



Marine Ingredients Conference 2013

“Marine ingredients: investment opportunity or future dream?”

- by Petter Dragesund, head of Pareto Securities Corporate Finance

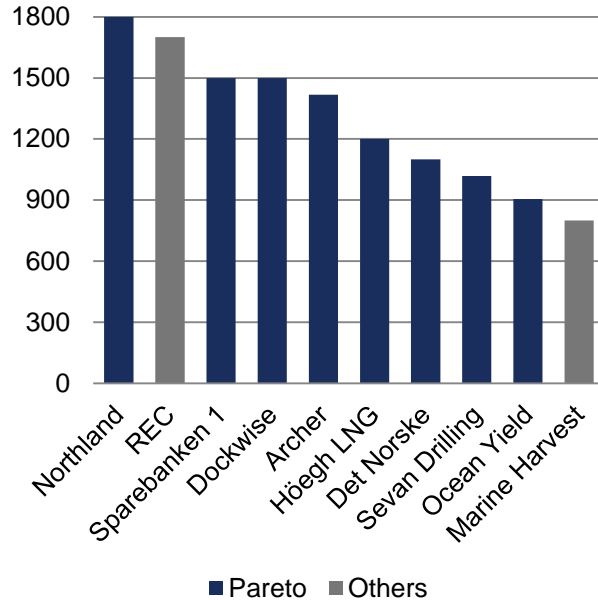
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Pareto is the #1 Norwegian financial advisor

#1 position in equity market

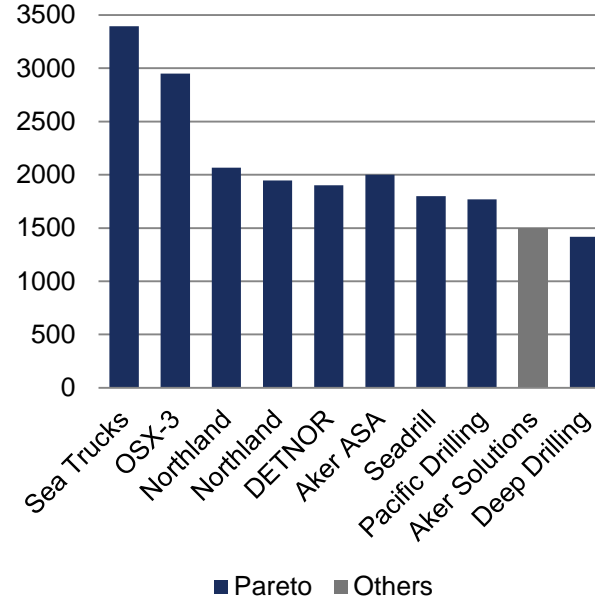
10 largest equity issues on Oslo Børs / Axess, 2012&1H 13



Source: Oslo Børs / Pareto Securities. Including subsequent offerings

#1 position in debt market

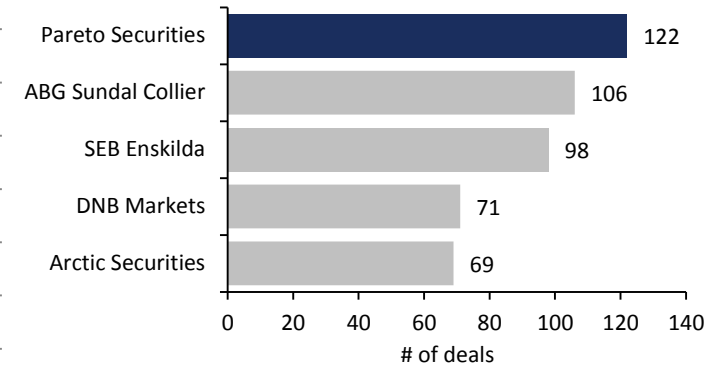
10 largest Norwegian HY bond issues, 2012&1H 13



Source: Oslo Børs / Pareto Securities. Including subsequent offerings

#1 position as M&A advisor

Number of Norwegian M&A deals 2005 – 1H 2013



Source: Mergermarket. Norwegian target or acquirer

Consistently top-ranked advisor

Pareto Securities' Nordic rank on key criteria

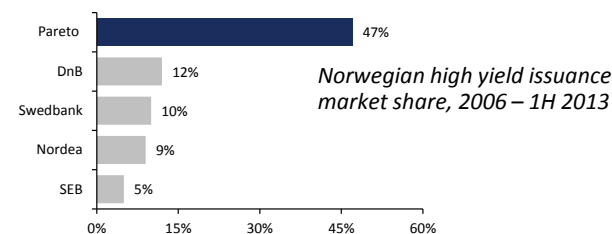
| Criteria | 2011 | 2009 | 2007 |
|------------------------|------|------|------|
| Placing power | # 1 | # 1 | # 1 |
| ECM execution | # 1 | # 2 | n/a |
| ECM experience | # 1 | n/a | n/a |
| M&A network | # 1 | n/a | n/a |
| M&A negotiations | # 3 | # 1 | # 2 |
| Client knowledge | # 3 | # 1 | # 1 |
| Large project capacity | # 1 | # 1 | # 1 |

Source: Prospera. Responses from all clients

IPO champion

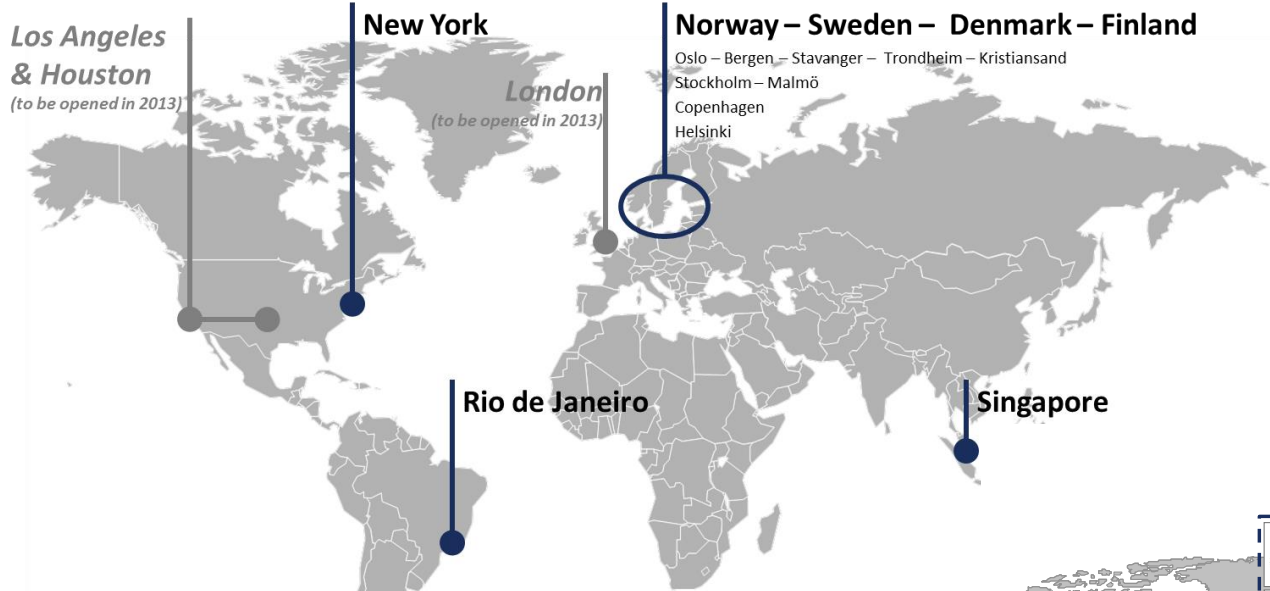
- More than 80 IPOs and listings since 2004 (#1)
- Managed 2/3 of IPOs since 2011 (above 100 mNOK)
- Raised 77% of IPO amount since 2011

