



Bakkafrost

Don't look at the mosquito at the windshield
Look at the road ahead

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MOI Global

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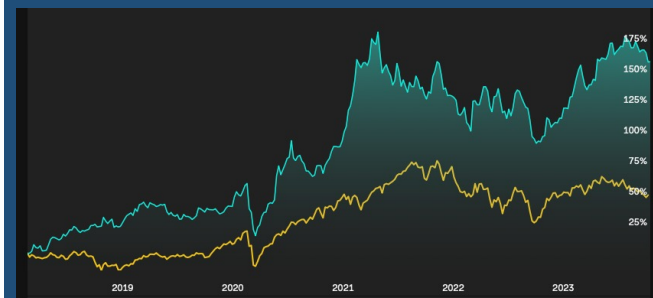


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Background

1. 40 years investment experience in global equities
2. Analyst, sales, asset manager, Investor Relations
3. Family office since 2017
4. Since September 2023 part of Coeli Global Select

Performance since 2017



Investment focus

1. Long term thinking
2. Concentrated portfolio
3. GARP. Focus on growth, quality, structural tailwinds, a ‘must have’ product or service, good stewardship in business execution and capital discipline
4. Multi-baggers – find them when they are mid-sized or seriously mispriced
5. Patience – it takes a lot of years watching the trees grow
6. Adjusting size and talking out weed early

Multibaggers that worked /still work



Previous MOI Global cases:



Mercedes-Benz



Bakkafrost 505 NOK

Planet Earth is too small for the future protein needs, so farmed fish will replace conventional fishing and other animal-based proteins

Has grown organic until acquisition of Scottish Salmon in 2019

Listed in 2010 on Oslo at 31 NOK



- 1 Founded 1968 at Faroe Islands
- 2 Fully integrated salmon producer; from feed to end-user brand
- 3 2024 sales 9.0bn DKK, free cash flow 1.2bn DKK. Market cap 19bn DKK
- 4 Targets 10-11% growth. ROIC normalized is 15%+
- 5 Low profitability period in 2022-23 has opened for 15-20% TSR CAGR to 2028

Proteins

Proteins are part of a healthy diet

Americans and Europeans are on 3.000+ calories 'diets' with 105 gram protein per day. Asia is moving up from 80 grams to 100 grams and other parts of the world are on track for diets with 100-110 grams of protein every day

With the current protein sourcing from animals, vast amounts of grassland is needed for feed for the animals. It's unsustainable for a world with 10 billion people.

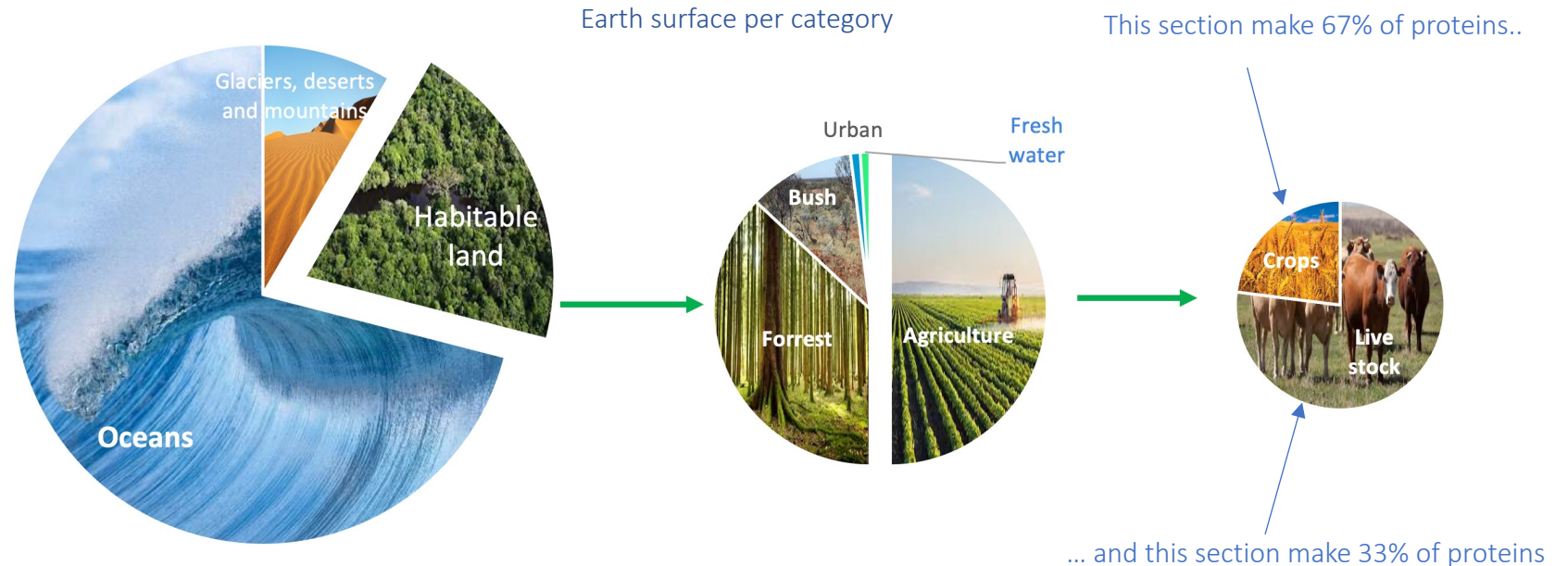
Current consumption per year is 65 billion chickens and 550 million cattle

