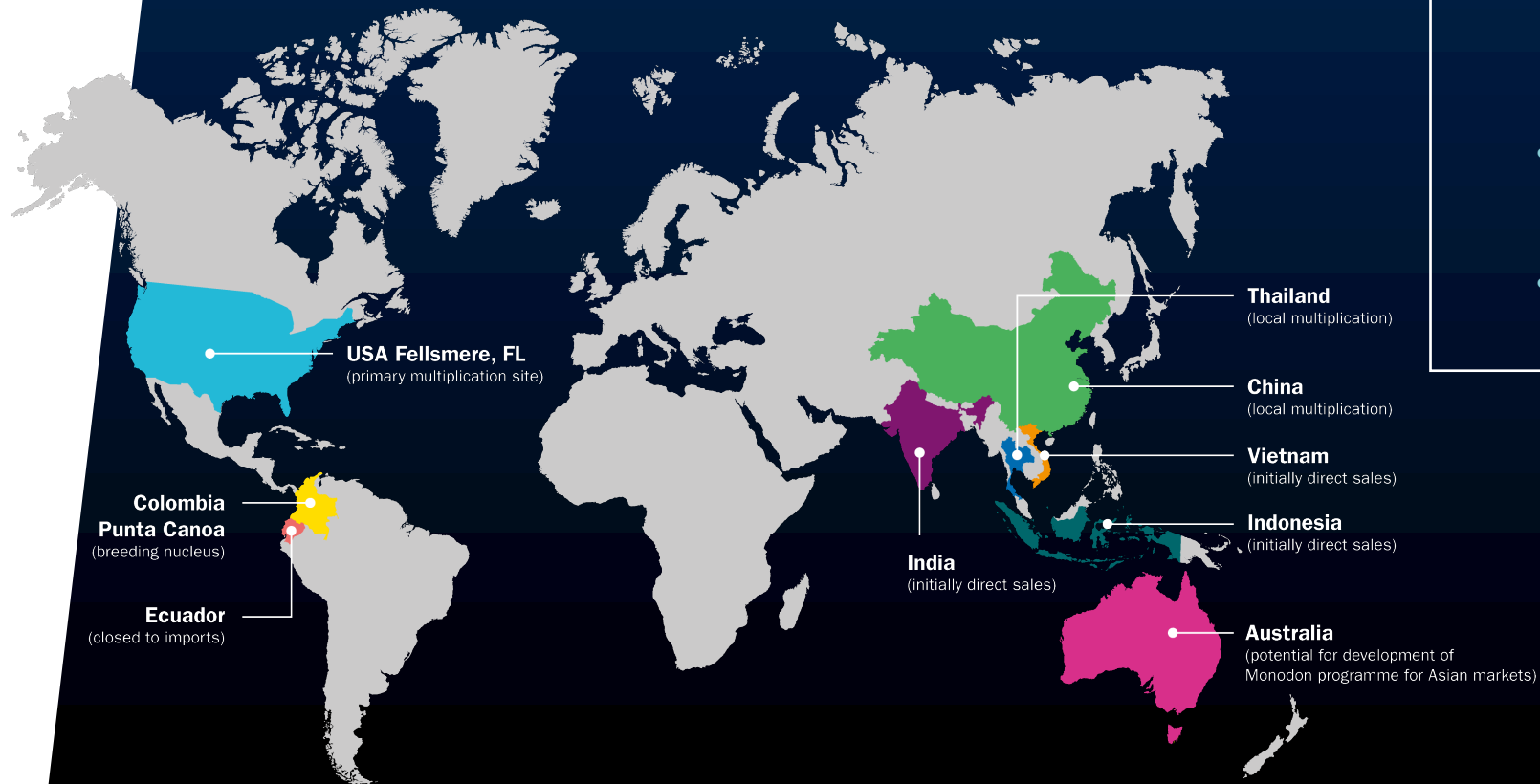
**The  
Guardian**

Scottish salmon industry accused of  
welfare failures





# SHRIMP GENETICS - CONTINUED SUCCESS IN TRIALS; ASIAN ROLL-OUT UNDERWAY



- Successful trials conducted in Vietnam, Thailand, and China. Commercial trials underway in Thailand, Vietnam and Peru
- Roll-out model supported by JV's with local players leveraging long term Group relationships in Advanced Nutrition
  - Production of broodstock for export to Asian market commenced at facility in Florida
  - First JV established in Thailand with Thai Royal and Manit Farms
  - First sales from January 2020