Pareto created the Norwegian HY market



Source: Stamdata / Pareto Securities

Pareto is expanding from a strong Nordic presence...



...with global customer base

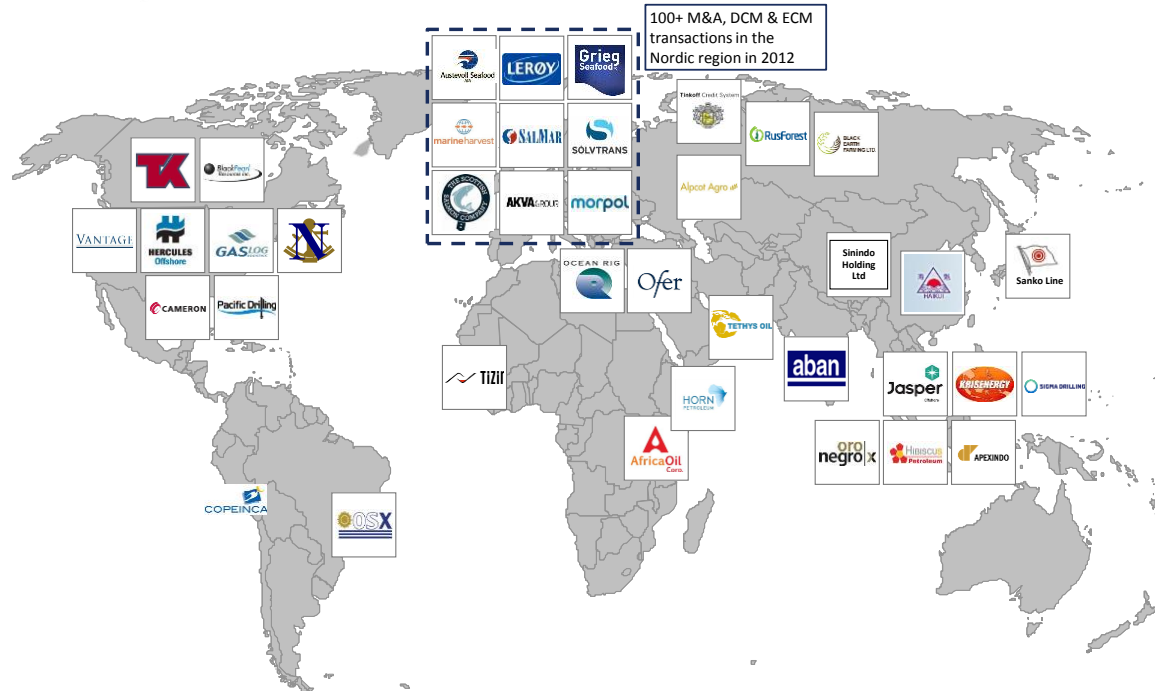
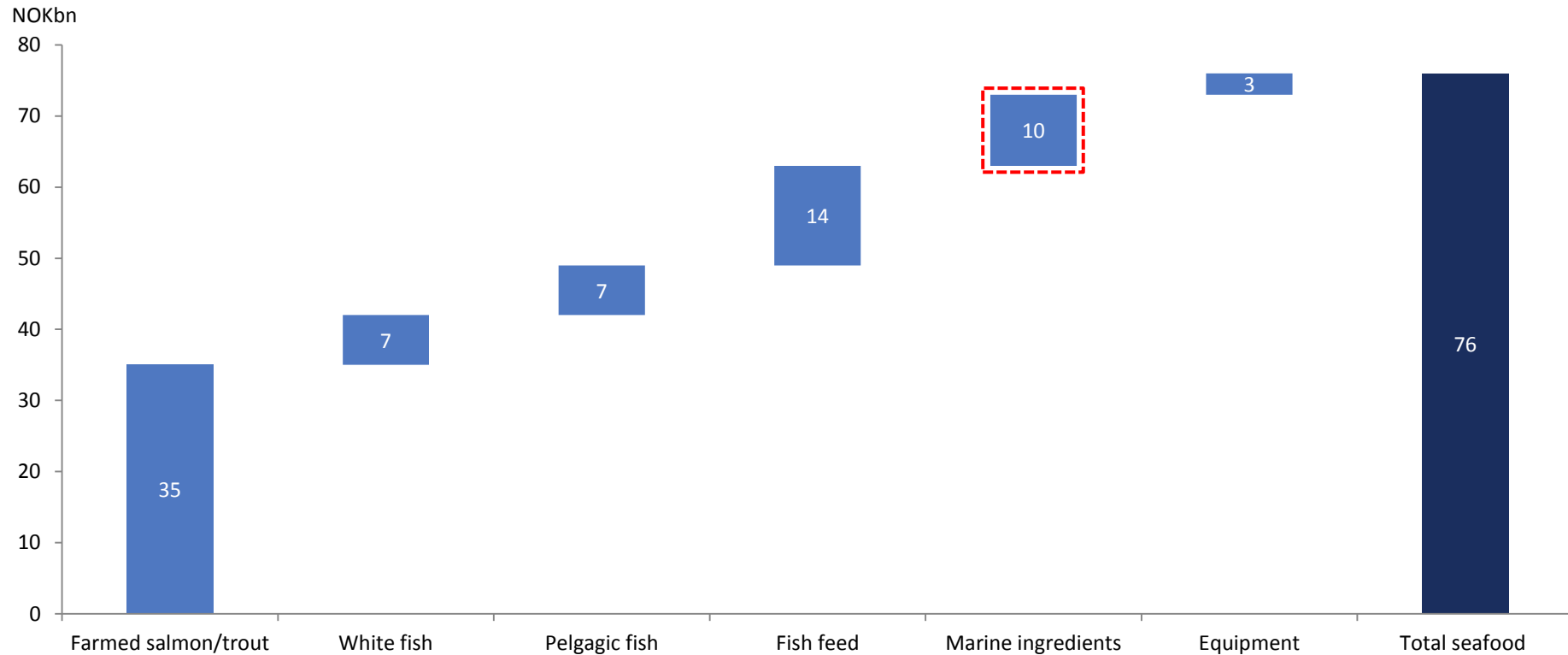