Humans use 8% of Earth surface to make animal-based proteins

A good steak, roasted chicken or crispy pork roast is the favourite protein for many people. We're 8 billion people on earth and likely to be 10 billion in only 30 years. If all are to have proteins as today, we need one or two more Earths

We could also source proteins from plants or the Oceans.

2% of Earth surface produce 67% of proteins as plant-based proteins. And 8% of the surface produce 33% of proteins as animal-based proteins. That's unsustainable as we will run out of land



Source: Own design based on data from www.ourworldindata.org

The market

A 25bn € industry. 2.9m ton
And aprx 600 million salmons

4% volume CAGR

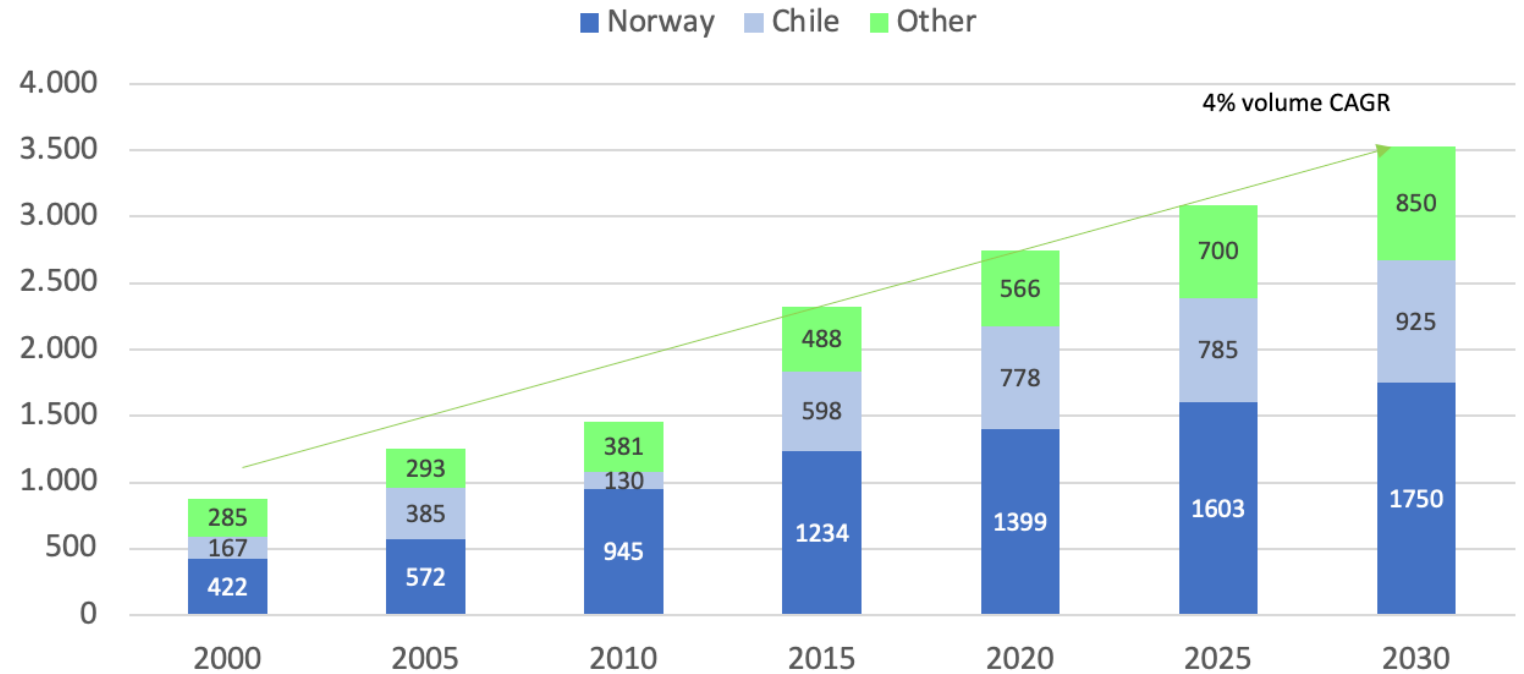
Norway dominates with 50% share

Bakkafrost has 3-4% market share

Faroe salmon is highest end quality due to better ocean flow in nets and refined breeding and feeding