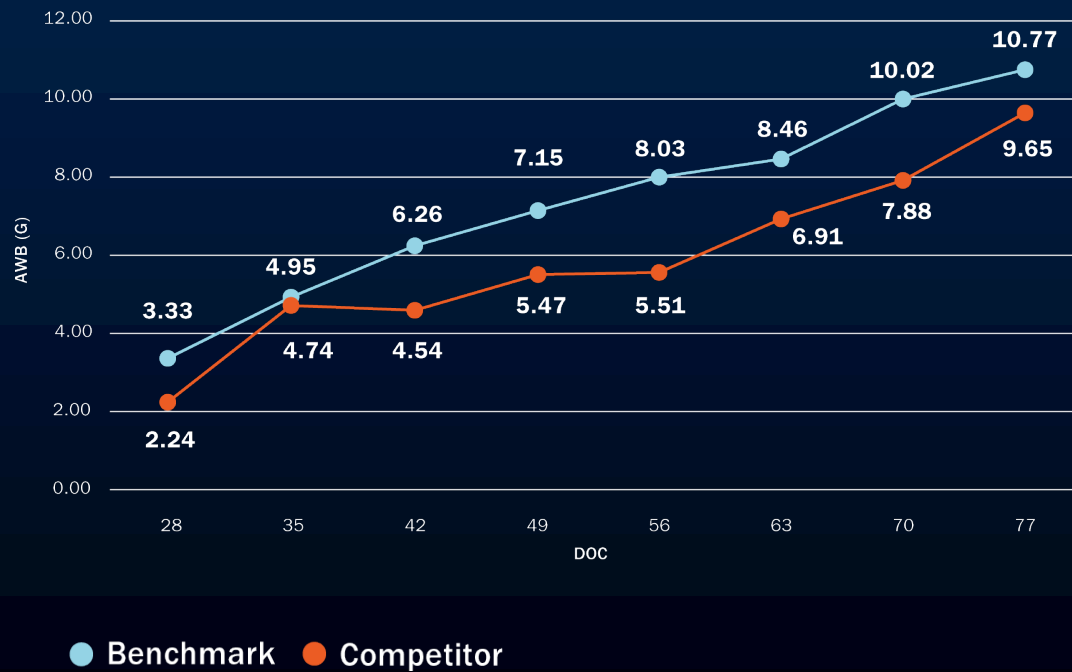


# SUPERIOR PERFORMANCE IN SURVIVAL AND YIELD

#1 survival and competitive yield in all trials

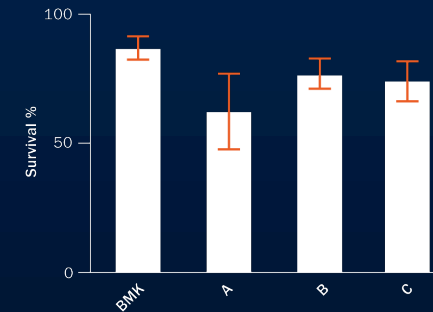
## THAILAND PERFORMANCE TRIALS

Average growth trend 6 ponds BMK (blue) versus 6 ponds competitor (red)