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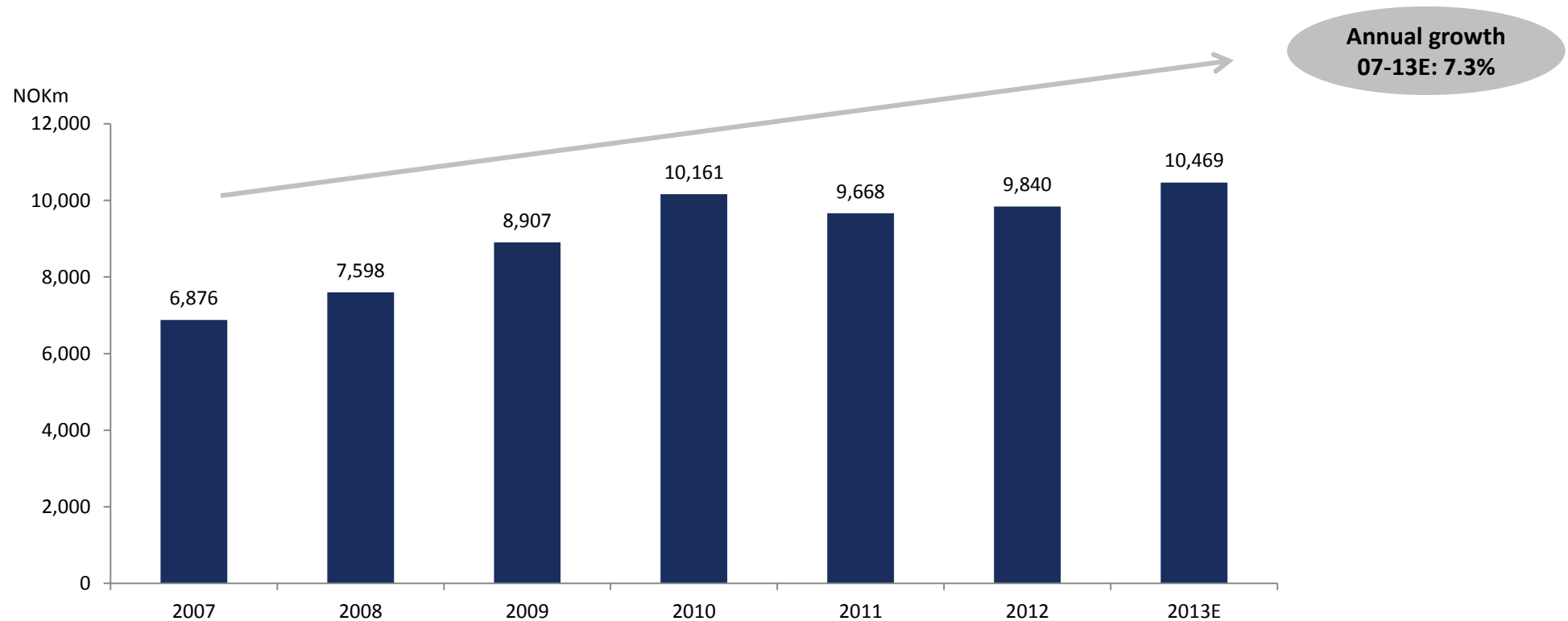
Marine ingredients is a large and important part of the seafood value chain

Total revenue in Norwegian seafood industry (approximate figures)



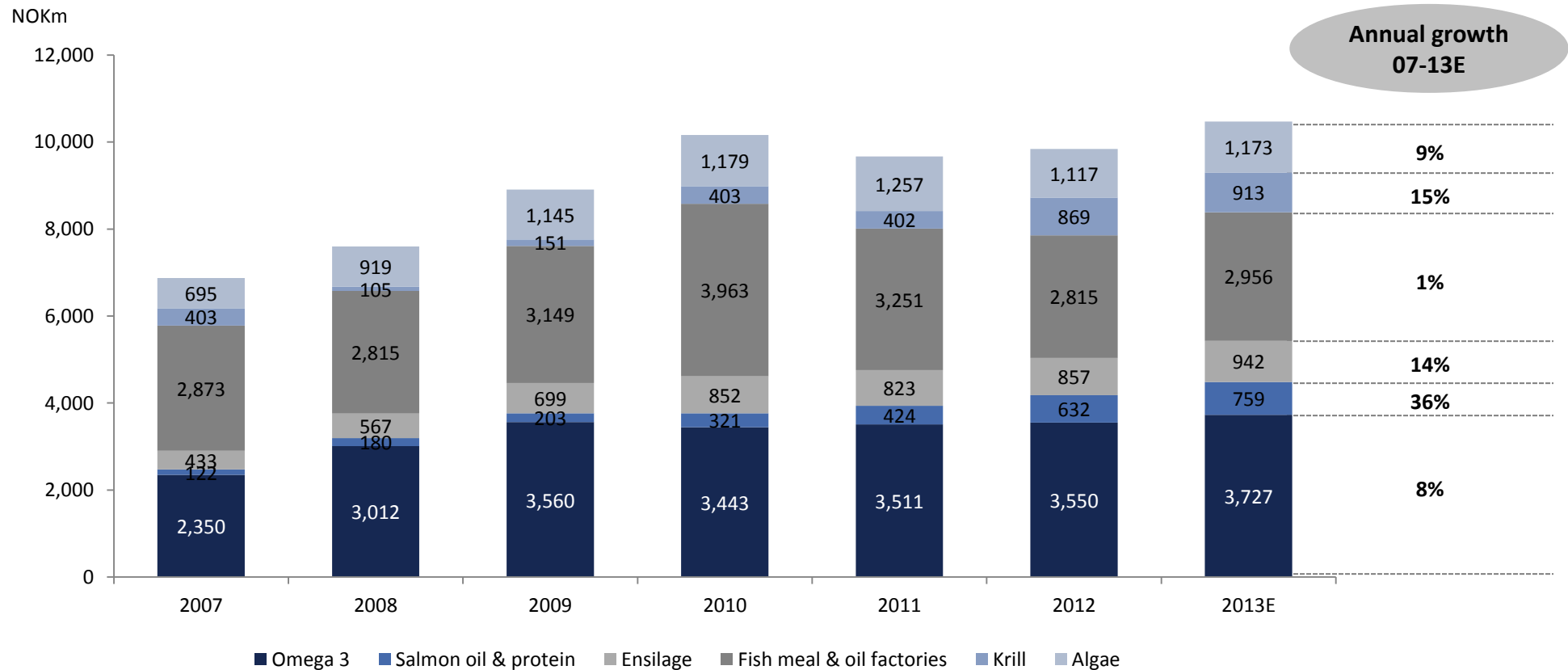
Strong growth in the marine ingredients industry

