

Welcome to our webinar

Quarterly update
2021 Q2



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**ocean of
opportunities**

**Quarterly update
2021 Q2**

Q2 2021 Overview



Demand for fresh fish grows strongly in the 1st half of the year



Fresh seafood is breakout star at US retail in first half as frozen, canned loses ground

Frozen and shelf-stable fish boomed during the early days of the pandemic, but fresh appears to be the winner as lockdowns ease, with salmon leading the charge.

16 July 2021 6:30 GMT *UPDATED* 16 July 2021 7:51 GMT

By [John Fiorillo](#)

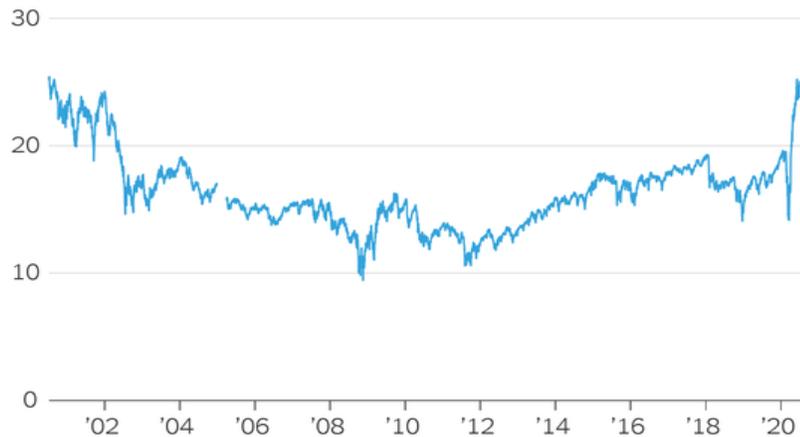
- After frozen products were mainly in demand during the pandemic, demand for fresh fish is now rising strongly.
- Sales of fresh seafood reached \$3.4 billion (€2.9 billion) in the first half of the year, **up 9.6 per cent** from the same period in 2020.
- The easing of the Corona measures contributed to this.

Source: IntraFish; <https://www.intrafish.com/>

Are the stock markets ignoring the bad news?

- Rising case numbers, minimum tax for large companies and weak quarterly figures – the stock markets seem immune to bad news.

S&P 500 price-to-earnings ratio
Versus forward 12-month earnings estimate.



