



**Q3 2020 Results**

# **Presentation to Investors and Analysts**



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and Analysts

**We are  
Iceland Seafood**



# Iceland Seafood International is proud of its strong heritage and history and continues to build on that foundation, to become a respected industry leader



**The Union of Icelandic Fish Producers (SÍF)**  
 Founded in 1932 for export of salted fish products

**1932**



**The Herring Board**  
 Founded in 1935 for the export of salted herring from Iceland

**1935**



**Samband of Iceland**  
 establishes a seafood division for export of frozen seafood

**1957**



**Armengol**  
 Spanish company  
 Purchased in 1999

**1999**



**Merger: SÍF and Iceland Seafood Plc.**  
 Including the Herring Board, under the name SIF Plc.

**1999**



**SÍF Plc founds Iceland Seafood International**  
 in order to take over all export and sales of marine products

**2004**



**Tros**  
 The first company in exporting fresh fish from Iceland became a part of Iceland Seafood

**2008**



**IS Barraclough**  
 Acquired in 2010 and marks the beginning of value added operations in the UK

**2010**

**2012**



**Havelok**  
 Founded as a joint venture, Havelok today is a leading seafood supplier to UK foodservice

**2016**



**First North listing**  
 Iceland Seafood listed on the First North Iceland market

**2018**



**Oceanpath**  
 Purchased in 2018, Oceanpath is the largest seafood provider in the Irish retail market

**2018**



**Solo Seafood**  
 Purchased in 2018, creating a strong integrated company in the Southern European market

**2019**



**Main Market listing**  
 Iceland Seafood International lists its shares on the Nasdaq Iceland Main Market

**2020**



**Elba Seafood**  
 Purchased in 2020, Elba is a great addition to well positioned S-European operation

**2020**



**Iceland Seafood UK**  
 Merge of the two Iceland Seafood's UK based companies Havelok Ltd and Iceland Seafood Barraclough in one

**2020**



**Carr & Sons**  
 Acquisition of Carr & Sons Seafood Ltd, an Irish seafood processing company specialized in high quality smoked salmon production

# Iceland Seafood in numbers

**+448m**

€ Annual revenues in 2019

**11.3m**

Normalised PBT 2019,  
up from €10.8 proforma in 2018

**38.3%**

Equity ratio 38.3% at year end 2019  
up from 30.6% in 2018

Global value added  
Seafood producer and  
sales and marketing  
company



**11**

Businesses in 8 countries



**3000+**

Customers across 45 countries



**1.1m**

Meals sold every day



**7**

value added factories



**+700**

employees



**100.000**

MT of products sold annually



# Footprint in Ireland significantly expanded with the acquisition of Carr & Sons

## Production of IS UK in one location from mid December

- From beginning of November all production that took place in Bradford has been moved to the new facility in Grimsby. Sale of property in Bradford completed,
- Production of the former Havelok being moved into the new facility in December,
- Launching of new production for Aldi taking place in December. Will start to generate benefits from Q1 2021,
- The process of moving the operation into one place under a single management team has turned out to be more complex and costly than anticipated,
- Covid19 has caused various issues in relation to the transition, with regards to coldstore space, transportation and delivery delays of equipment,
- Considerable cost synergies being created on top of a significant sales growth into retail. Benefits will start to come through from 1H 2021.

## Call option exercised to own Oceanpath in full

- The 33% minority share acquired from the Ecock family. Ken and Trevor Ecock will continue to lead the Irish business going forward,
- The consideration for the shares is €9.0m with 40% of the consideration paid with shares in Iceland Seafood and 60% with cash,
- The Ecock family continues to be invested in the company through their shareholding,

## Uncertain Brexit impacts for both UK and Ireland

- UK operation not dependant on trading with EU, but Brexit is likely to create issues in logistics, regardless of the outcome,
- Scotland is the most important sourcing area for Oceanpath, Brexit will create additional costs but uncertainty to what extend.