Total revenue Norwegian marine ingredients companies 2007-2013E



Several interesting sub-segments are emerging...

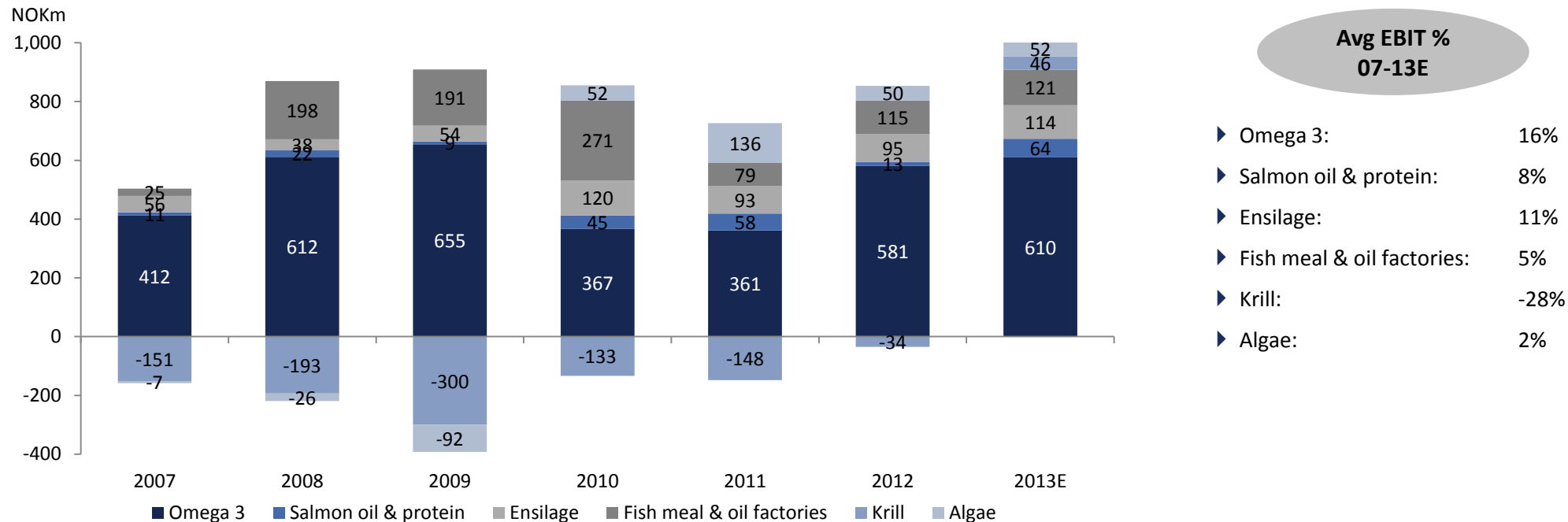
Revenue per sub-segment for Norwegian companies 2007-2013E



- ▶ The largest sub-segments are “Omega 3” and “fish meal & oil factories”, as these have reached a more mature phase
- ▶ The fastest growing areas are “Salmon oil & proteins”, “Krill” and “Ensilage”, which have all more than doubled in size since 2007

...but profitability is often lagging for newcomers

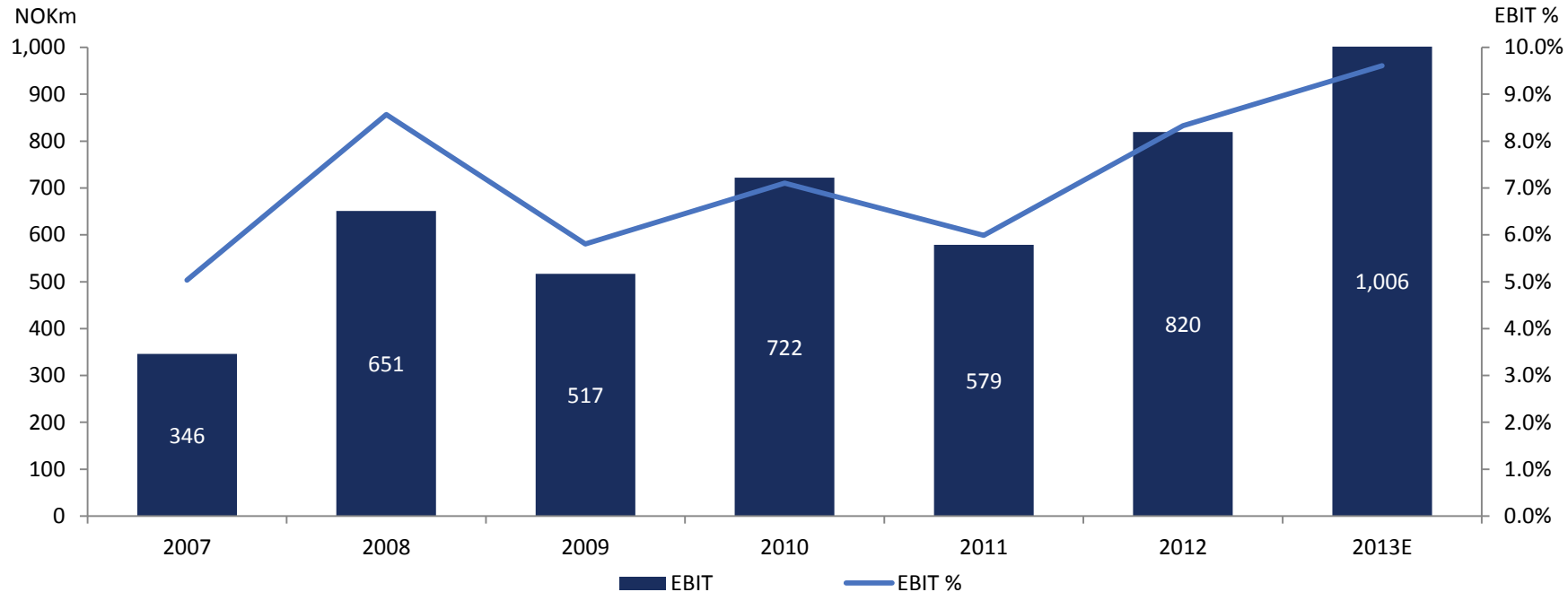
EBIT per sub-segment for Norwegian companies 2007-2013E