By The New York Times | Source: S&P Capital IQ

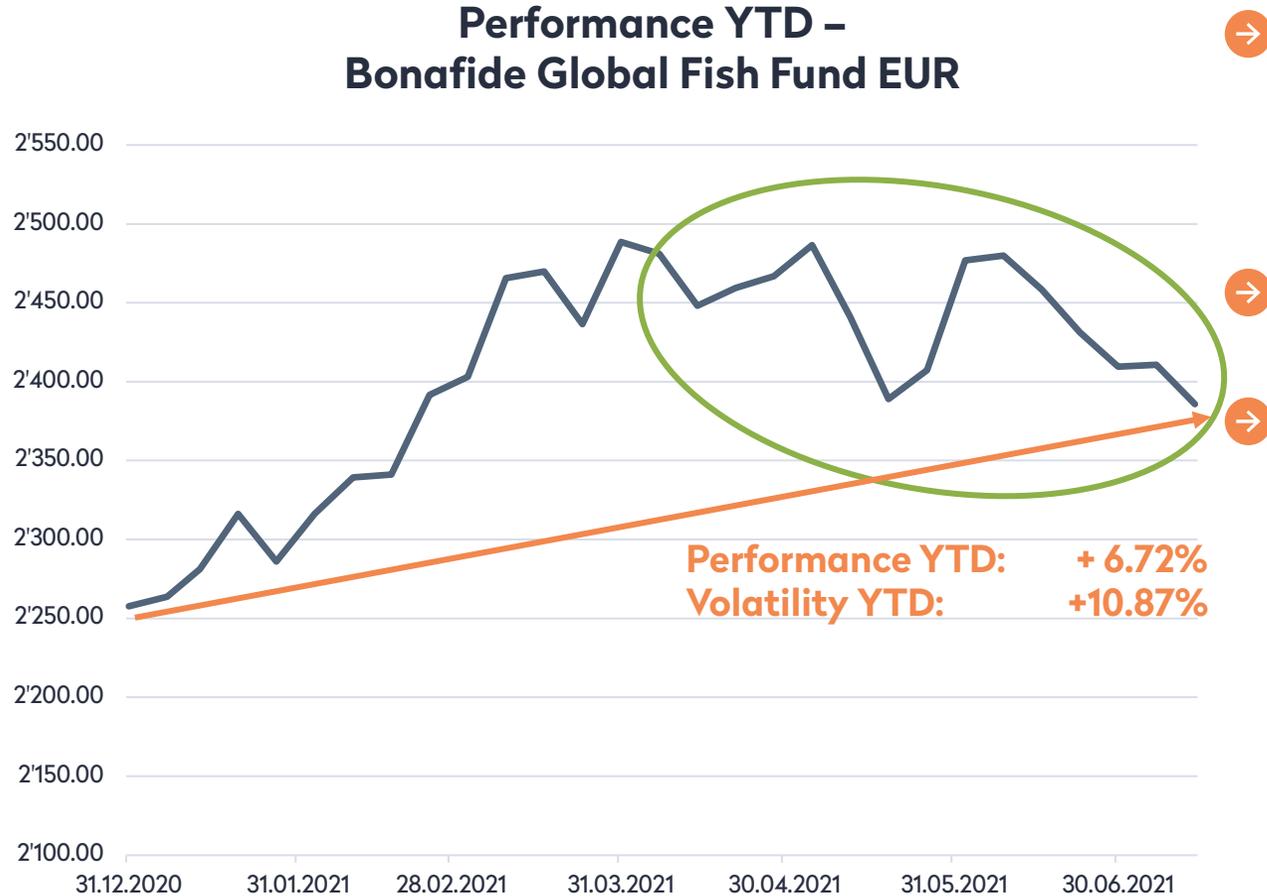
Quelle: The New York Times

DealBook / Business & Policy

Infections Rise, Earnings Fall, Stocks Go ... Up?



Healthy consolidation in the fish & seafood sector



→ After a very encouraging start to the year in Q1 (+10.23%), the companies in the Bonafide Global Fish Fund consolidated slightly.

→ This resulted in a return of -3.18% for Q2.

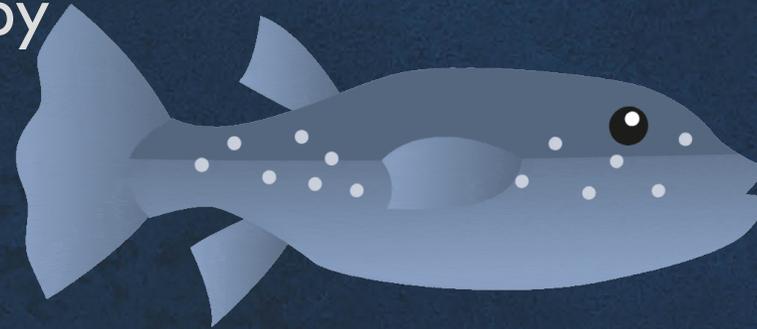
→ The positive outlook for the future remains unchanged.

Positive future outlook

- Global trend towards a healthy and balanced diet
- WHO recommends eating fish 2 times per week
- Strongly increasing demand with limited supply growth (land-based, offshore)
- Sustainable investments are in demand
- Numerous IPOs and increasing interest in the fish & seafood sector



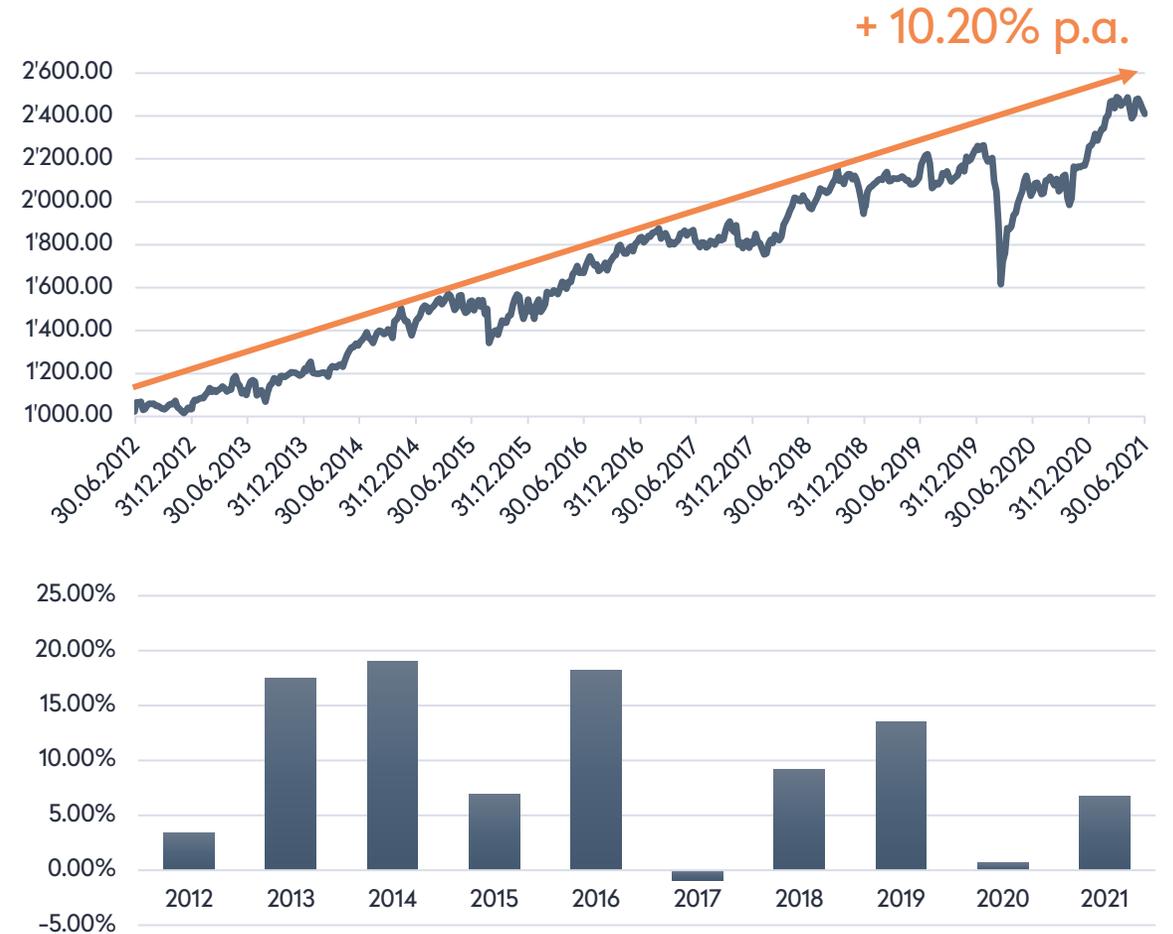
Policy reforms and technological improvements could drive seafood production upward by as much as 75% over the next three decades, research by Oregon State University and an international collaboration suggests.