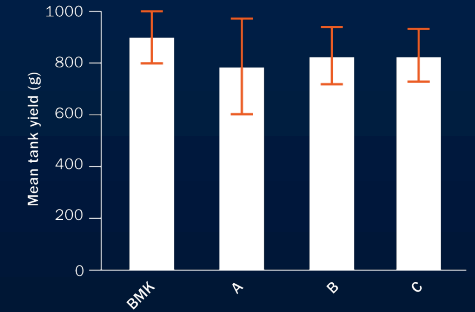


## VIETNAM PERFORMANCE TRIALS

### Mean survival (%)

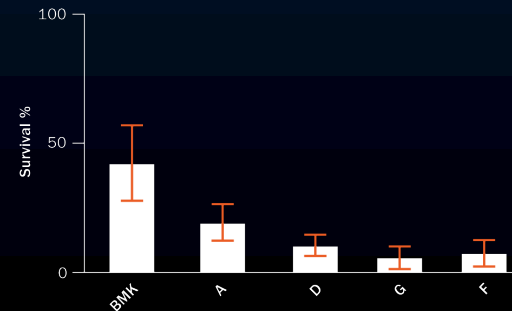


### Mean tank yield (g)

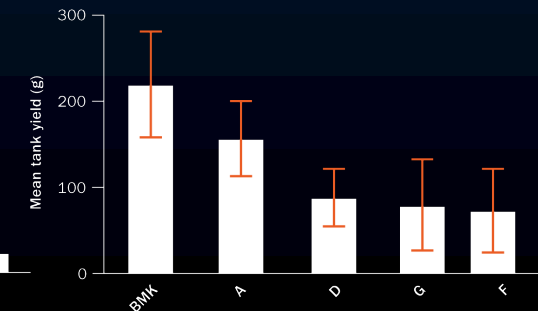


## CHINA PERFORMANCE TRIALS

### Mean survival (%)



### Mean tank yield (g)







# AQUACHILE JV UPDATE

## OPPORTUNITY TO PURSUE INDEPENDENT STRATEGY

- Opportunity to own local breeding facility with potential to expand to 50m eggs
- Established Benchmark Genetics Chile brand under JV with growing market recognition
- Return of:
  - \$16m original equity investment
  - IP rights, biomass and data
- Plan to re-invest capital to add farm infrastructure, enhance biosecurity and achieve full scale production
- ROI in line with JV





## R&D UPDATE

### Group R&D

- Ongoing prioritisation and streamlining of pipeline
- Centralising R&D functions – first phase implemented
- Focus on opportunities that leverage Group synergies - seed and feed in shrimp
- Improved efficiency of in-house research trials facilities

### Aqua vaccines

- Scaling up of manufacturing in preparation for market launch of bass / bream vaccines
- Strengthening supply chain function
- Preparing for commercial trials of bi-valent bass / bream vaccine Q1 FY20





# UPDATE ON SUSTAINABILITY

## SUSTAINABILITY IS PART OF OUR DNA

Increasing awareness of sustainability challenges:

### ESG challenges

- Antibiotic use
- Fish welfare
- Fish feed supply
- Disease
- Habitat destruction
- Working conditions

### Time to take fish welfare more seriously

Climate crisis and antibiotic use could 'sink' fish farming industry - report

Investors' network warns of serious risk to aquaculture from global heating as well as over-reliance on medicines



Fish farmers must put innovation and welfare first to get Scottish seafood back where it belongs

Scottish salmon: New sea lice rules to be introduced

© 5 June 2019

f t b e Share



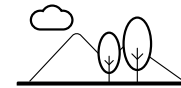
**Clothing giant Patagonia launches attack on global salmon farming industry**

The company Patagonia, which, among other things, produces sportswear, this week released the film "Artifishal."

By Andrew Farrant  
April 18th, 2019 10:14 GMT Updated April 17th, 2019 14:17 GMT



### Benchmark's solutions and practices



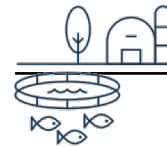
#### Effluents/Habitat destruction

- CleanTreat® eliminates environmental impact of medicinal treatments



#### Disease & antibiotic use

- Genetics reduce incidence of disease
- Vaccines reduce antibiotic use
- Probiotics build resilience



#### Animal welfare

- Best practice at own facilities
- Programmes to improve husbandry practices in shrimp and tilapia



#### Fish feed supply
















- Product development of alternative feed sources (i.e. live feed replacement)