Faroe salmon are higher priced due to better quality

Salmon harvest volumes ('000 tons)



Source. Mowi, Salmar, Bakkafrost



The product

Smolt (baby salmon) are grown in on-land tanks and released into ocean nets when they are 100 gram to 500 gram

The bigger the smolt the lower the risk for skin lice and other diseases

1.2 kilo fish feed converts into 1.0 kilo salmon

It takes 10-18 months to grow a salmon to slaughter size 5-6 kilo

Bakkafrost is a leader in 500 gram smolt that only need 10 months in the ocean



Proteins II

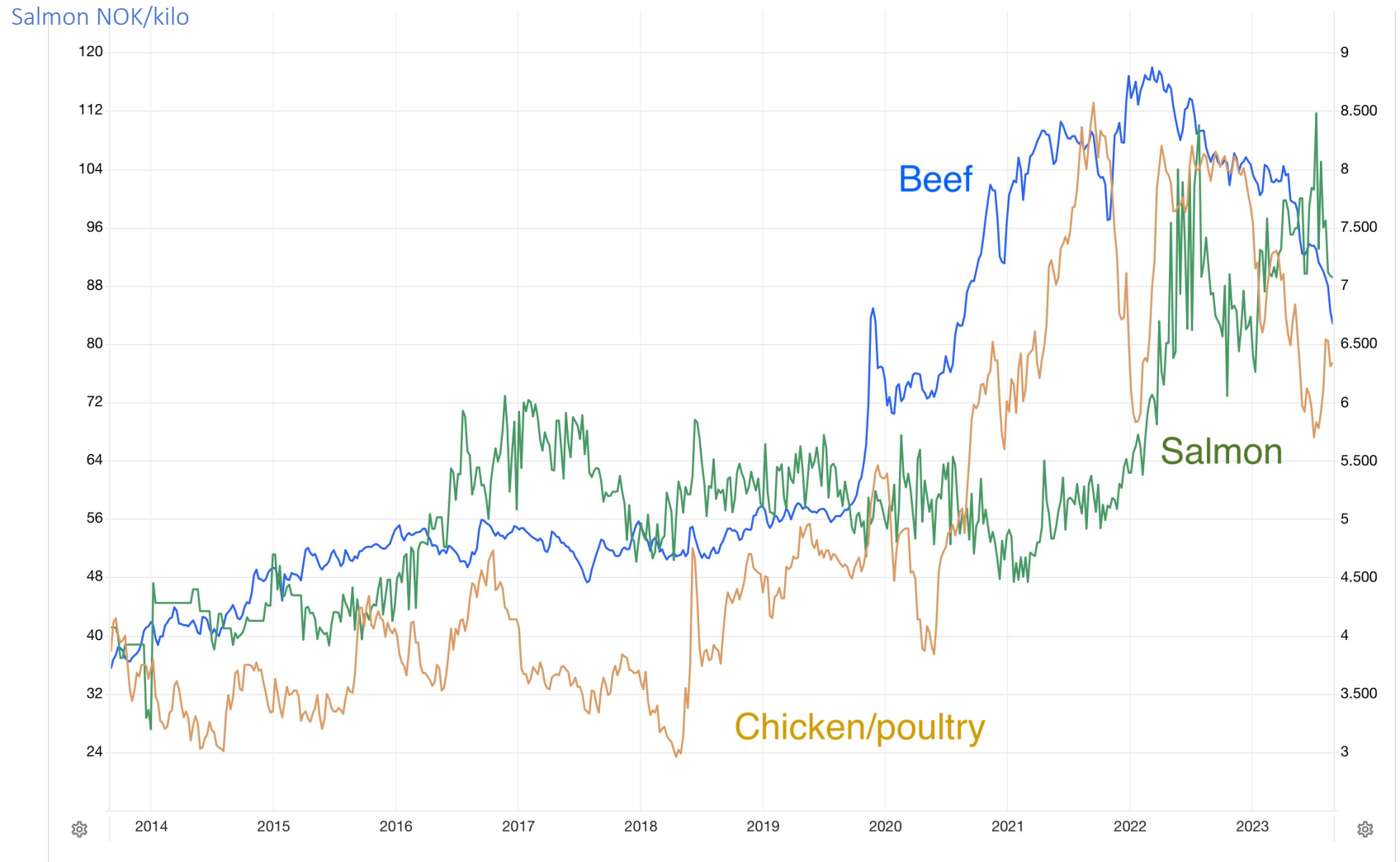
Unsustainable protein production

Plant based proteins is one solution and in addition it has low CO2 footprint

Another protein solution is using the biggest part of Earth surface; the Oceans

Salmon farming is a relatively small industry with 25bn € in revenues. The global salmon industry farm aprx 600 million salmons per year of 5-6 kilo a piece