Bonafide Global Fish Fund enters 10th year

Historical performance EUR tranche

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2021	1.26	4.62	4.05	-0.88	-2.41	0.09							6.78
2020	-1.36	-5.23	-17.87	12.54	5.69	-0.99	0.35	4.04	-2.72	-3.59	8.95	4.35	0.68
2019	5.42	0.91	-0.16	0.60	-1.42	1.47	3.23	-4.52	2.94	-0.84	4.04	1.46	13.49
2018	-1.57	2.35	-0.16	6.14	3.8	-0.25	0.27	1.74	3.17	0.62	0.10	-6.84	9.17
2017	0.72	1.36	-1.68	-1.16	1.71	-1.54	-0.33	-0.52	1.44	2.48	-4.60	1.41	-0.94
2016	-1.38	-0.07	3.96	2.46	2.47	0.41	3.20	-1.49	2.00	3.96	-0.40	1.96	18.24
2015	4.88	-0.27	0.65	0.25	2.65	-2.06	-1.41	-11.21	5.13	3.97	6.84	-1.44	6.90
2014	-0.9	-0.06	1.45	1.92	5.13	1.69	2.83	1.78	-0.31	4.59	-0.47	0.09	19.03
2013	5.08	4.19	-0.83	-0.56	3.21	-4.53	-0.19	-2.65	10.25	0.42	1.84	0.78	17.45
2012						2.28	0.72	2.89	-2.26	2.04	-3.10	0.95	3.40