# BENCHMARK'S IN-HOUSE SUSTAINABILITY PROGRAMME

## LEADING BY EXAMPLE

Benchmark's 3E model underpins our business and strategy

1	3Es of sustainability	Ethics		Environment		Economics	
2	Programme pillars	<div>Environment</div> <div></div> <div>Care for our planet</div>	<div>Business leadership</div> <div></div> <div>Support and lead by example</div>	<div>Animal health &amp; welfare</div> <div></div> <div>Care for all animals</div>	<div>Communities</div> <div></div> <div>Make a positive impact on communities</div>	<div>Being well</div> <div></div> <div>Empower and care for our people</div>	
3	UN's sustainable development goals	<div>  Benchmark directly and indirectly contributes to the delivery of the <i>Goals</i> set out by UN, in particular, <i>Goal 14: Life below water</i>, which runs through everything Benchmark does  </div>					
4	Communities	<div>What Benchmark's charities say about them</div> <div>“ I nominated Benchmark because we reckon they don't shout nearly often enough and never loud enough about what they do for us ”</div>				<div>Supporting the next generation</div> <div> </div>	
5	Charitable awards	<div></div> <div>Benchmark scoops 2018 charitable award</div>	<div></div> <div>National Excellence Award in Thailand</div>	<div></div> <div>INVE Awarded GLOBAL GAP Certification</div>	<div></div> <div>ECO Factory Award</div>		