- ▶ “Omega 3” is the most profitable sub-segment with stable EBIT margins around 16%-17%
- ▶ “Ensilage” players also operate profitably with EBIT margins around 10%-11%
- ▶ “Salmon oil & protein” have traditionally performed well (10%-15%), but a new entrant with large losses impacts the figures from 2011
- ▶ “Fish meal & oil factories” have more fluctuating earnings with EBIT in the 0%-8% range
- ▶ “Krill” has been through a tough period with high investments and low market penetration; expected to reach first positive year in 2013E
- ▶ “Algae” experienced losses in 2007-2009 but have shown positive results since 2010

The industry as a whole is becoming increasingly profitable

EBIT per sub-segment for Norwegian companies 2007-2013E



The industry is expected to generate NOK 1bn in operating profits in 2013E, and EBIT margins have improved from 5% in 2007 to 10% at current

Marine ingredients industry – supported by strong drivers

1 Regulation

- ▶ The government and NGOs seeks to reduce waste and pollution from seafood activities
- ▶ Increased focus on utilizing the full potential of the seafood production

2 Health benefits

- ▶ Omega 3, protein and other fish-derived products have proven positive health effects for humans
- ▶ Strong momentum in nutritional and pharmaceutical segments

3 Technology

- ▶ New technologies for extraction of oil, proteins and other valuable products from seafood waste are emerging
- ▶ Significant R&D effort has been put into transforming the seafood waste into marketable products

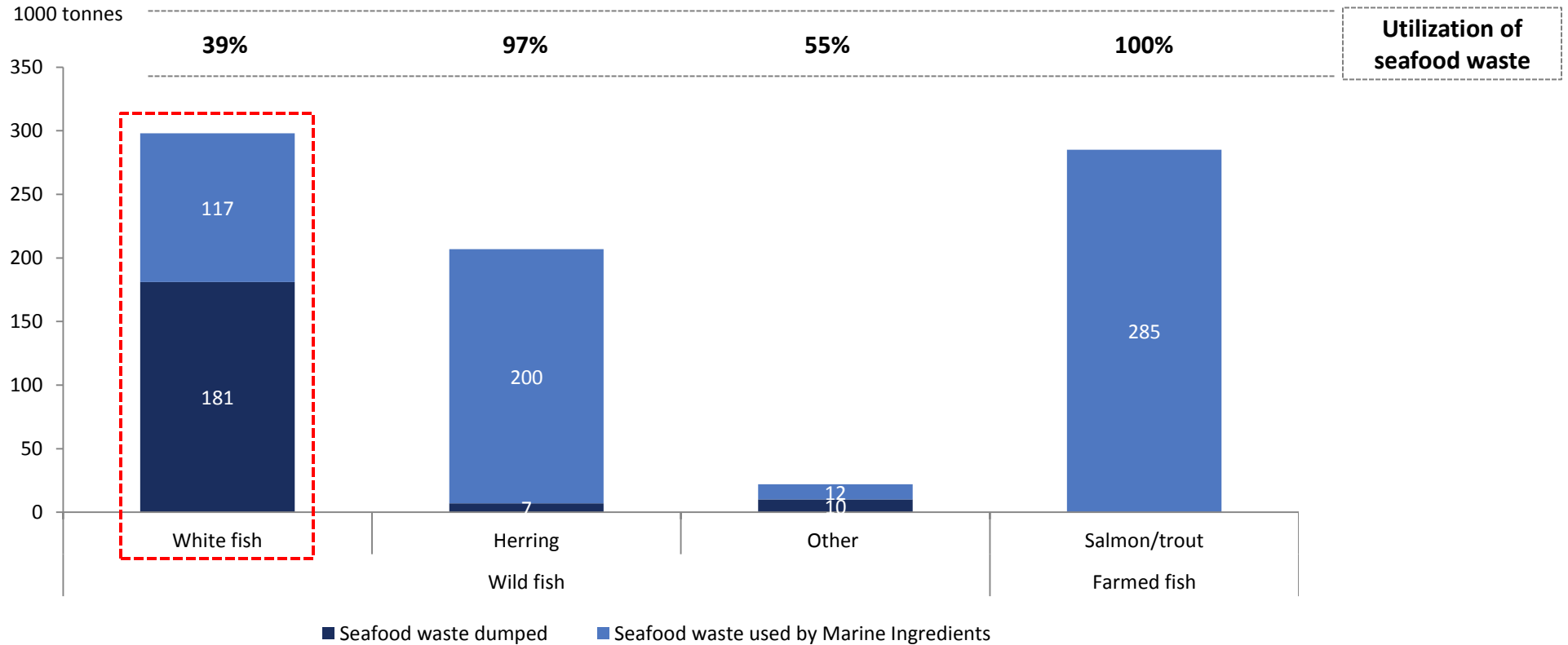
4 Improved supply chain and increased demand

- ▶ Higher and stable fish farming volumes, professionalized operations and improved end-products enable growth
- ▶ End-user demand and acceptance for marine ingredients is growing at record levels

Result of favourable industry characteristics: possible to invest in marine ingredients with a healthy return

Utilization of seafood waste is improving but there is still a lot of upside

Utilization of seafood waste per fish type (2012)



There is big potential in increasing the recovery of residual material from wild white fish – especially cod and pollock. The fishery and the marine ingredients industries have implemented steps for improvement