Price for selected protein types

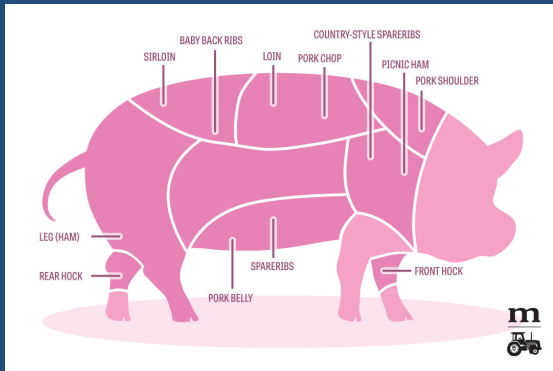


Proteins III

Protein prices tend to correlate

Oct 2023 pork spot is 85\$

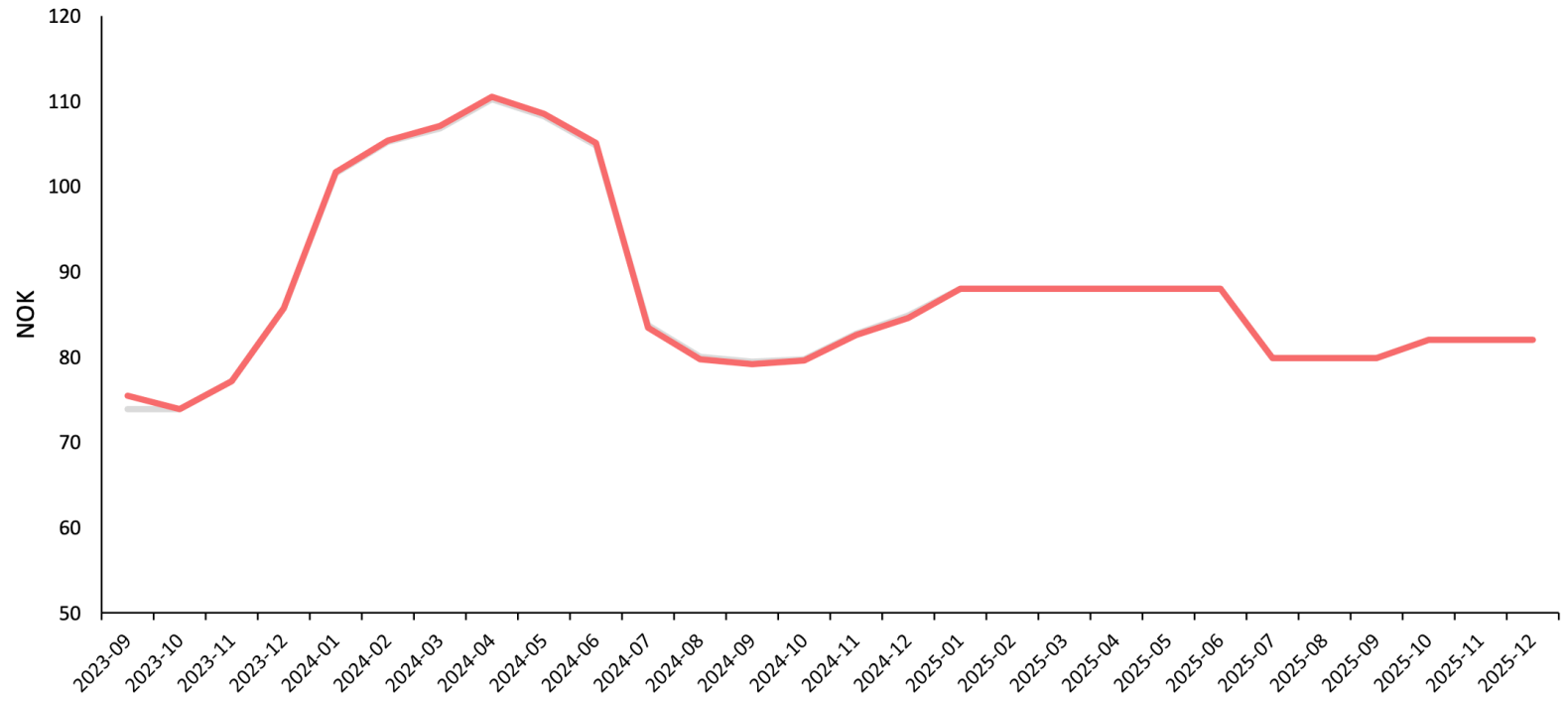
Dec 23	69\$
Apr 24	79\$
June 24	93\$
Oct 24	81\$
Dec 24	76\$