# FINANCIAL OVERVIEW



# FINANCIAL OVERVIEW

## H1 FY19

### Genetics revenue

**+8%**

Continued volume and price growth

### Animal Health revenue

**+73%**

Increased Salmosan sales

### Advanced Nutrition revenue

**-7%**

Primarily due to weakness in global shrimp market

### Knowledge Services revenue

**+11%**

Driven by data management and technical training

### Gross margin

**48%**

Improved product mix  
H1 2018: 45%

### Capex Investment

**£3.7m**

Passed peak

H1 2018: £12.9m

### Operating costs as % of revenue

**31%**

H1 2018: 29%

### Adjusted EBITDA margin

**10%**

H1 2018: 8%

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

**10.9%**

H1 2018: 10.3%

### Net debt

**£65.5m**

Includes £26m ringfenced Salten JV debt

H1 2018: £41.3m  
FY2018: £55.7m

### Free cash outflow

**£2.7m**

H1 2018: £18.0m

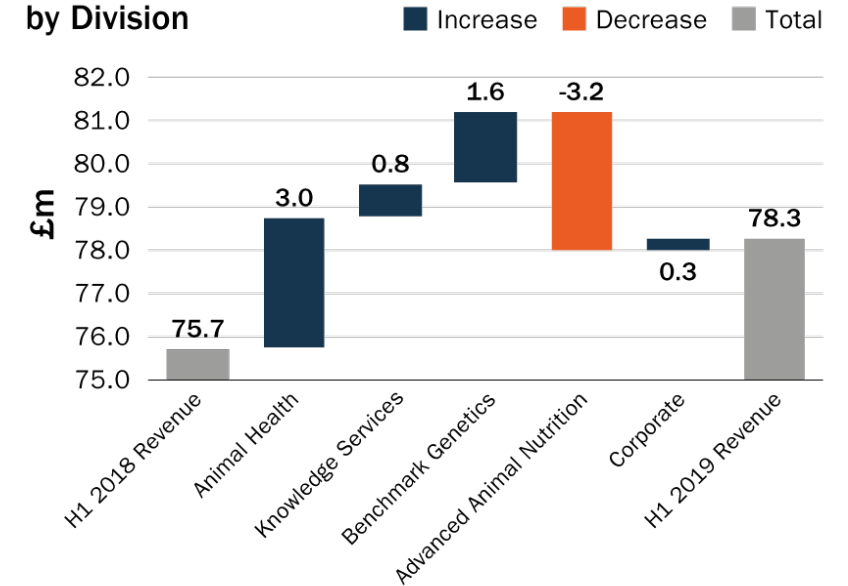




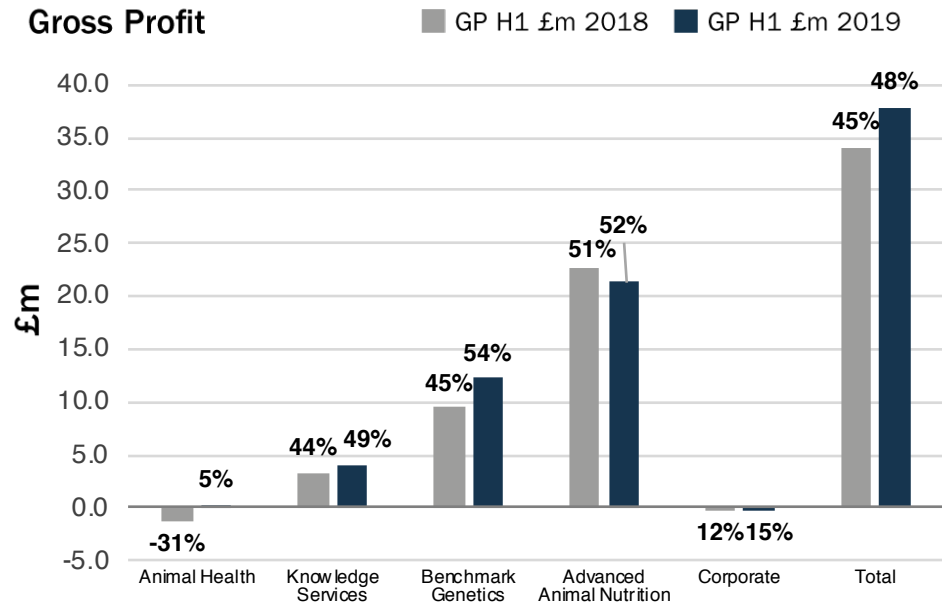
# REVENUE GROWTH

- **3.4% revenue increase**
  - **Advanced Nutrition -7.2%** (52% of Group revenue)
    - Challenging conditions in the shrimp and Mediterranean fin fish markets
    - Resilient demand for high margin specialist replacement diets
  - **Genetics +7.7%** (29% of Group revenue)
    - Increased prices and volumes in salmon eggs
    - Increased sales from Iceland to Chile
    - First sales from Salten JV
  - **Health +73.3%** (9% of Group revenue)
    - Increase in sales of Salmosan resulting from move to direct sales in Chile
    - Increased toll manufacturing revenue supporting return on recent investment in capacity

Group Revenue  
by Division



Gross Profit





# OPERATING COSTS AND R&D INVESTMENT

## Operating Expenses as % of sales at 31% (H1 2018: 29%)

- Readying commercial and technical support for product launches
- Annualised effect of 2018 key hires to drive development of major projects
- Legal costs from successfully prosecuting patent infringement – benefit of settlement H2 2019

## Total R&D Investment 10.9% of sales (H1 2018: 10.3%)

- Increase in capitalised development costs as products are closer to market
- Expensed R&D in line with H1 2018