Norwegian and international marine ingredients focus

Norway – several marine ingredients clusters

International – global presence

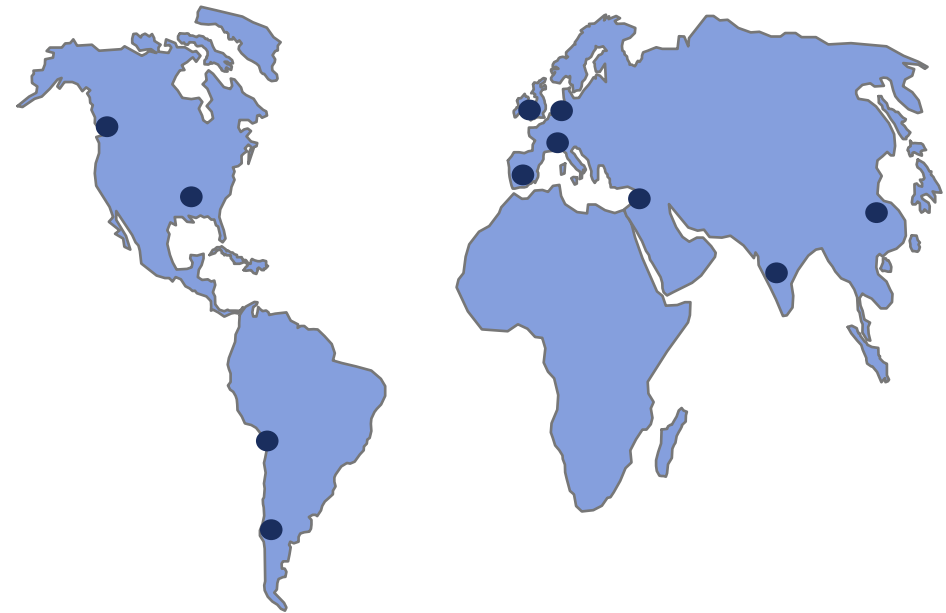
- BioPrawn
- Akva-Ren
- ArcticZymes
- Calanus
- CLAR
- OliVita
- AYANDA
- Cognis Scandinavia
- ConTra
- +++

- Maritex
- Sigmarine
- Nordlaks
- Algea
- Axellus Den.
- Aquarius
- Marealis
- Eximo

- Biokraft
- Napro Pharma
- Firmenich Bjørge
- Polargodt
- G.C. Rieber Oils
- Fortuna Oils
- Hofseth Biocare
- Axellus
- Hordafor
- Biomega
- Aqua Bio Tech.
- Primex BioChem.
- Nutrimar
- +++

- ScanBio
- Berg Lipidtech
- Pharma Marin
- Algea
- Hydral
- Vital Seafood
- EPAX
- Fjordlaks
- Seagarden
- Rieber & Søn
- FMC Biopolymer
- MHG Ingredients

- Pronova Biopharma
- Aker Biomarine
- Regenetics
- Omegatri
- Eco Marine
- Marine Bioenergy
- +++



- Martek (US)
- Neptune Technologies (US)
- OmegaBrite (UK)
- Solutex (Spain)
- Copalis (Switzerland)
- Copeinca (Peru)
- Diamante (Peru)
- Hayduk (Peru)
- Smit & Zoon (Netherlands)
- NCPC (China)
- Cellana (US)
- Algaeon (US)
- TripleNine Fish Protein (Denmark)
- +++

- Marine Ingredients (US)
- Ocean Nutrition Canada (Canada)
- Croda International (UK)
- Firmenich (Switzerland)
- LYSI HF (Iceland)
- TASA (Peru)
- Austral (Peru)
- Exalmar (Peru)
- Oniactive (India)
- ZMC (China)
- Ternion Bio Industries (US)
- Alga Technologies (Israel)

Strong M&A activity in the industry demonstrates investor appetite


| Year | Target | Country | Bidder | Sector | Purchase price | Description | Type |
|------|---------------------------|---------|---------------------|----------------------------|----------------|-------------------|------------|
| 2013 | Smartfish | Norway | Industrifonden | Omega 3 - nutrition/pharma | NOK 70m | Private placement | Financial |
| 2013 | Biokraft Marin | Norway | Scanbio | Ensilage | NA | Acquisition | Industrial |
| 2013 | EPAX | Norway | FMC Corp | Omega 3 - nutrition/pharma | USD 345m | Acquisition | Industrial |
| 2013 | Pronova Biopharma | Norway | BASF | Omega 3 - nutrition/pharma | NOK 5,000m | Acquisition | Industrial |
| 2013 | Welcon/Egersund/NPEL | Norway | NA | Fish meal & oil factories | NA | Merger | Industrial |
| 2013 | Copeinca | Peru | China Fishery Group | Fish meal & oil factories | NOK 5,000m | Acquisition | Industrial |
| 2012 | Ocean Nutrition Canada | Canada | Royal DSM | Omega 3 - nutrition/pharma | EUR 420m | Acquisition | Industrial |
| 2011 | Hordafor | Norway | Welcon | Ensilage | EUR 26m | Acquisition | Industrial |
| 2011 | H Lundbeck | UK | Trygg Pharma | Omega 3 - nutrition/pharma | EUR 16m | Acquisition | Industrial |
| 2011 | Biomega | Norway | Rhea Capital | Salmon oil & protein | NA | Acquisition | Financial |
| 2012 | Denomega Nutritional Oils | Norway | Axellus | Omega 3 - nutrition/pharma | NA | Acquisition | Industrial |
| 2011 | Scanbio | Norway | Paine & Partners | Ensilage | NA | Acquisition | Financial |
| 2011 | Martek Biosciences Corp. | US | Royal DSM | Omega 3 - nutrition/pharma | EUR 790m | Acquisition | Industrial |
| 2011 | Maritex | Norway | LYSI HF | Omega 3 - nutrition/pharma | NA | Acquisition | Industrial |
| 2010 | EPAX | Norway | Trygg Pharma | Omega 3 - nutrition/pharma | EUR 108m | Acquisition | Industrial |
| 2010 | Cognis | Germany | BASF | Various | EUR 3,100m | Acquisition | Industrial |
| 2009 | Welcon | Norway | Origin Enterprises | Fish meal & oil factories | NA | Acquisition | Industrial |
| 2007 | Natural | Norway | Aker Biomarine | Krill | NA | Merger | Industrial |
| 2006 | Karmsund Fiskemel | Norway | Welcon | Fish meal & oil factories | EUR 21m | Acquisition | Industrial |

Total number of transactions 18

Total value of transactions (NOKm) 47,124 *Excluding transactions with unknown value*

- ▶ There have been numerous transactions in the past few years totaling NOK 47bn in deal value. Probably more deals “under the radar”
- ▶ Deal activity is clearly highest in the established sub-segments with proven earnings record
 - Omega 3 related transactions make up the vast majority in terms of deal value (Pronova, EPAX, Ocean Nutrition, Martek)
 - Fish oil & meal companies also generate investor interest (Copeinca, Welcon/Egersund/NPEL)
 - Ensilage players Scanbio and Hordafor has been involved in several deals
- ▶ Most of the transactions are industrial, but interest from financial investor is likely to pick up as the industry continues to improve, demonstrated by Smartfish (Industrifonden) and Scanbio (Paine & Partners)