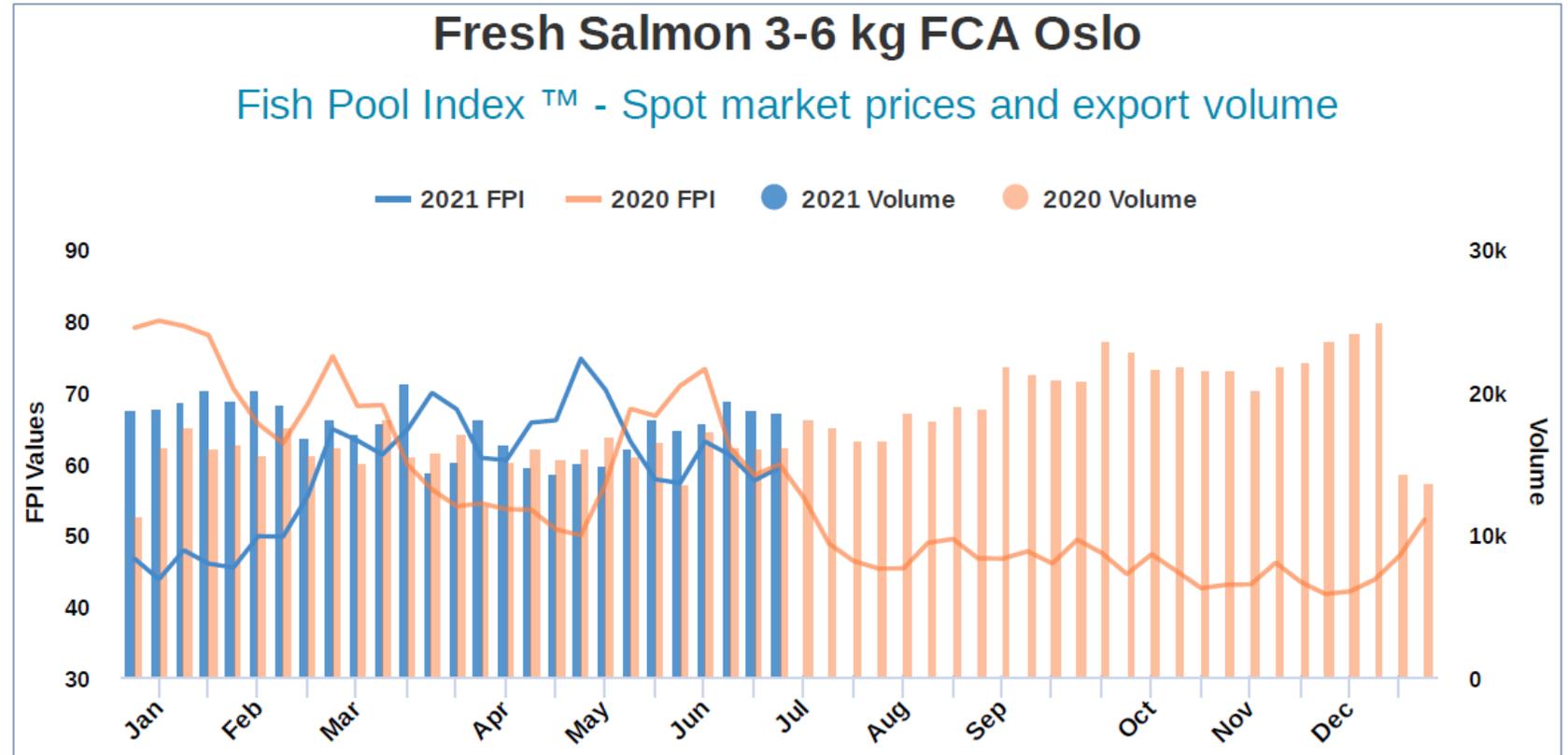
**RESEARCH /
PORTFOLIOMANAGEMENT**



bonafide

Bet on rising salmon price

- Norwegian salmon price held up well in Q2/21
- Biomass growth has led to higher short-term supply, but market absorbed it all
- Magic formula(s):
 $\text{Volume} \times \text{Price} = \text{Revenue}$
 $\text{Revenue} - \text{Costs} = \text{Profit}$



Initial situation at the largest salmon producer Mowi

Volume

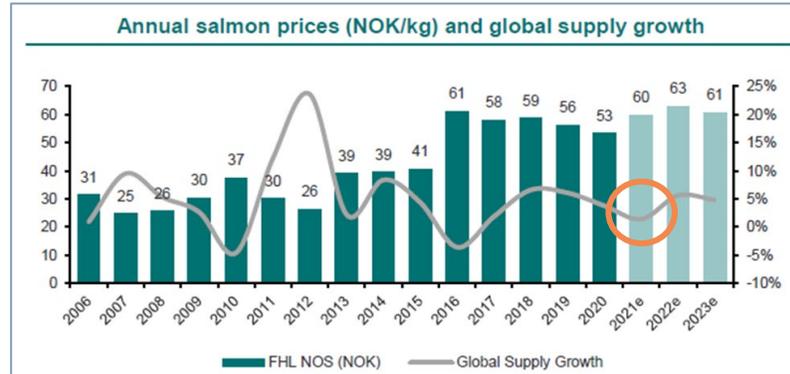
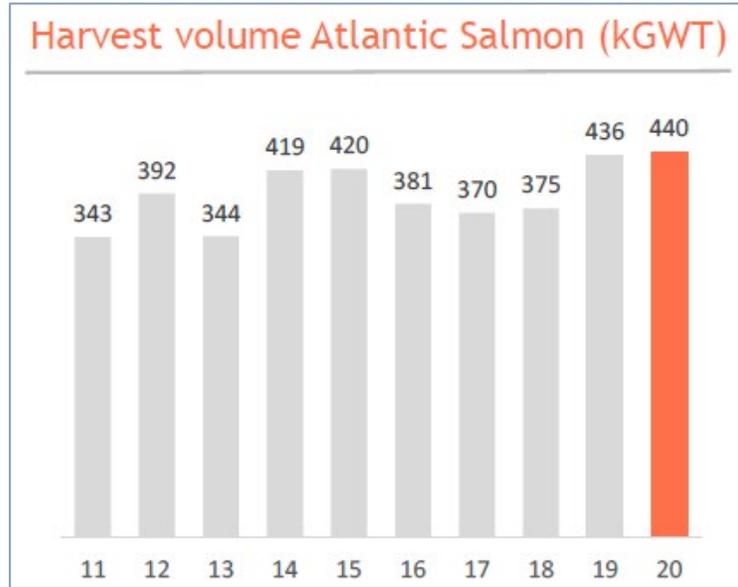
Guidance 2021: 445'000 tons
 Target: 3-4% annual growth
 (Proof-of-concept given)

Price

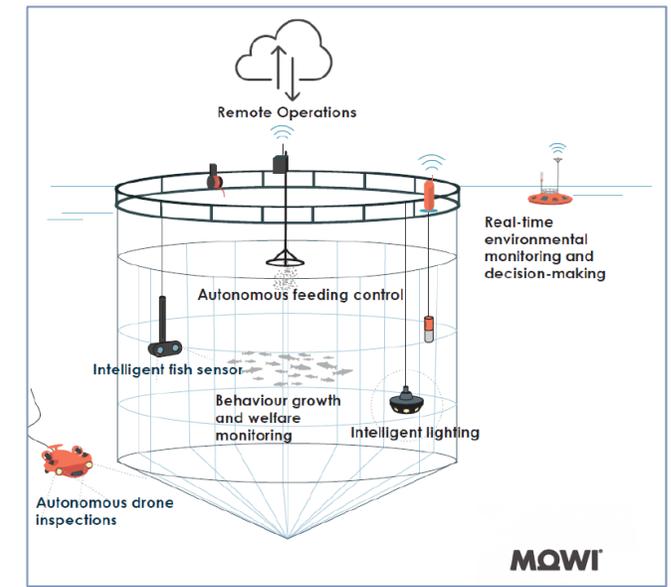
Depending on supply and demand
 Supply growth weakens, demand
 growth remains?