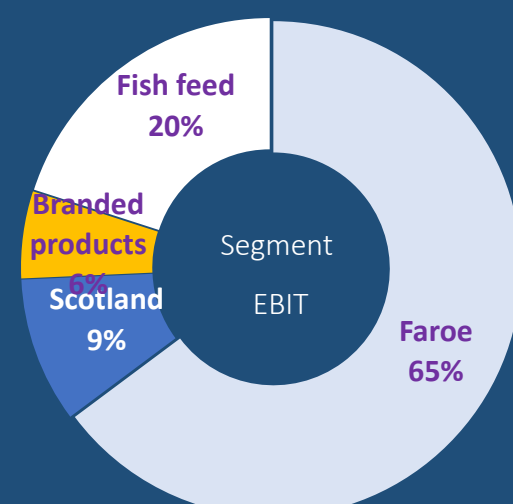
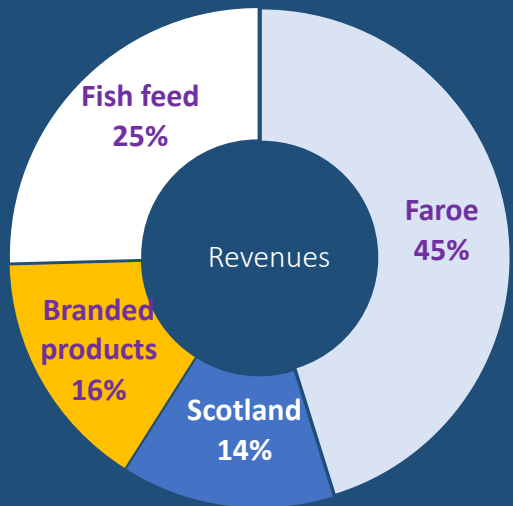
Fish pool salmon forward prices in Norway

Salmon NOK/kilo

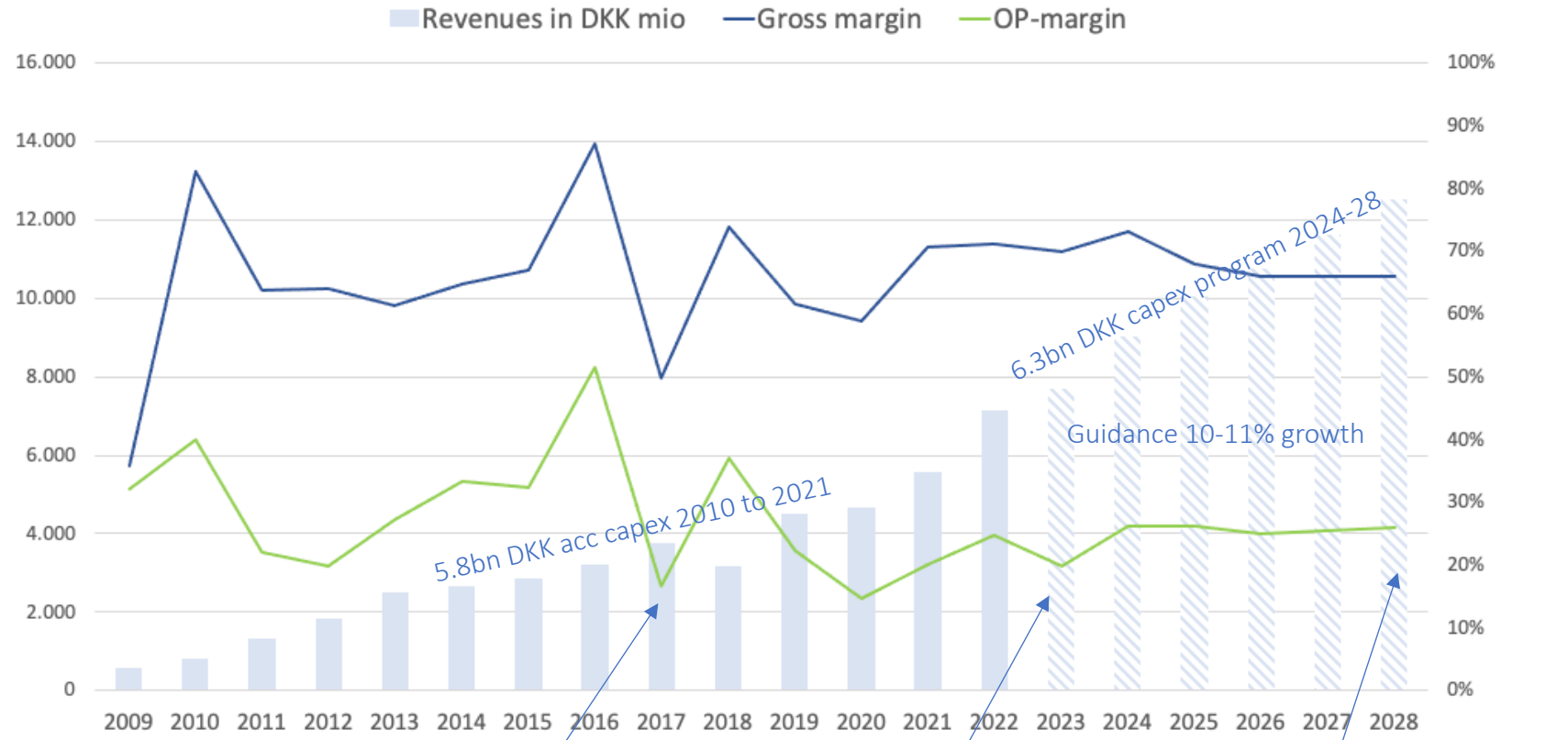
Fish Pool Index Forward Prices vs. last week