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Omega 3 – the leading space in marine ingredients with proven success

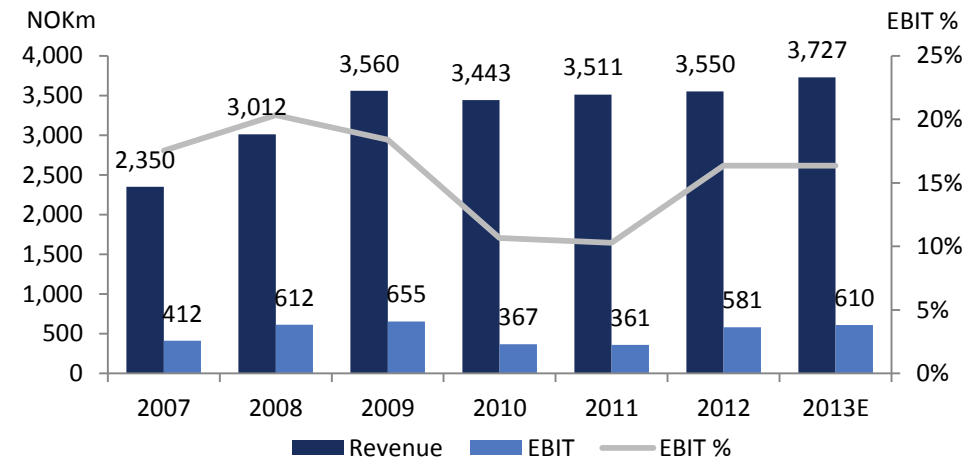
Description

- ▶ Development of marine oils (mainly Peruvian anchovy) into animal/fish feed, human nutrition, cosmetics and pharmaceutical applications
- ▶ Increasingly technology intensive as many companies try to enter the human nutrition / pharma segments where the earnings potential is highest
- ▶ Global high-end market dominated by a few very large companies and many smaller local players in the bulk segment with low-medium margins

Companies

| | | | | |
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| | | | | |
| | | | | Norway |
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| | | | | World |

Financials – Norwegian companies



Economics and M&A

- ▶ Omega 3 has been the main earnings producer in the marine ingredients industry in the past decade with margins of +15%
- ▶ Key to success: develop a unique formula for nutrition/pharma applications or address a niche segment
 - These companies are often acquired by large international pharmaceutical or chemical companies with the necessary resources to finalize and market the product on a global scale
- ▶ Notable M&A transactions include Pronova Biopharma, EPAX, Ocean Nutrition Canada and Martek

Salmon oil and salmon protein – emerging aquaculture-based sector

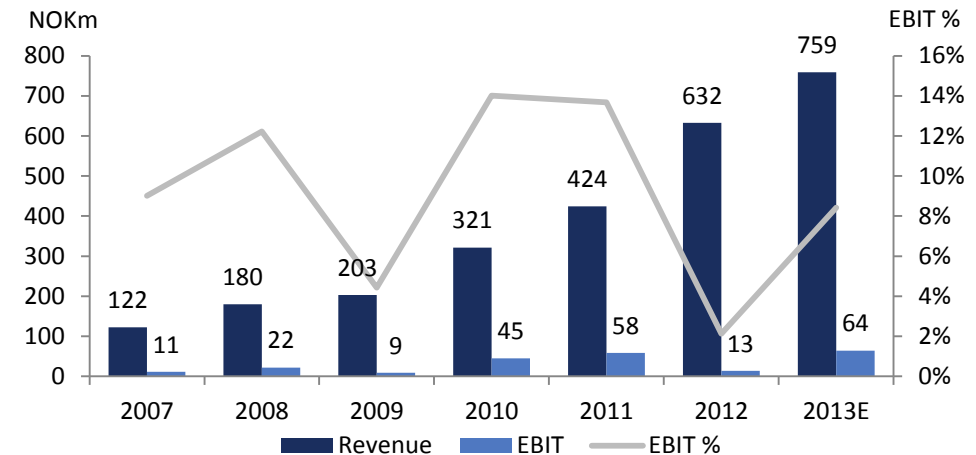
Description

- ▶ Development of salmon oil into animal/fish feed, human nutrition, cosmetics and pharmaceutical applications.
- ▶ High fish farming activity in Norway coupled with focus on waste recovery enable substantial growth in this sector.
Fastest growing segment in marine ingredients
- ▶ Norway is the leading country, some small firms abroad
- ▶ Similar situation as in Omega 3 space with companies focusing on addressing the premium market segments

Companies



Financials – Norwegian companies



Economics and M&A

- ▶ Revenue growth has been very impressive at 36% p.a. since 2007, while maintaining maintain operating profits
- ▶ A new interesting player entered the market in 2012 with ambitious growth plans which require large upfront investments (affect 2012/13 industry EBIT negatively)
- ▶ Companies with successful product lines will be targeted by both seafood companies and international pharmaceutical/chemical firms
- ▶ Notable M&A deals include Biomega (Marine Bio)

Ensilage-based products – traditional industry with growth from fish farming

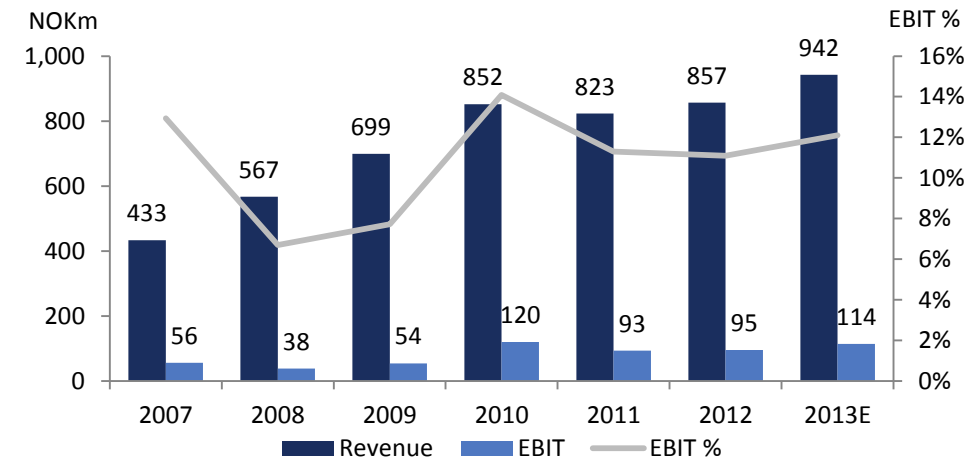
Description

- ▶ Ensilage is a traditional Norwegian business which converts waste from white fish, pelagic fish and farmed salmon/trout into ingredients for fish and animal feed
- ▶ Increased fish farming volumes in Norway has been the main source of growth. The next step is to increase waste recovery from wild white fish
- ▶ Norwegian market is dominated by 3 players, few known international firms