Costs

Smart Farming (Automation)
 10% fewer employees for the same
 volume (productivity gains)

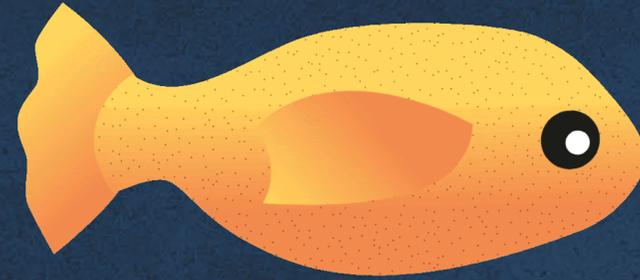


Period	NOK/kg	Trend
Q3-21	57,08	↑
Q4-21	61,60	↑
Q1-22	65,05	↑
Q2-22	66,25	↑
Y2022	62,10	↑
Y2023	58,75	→



7-year chart of Mowi





Big Picture:

How much can the demand for salmon grow?

Experiences from other meat proteins

The "big picture" for assessing demand



Pork

CHF 25-50/kg

Rather heavy food

Rather inefficient protein

Chicken

CHF 25-50/kg

Rather light food

Efficient protein

Salmon

CHF 40-60/kg

Light food

Very efficient protein

Beef

CHF 50-100/kg

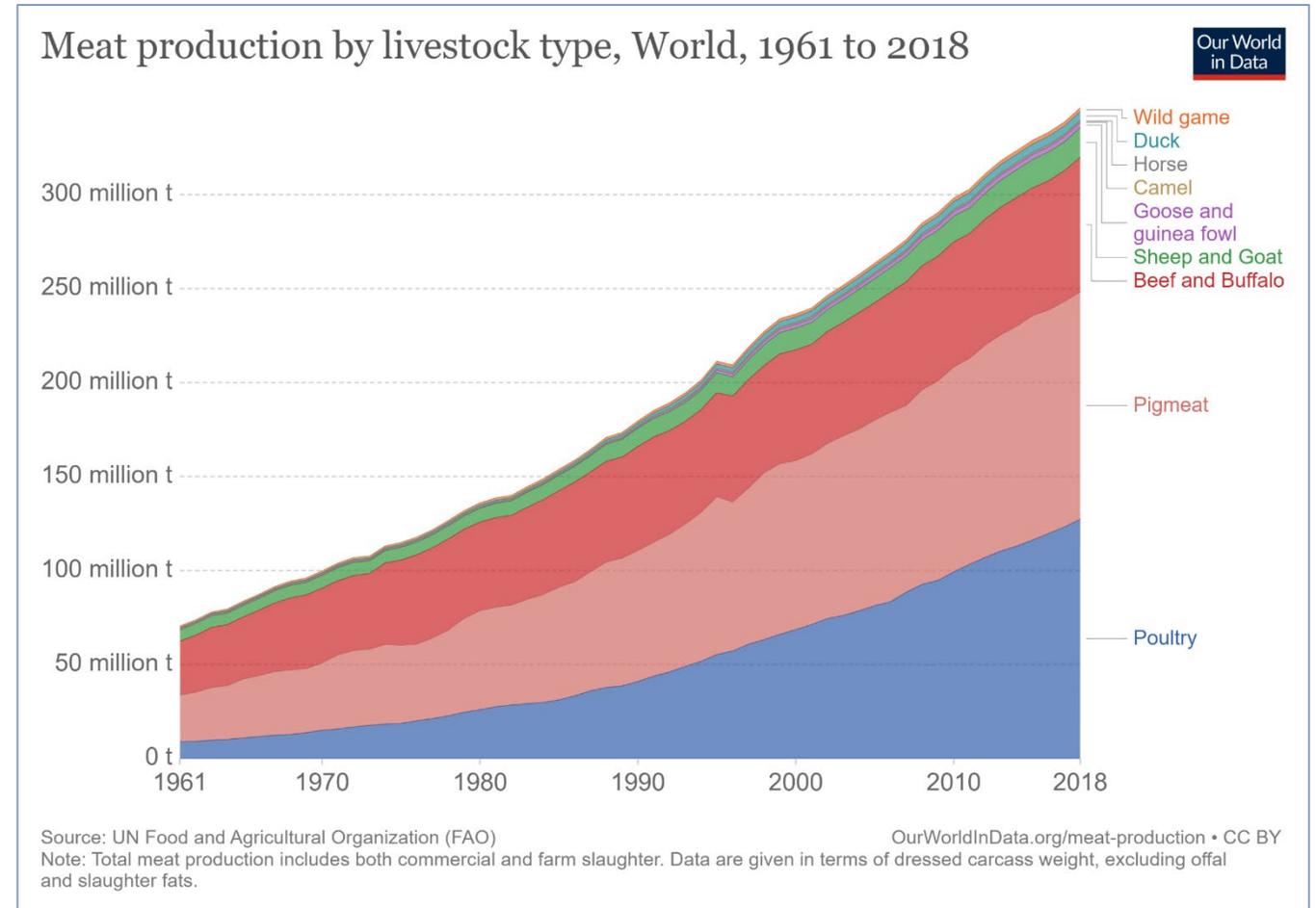
Heavy food

Inefficient protein

Efficiency based on feed conversion ratio and other sustainability aspects.