Bakkafrost revenue and profitability drivers



Bakkafrost key financial metrics



Mix of consensus and own estimates

55.000 tons/year

93.000 tons/year (guidance)

180.000 tons/year (ambition)

3Q trading update

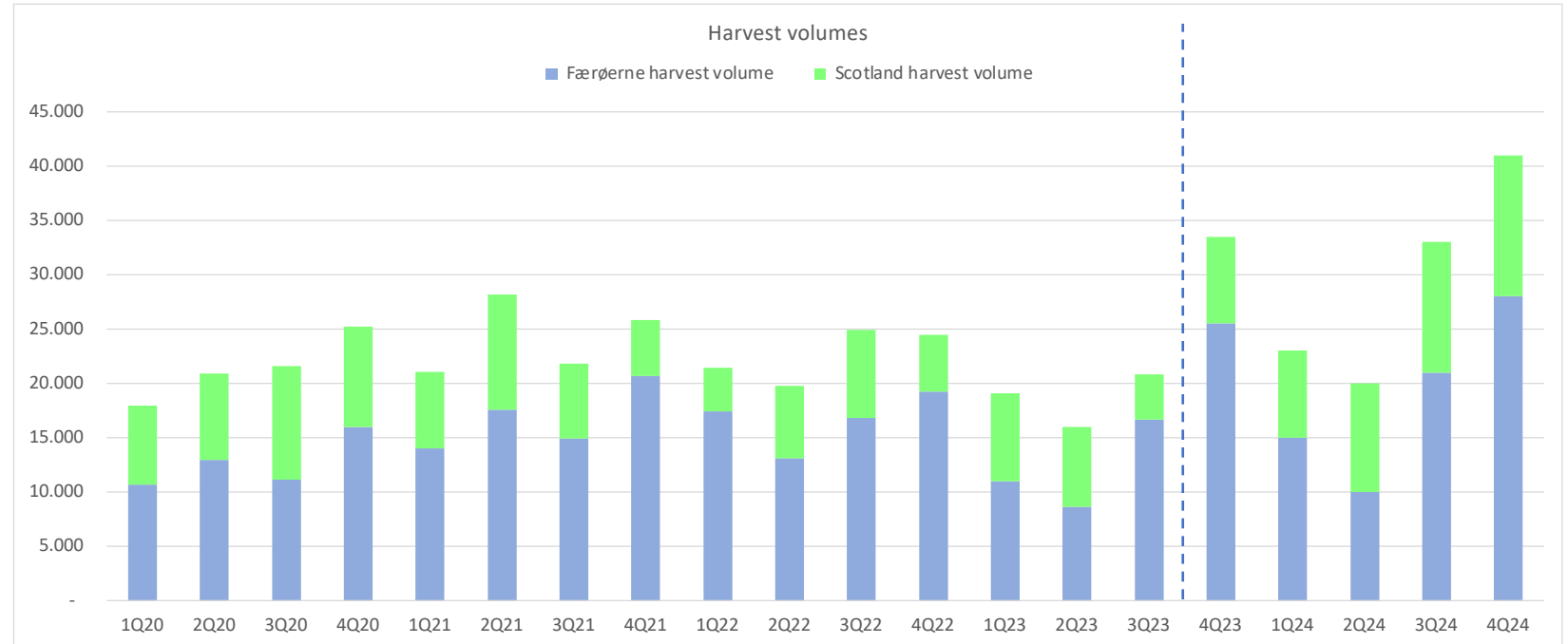
20.800 tons harvested in 3Q

Faroe 16.700 tonnes
Scotland 4.100 tonnes

A bit below guidance, so they have to get busy in 4Q23

2023 guidance is 93.000 tons, but I think it will only be 89.000 tons

2024 should be better due to Scotland coming back on track