### Operating costs as % of revenue

H1 2019	31.3%	£24.5m
H1 2018	29.3%	£22.2m

### Investment in R&D as a % of sales

H1 2019	10.9%	£8.5m
H1 2018	10.3%	£7.8m



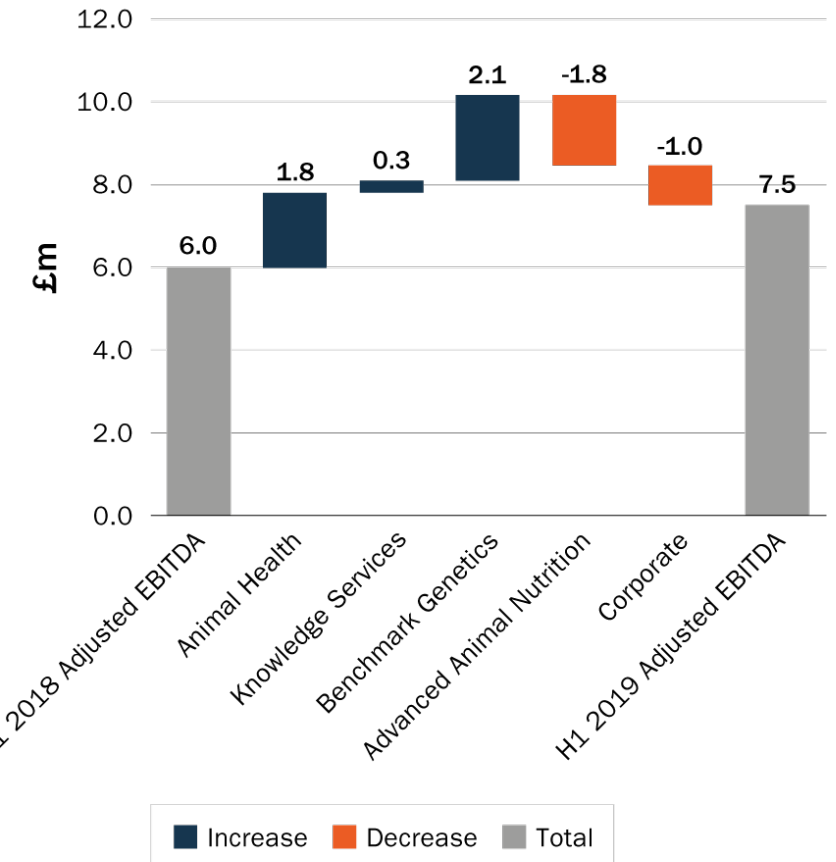
# ADJ. EBITDA – GROWTH AND MARGIN PROGRESSION

## Adjusted EBITDA<sup>1</sup> up 25%

Group Adjusted EBITDA margin 10% (H1 2018: 8%)

- Genetics 22% (H1 2018: 14%)
- Advanced Nutrition 23% (H1 2018: 26%)
- Animal Health — Adjusted EBITDA loss of £6.1m (H1 2018: loss of £7.9m)