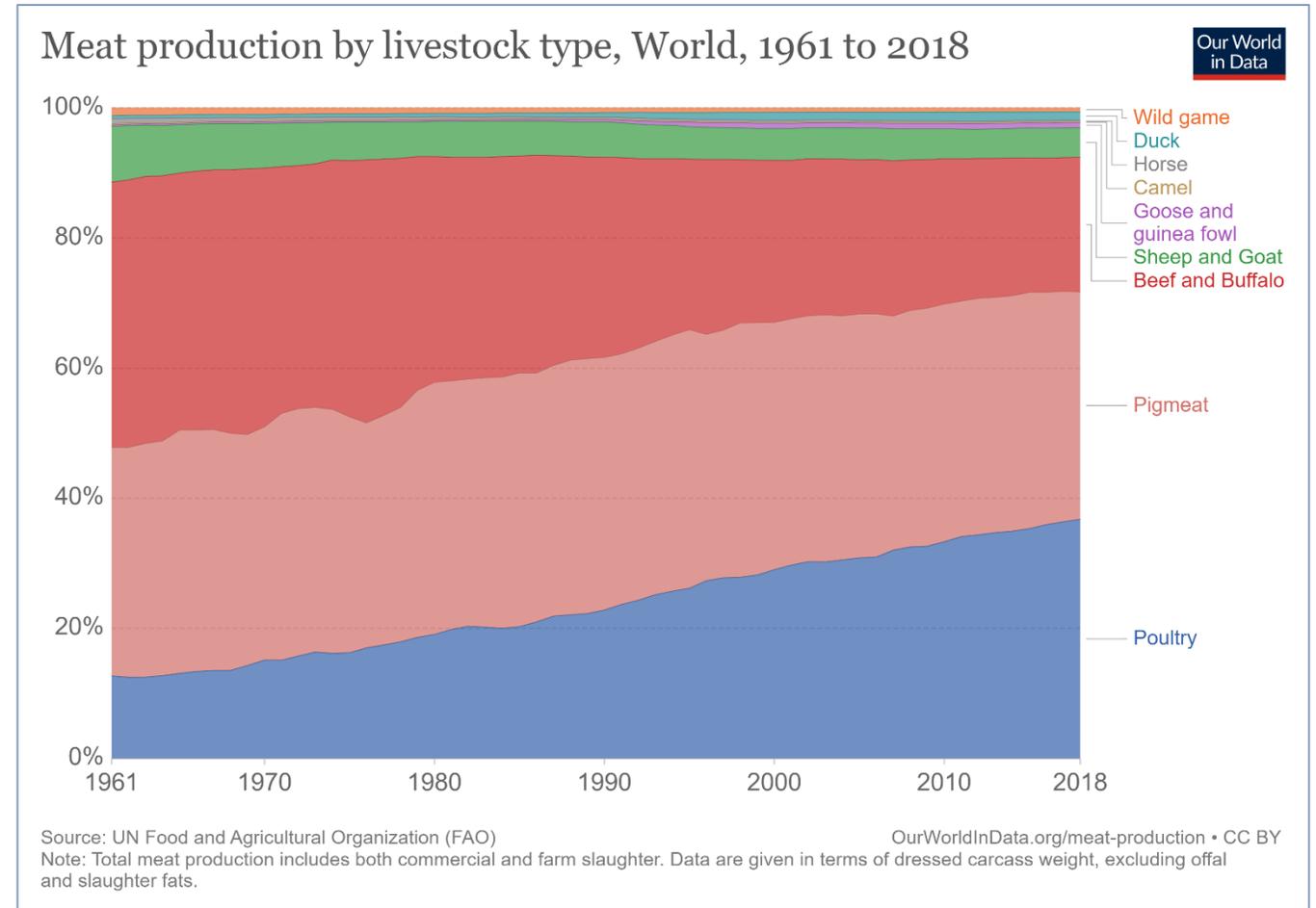
Development of meat production of chicken, pork and beef

- Increase mainly due to population growth (around 3 billion people in 1960).
- Chicken grew from 9 million tonnes (1961) to 127 million tonnes (2018)
- Pig grew from 25 million tonnes (1961) to 121 million tonnes (2018)
- Beef & Co. grew from 29 million tonnes (1961) to 72 million tonnes (2018)