Stock price, holders and leadership

Top 20 shareholders

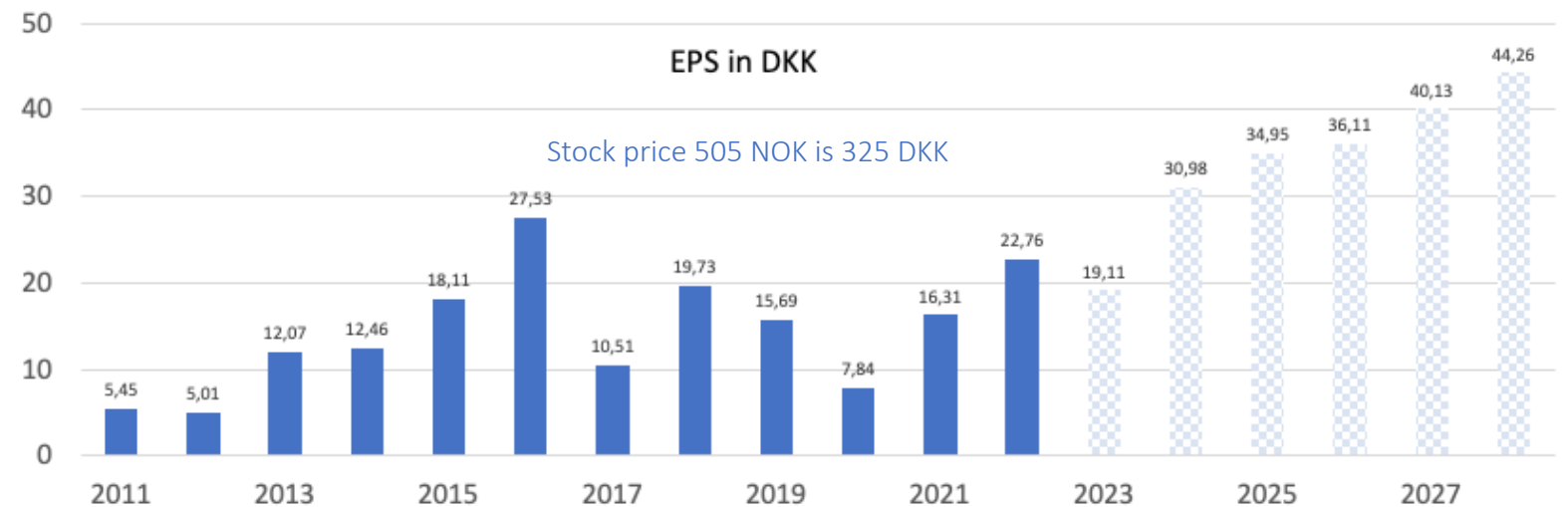
1. Jakobsen family 16%
2. Folketrygd Norway 9%
3. nominee are the next 18 on the list

Governance

Family controlled and complies with its tight knitting with the Faroe Islands community

Jakobsen wealth equal 20% of Faroe GDP

Stock price flat for 4 years. Fundamentals shows a 2x larger company



Peers

Industry has been through a few tuff years with restaurant closures, Russia market closure, illness and the Norwegian resource tax