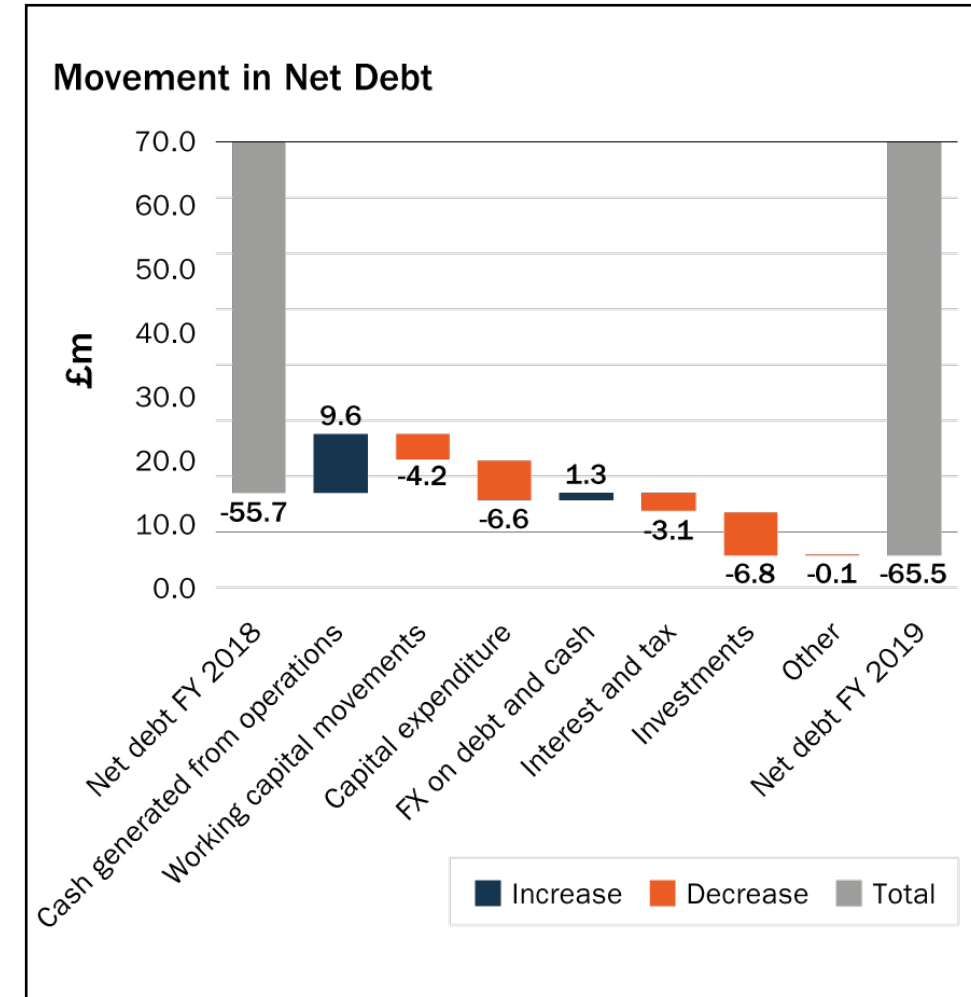
Adjusted EBITDA bridge by Division





# OPERATING CASH INFLOW COUPLED WITH REDUCED INVESTMENT CAPEX

- **FCF outflow reduced to £2.7m resulting from:**
  - Increase in biological assets and inventories due to growth
  - Lower capex of £3.7m as investment in Salmon facility completed (H1 2018: £12.9m)
- **Net debt increased to £65.5m**
  - Investments relate to the payment of deferred consideration for the Chile JV
  - Net debt includes £26m ringfenced non-recourse debt to fund the Salten JV







# SUCCESSFUL COMPLETION OF REFINANCING

- **Additional headroom to support roll-out of our key products and operate efficiently**
- **NOK 850m (c. USD \$95m) 4 year senior secured Nordic bond**
  - Refinances existing \$90m credit facility
  - NIBOR+ 5.25% coupon
  - Fx and interest rate risk managed by hedging strategy – resultant effective coupon fixed at 6.6%
- **USD\$15m RCF**
- **Continued focus on leverage but no requirement to manage to quarterly covenant test**
- **Significantly oversubscribed - access to new investor base with sector knowledge**



# MARKET CONDITIONS AND OUTLOOK

- Drivers remain strong
- Challenging conditions in shrimp and Mediterranean bass/bream markets
- Diversified revenues and ongoing programme of efficiencies mitigate impact
- Expect to deliver results broadly in line with market expectations

## MARKET CONDITIONS

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### Salmon

#### Favourable conditions continue

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

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### Shrimp

#### Challenging markets

- Low prices as a result of overstocking following record harvest
- Reduced/delayed production impacting demand for our products

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### Bass/ bream

#### Challenging markets

- Demand and prices affected by economic environment in Turkey, the major producing country

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### Tilapia

#### Mixed with strong growth in selected markets

- Brasil
-



# RECAP ON 5 YEAR GROWTH STRATEGY

## 1 **Grow in established markets from existing capacity**

- Salten
  - Salmon genetics Chile
- 

## 2 **Commercial delivery of major pipeline products**

- Sea lice treatment, aquaculture vaccines, 100% artemia replacement
  - Establish commercial path for companion animal products
- 

## 3 **Focused investment in markets that leverage Group platform**

- Disease resistant shrimp
  - Seed and feed
  - Probiotics
- 

## 4 **Position Benchmark in areas of future growth**

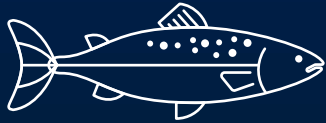
- Tilapia
- 

## 5 **Integration and efficiency**

- Exit non-core areas and reallocate capital to key opportunities



# INVESTMENT SUMMARY



Aquaculture is **growing faster** than any other animal protein production and **our markets are growing at least at twice that rate**



With **#1** market positions, cutting edge technology, a focused strategy and an experienced team, we are uniquely positioned to deliver on this opportunity



Investment for organic growth complete, our operational leverage will translate into higher margins and shareholder returns



**Good momentum** — Strategic progress towards launch of major products and structural efficiencies