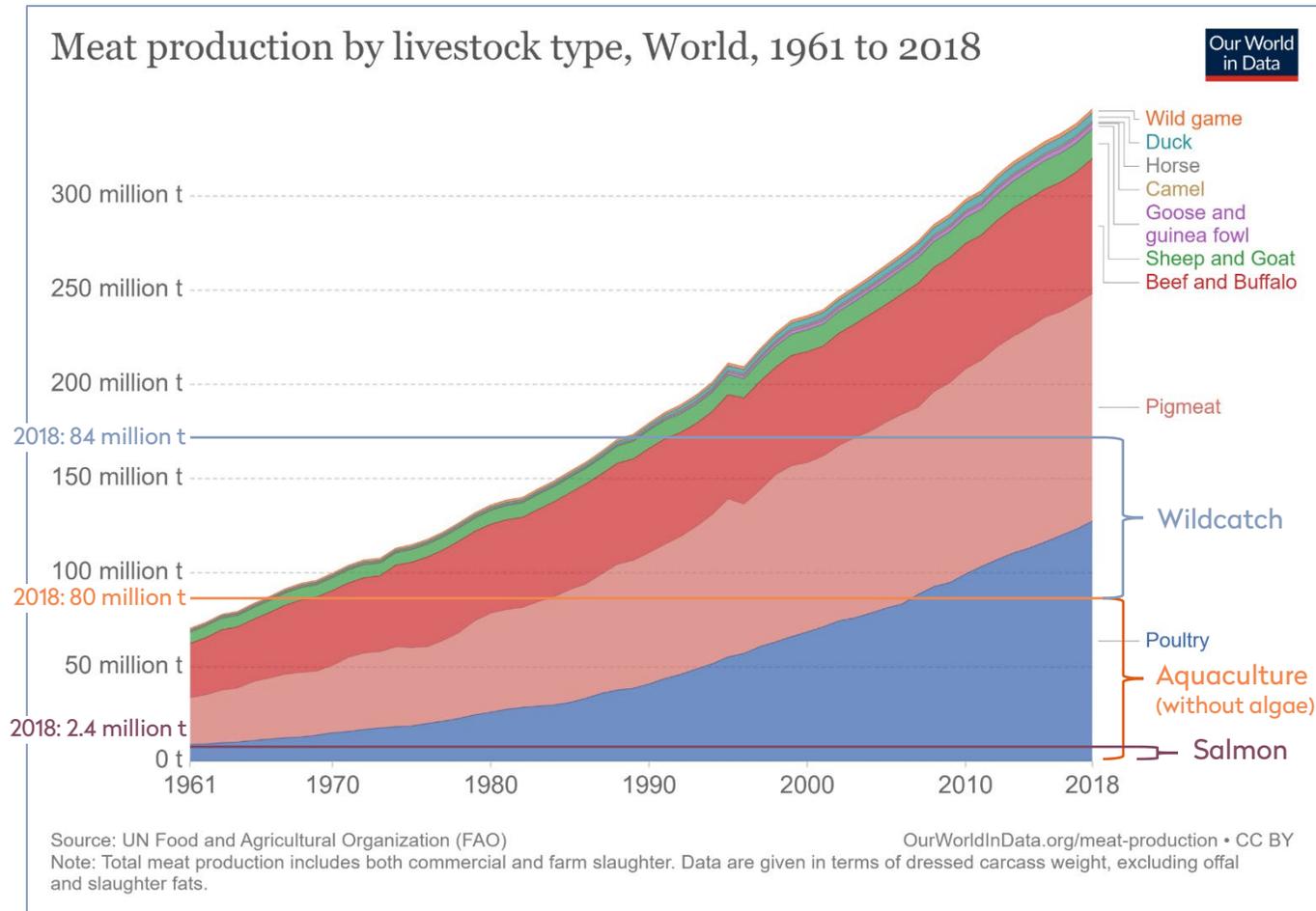


Development of meat production of chicken, pork and beef

- Relative graph with shares of total production
- The "most efficient" protein (chicken) gained the most market share
- The "inefficient" protein (beef) slipped back to third place
- Pork maintained market share of around 35 percent



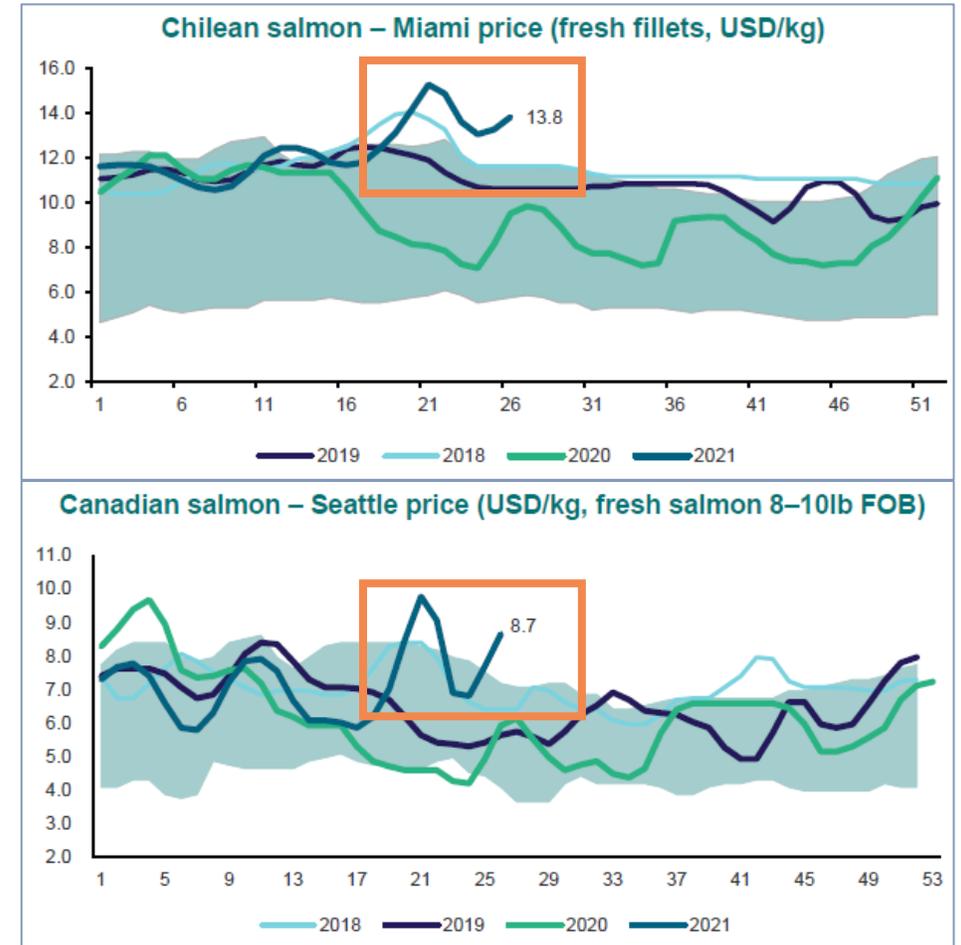
Classification of wild catch, aquaculture and salmon