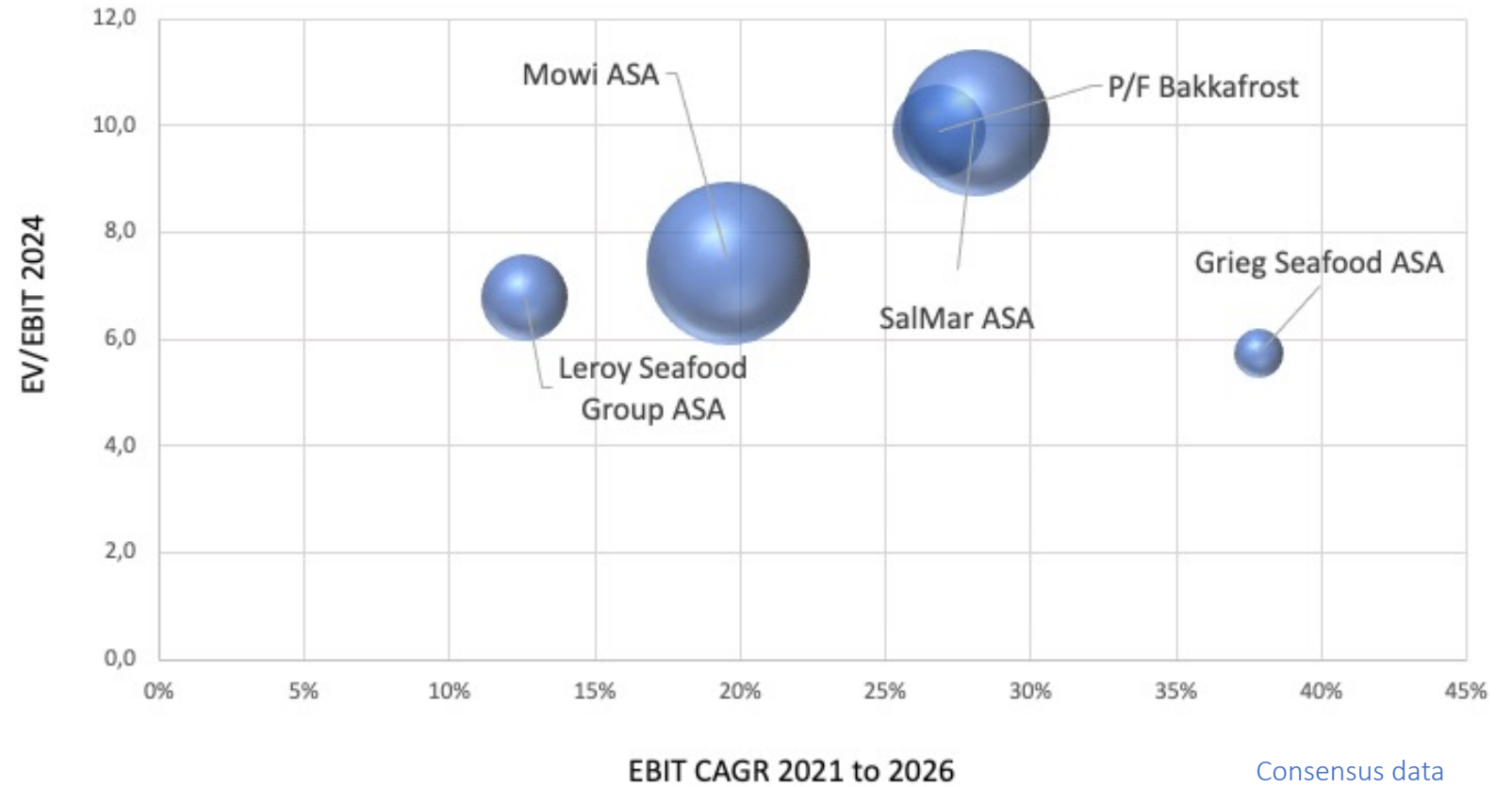
The next 3-4 years should see normalization and annual EBIT CAGR of more than 20%

EPS CAGR 2021-25

Bakkafrost	29%
Grieg	45%
Lerøy	14%
Mowi	20%
SalMar	21%

Stock prices eventually follow earnings

Growth/valuation chart for the salmon farmers



Size of bubble related to market cap

Valuation

P/E 2024 11x
 EV/EBIT 2024 10x
 Div yield 3.8%

Company guides for 10-11% revenue growth and to get there they need to invest 6.2bn DKK in the 2021-2026 period

Long term volume growth is 4%

Using historical fwd P/E one gets to 900 NOK in 2027 => normalisation in coming years gives 15-20% annual return incl dividends

At 505 NOK Mr Market is not very optimistic about the protein future that fish farming offers

		EPS growth rate					
		1%	2%	3%	4%	5%	6%
Discounting rate	5%	784	823	866	913	964	1.020
	6%	713	747	784	824	868	916
	7%	652	681	713	747	785	826
	8%	597	623	650	680	713	748
	9%	550	572	596	621	650	680
	10%	507	527	547	570	594	621

Using consensus EPS for 2023-27 and then annual EPS growth to 2043. No terminal value

EPS converted from DKK into NOK at market rate

Bakkafrost stock price drivers

Key stock driver is expected better earnings in the coming years

Planet Earth is too small to feed 8 billion people with 100-120 grams of proteins per day

Fish is a large under developed protein on Earth and traditional fishing is unsustainable

Triggers

1. Quaterly harvest and biomass updates
2. 2024 gradual normalization of harvest in Scotland. Faroe to continue a good path
3. Wait and let earnings growth do the stock price job
4. Next results 7 November 2023
5. CMD's are held every 2 years. Last was June 2023

Volatility factors

1. Price taker and relation to other proteins incl plant based and cell-grown
2. Biological risk. Lower biomass growth and harvest volumes
3. 100% landbased salmon farming is more predictable but also much more expensive
4. Norwegian ressource tax (not applicable for Bakkafrost, but impacted the stock price nevertheless)



Bakkafrost 505 NOK

- 1 Global leader in high quality farmed salmon based in Faroe Islands
- 2 Moving through a soft patch due illness in Scottish operations
- 3 Normalization of harvests in 2024 is first trigger
- 4 Longer term it's a 10-11% grower. Once normalized it's a 15-20% CAGR stock
- 5 10 years from now I can see a company that's potentially 3 times bigger

Perfect case where Mr Market look at the mosquito on the windshield and not at the road ahead