Companies



Financials – Norwegian companies



Economics and M&A

- ▶ Revenues in ensilage is approaching NOK 1bn per year, while maintain operating margins at healthy levels
- ▶ The key sources of future growth are expected to be increased volumes of seafood waste (farmed and/or wild). In addition, ensilage players can innovate to make the end-product more valuable to the feed producers
- ▶ Mainly a local business with limited technical barriers to entry. M&A appetite is likely to come from Scandinavia
- ▶ Key M&A deals include Biokraft Marin, Hordafor and Scanbio

Fish meal and fish oil factories – Norway small part of the value chain

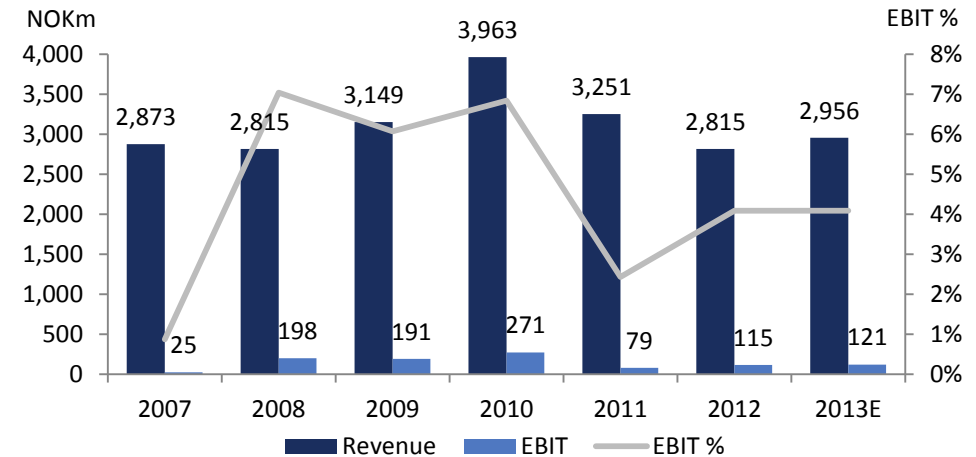
Description

- ▶ Conversion of seafood waste into fish meal (mainly for animal feed) and fish oil (mainly for fish feed)
- ▶ The majority of worldwide fish meal and fish oil production is done in Peru from pelagic fish
- ▶ Norwegian fish meal factories have been around for many years and typically use herring waste as input.
- ▶ Revenue decline from 2010 is partly explained by reduced herring quotas in Norway

Companies



Financials – Norwegian companies



Economics and M&A

- ▶ Revenues have traditionally been around NOK 3bn per year, except for 2010 which was a peak year
- ▶ Operating margins are in the low range (0%-8%) but tend to vary somewhat from year to year with fluctuating purchasing cost and sales price
- ▶ Investment candidates: Peruvian fish meal players, fish feed or animal feed producers, fish farming players (e.g. CEQ/COP) and other industrial and financial investors
- ▶ Key M&A deals: Welcon/Egersund, TripleNine/Vedde, Copeinca

Krill – huge potential but challenging start

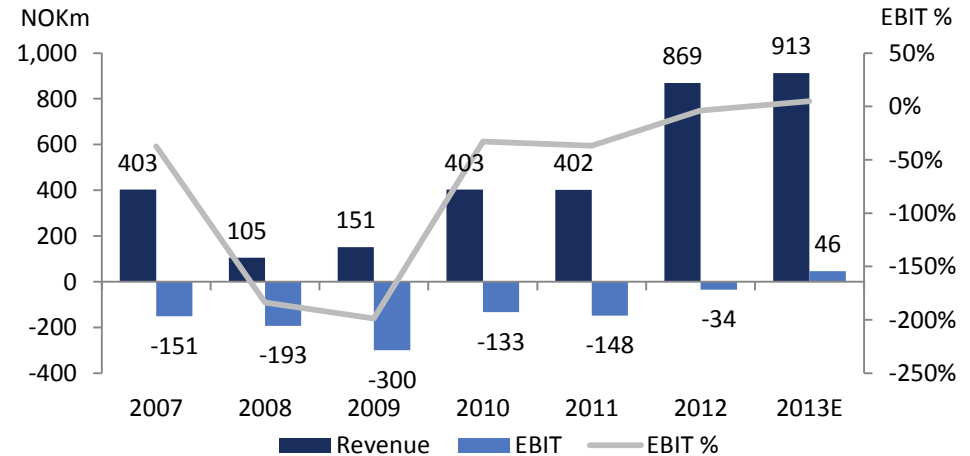
Description

- ▶ Krill is used to produce both krill oil (for human nutrition/pharma and fish feed) and krill meal (for fish feed and pets)
- ▶ The krill industry has been through a very tough period with high investments in both vessels and product development, combined with low market penetration
- ▶ Two Norwegian players dominate the market, while some foreign firms focus on developing krill oil (not harvest)

Companies

| | | |
|---|---|--------|
|  |  | Norway |
|  |  | |
| | | World |

Financials – Norwegian companies



Economics and M&A

- ▶ The period from 2007-2011 gave an aggregate operating loss of NOK 925m for the companies involved
- ▶ 2012 appeared to be the turning point with two-fold increase in revenues and nearly zero losses. The industry is expected to reach first year of profit in 2013
- ▶ Pharmaceutical/chemical companies are likely to show investment interest if the market adoption of krill products continues to improve

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Summary - the future of marine ingredients

Marine ingredients has grown tremendously over the past decade and now represents a NOK 10bn industry with high importance for the seafood activity in Norway

The underlying drivers for marine ingredients are very promising with favourable regulation, health-oriented consumers, technological advancements and growing seafood supply

Marine ingredients has demonstrated its potential for profitable growth as operating margins have doubled (5%→10%) while revenues have increased by 50%

M&A activity of NOK 47bn demonstrates a clear investor interest for companies across all sub-sectors if the target can deliver a unique product/process with scalability

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