- Aquaculture and wild catch account for about 1/3 of meat proteins
- Large part of aquaculture volumes are species produced and consumed in Asia such as carp
- "Western" fish such as salmon or shrimp account for small volumes
- Demand for salmon or other high-value food fish is likely to be far from exhausted

US market for farmed salmon

- US market is "undersupplied" with salmon; salmon farmers from Chile and Canada achieve record prices
- Supply shock from Chile starting now and expected to last about 9 months, after which volumes will grow again slightly
- However, 2020 supply levels are not expected to be reached until 2023
- If previous market laws hold, above-average salmon prices can also be expected in 2022
- Production in Norway is likely to be the price driver in 2022 with low volume growth of only 3%



Exports of Chilean salmon producers in H1/21

- Record volume exported to the US from January to June 2021
- Nearly 24% volume growth in the US market compared to 2019
- With less supply, exports will fall and price will rise (further?)
- Magic formula(s):
Volume x Price = Revenue
Revenue - Costs = Profit

Chile's farmed salmon exports to US, Brazil rebound as foodservice sector recovers

Shipments to both the United States and Brazil showed a rise from the pre-pandemic first half of 2019, indicating underlying strength in demand.

14 July 2021 5:31 GMT UPDATED 14 July 2021 7:14 GMT

Chile salmon exports to the United States, Brazil

Destination	Jan to June 2019	Jan to June 2020	Jan to June 2021
United States	99,320	107,950	122,856
Brazil	58,144	51,077	65,397
Global Total	363,014	381,735	380,097

Source: Chile Salmon Council/Chilean Customs Data



And what about the salmon stocks that benefit from the US market?

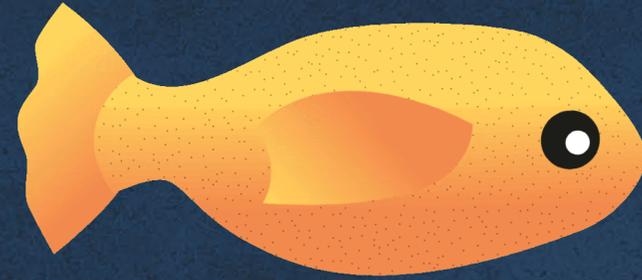
- Only the world's largest producer (Mowi) at pre-Corona level
- Our Chilean fraction suffers from "political stock markets" in terms of share prices
- Operationally, record results will follow in the next 12 months
- All "Chileans" have at least 50-100% upside potential in our estimates
- Plan B is higher dividends



In Japan, "Food" and especially "Fish" seems boring

- Two attractive Japanese small caps whose operational recovery is progressing
- COVID-19 profit contraction of -20% and -5%, respectively, while share prices are still 20% lower
- Use of substantial 2020 cash flows to repay debt and pay steady dividends
- Payback of strong investments due to COVID-19 delayed





Summary
ocean of opportunities

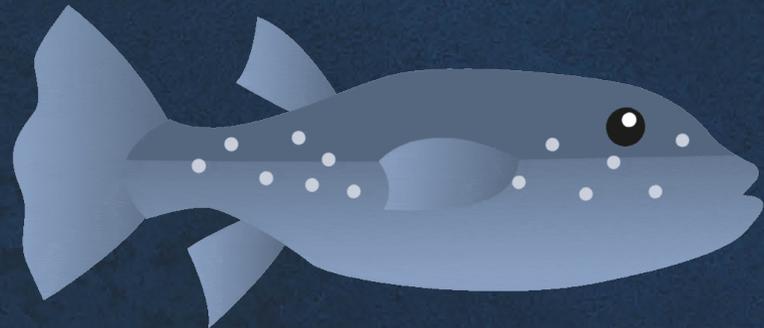
ocean of opportunities

- Healthy consolidation in Q2; YTD: + 6.72%.
- Strong growth in demand for fresh fish in H1
- Nothing has changed in the positive long-term outlook
- Salmon bet still intact, but not priced in
- Demand growth for efficient fish proteins like salmon likely to continue for years (big picture)
- Price is what you pay, value is what you get (Chile & Japan)
- "Aquaculture could feed the world and protect the planet - if we get it right."

– World Economic Forum



Q & A



**Helping to feed the world
with healthy food out of
the ocean.**



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