## Acquisition of Carr&Sons completed

- A company producing from 1000MT of raw material predominantly salmon for Irish retail. Generated PBT of €0.9m in 2019,
- Will significantly expand Iceland Seafood’s footprint in the Irish seafood market for retail,
- Stronger brand recognition with access to the market leading Nolan Quality Seafood brand,
- Significant synergy opportunities in sourcing, processing and logistics. These will start to come through from 2021.
- The Group will be a market leader in smoked and fresh seafood production for the retail market in Ireland
- [Overview Mr. Ken Ecock](#)
- [Super Value Ad](#)



# Increasing production efficiency a key focus point after having completed the sale of Ecomsa

## Sale of the Malaga based distribution company Ecomsa to Aquamar Gold SL

- The sale is a direct consequence of Iceland Seafood moving all its productions in Spain to its Barcelona factory
- After moving the Malaga production to Barcelona, Ecomsa became a focused distribution company selling directly to hotels and restaurants, which is outside the core strategy of IS Iberica,
- The 100% shareholding in Ecomsa is sold for €346k, which is in line with book value of equity in Iceland Seafood accounts at end of October,
- The continuing task of improving production efficiency in the Barcelona factory will get even greater focus after the sale.

## The strong position of IS Iberica evident in the current situation

- Strong sales recovery during Q3 is a clear sign of IS Iberica strength in the S-European market. The core business in Spain generated profits of €0.6m in Q3.
- Significant synergies have been created with the merger and reduction in overhead, although disruptions due to Covid19, such as higher stock and lower production, have had delaying effect,
- Stronger focus to leverage the economies of scale the merged entity has. Future layout of production in Barcelona being developed, maximising efficiency and minimising production cost.

## Good outlook for the recently started Rawson season in Argentina

- Coldstore with capacity of 800MT up and running from end of November. This will increase flexibility, improve margins and save costs both for shrimp and squid,
- Investments in production facility in the last 12 months will both increase capacity and improve efficiency,
- Raw material prices for shrimp have come down, at the same time market prices have recovered,
- Covid19 impact has been significant, both in terms of late delivery of equipment and delayed construction of the coldstore. Has also increased operating and production cost.




















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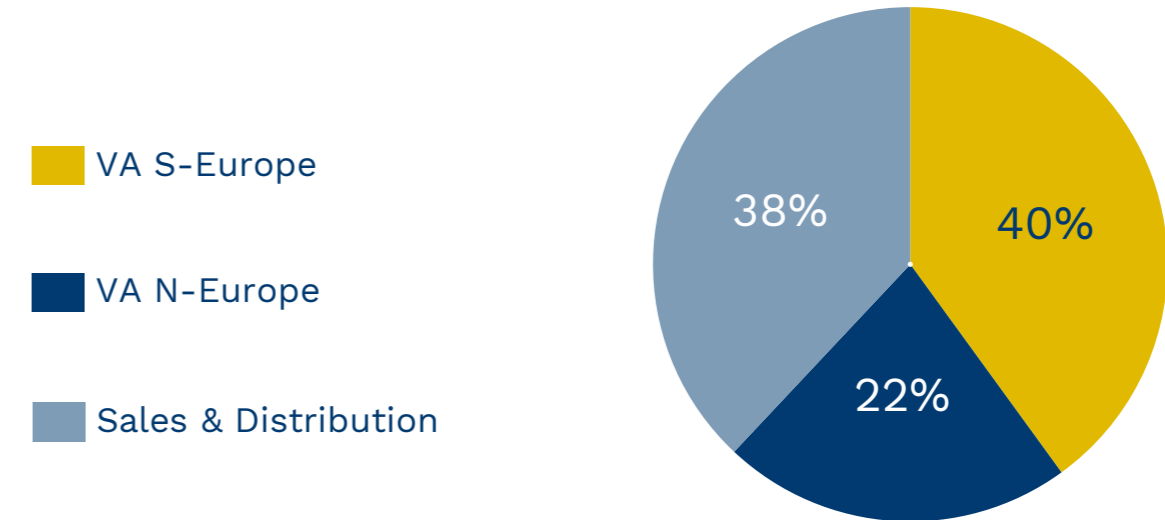
# Financial performance



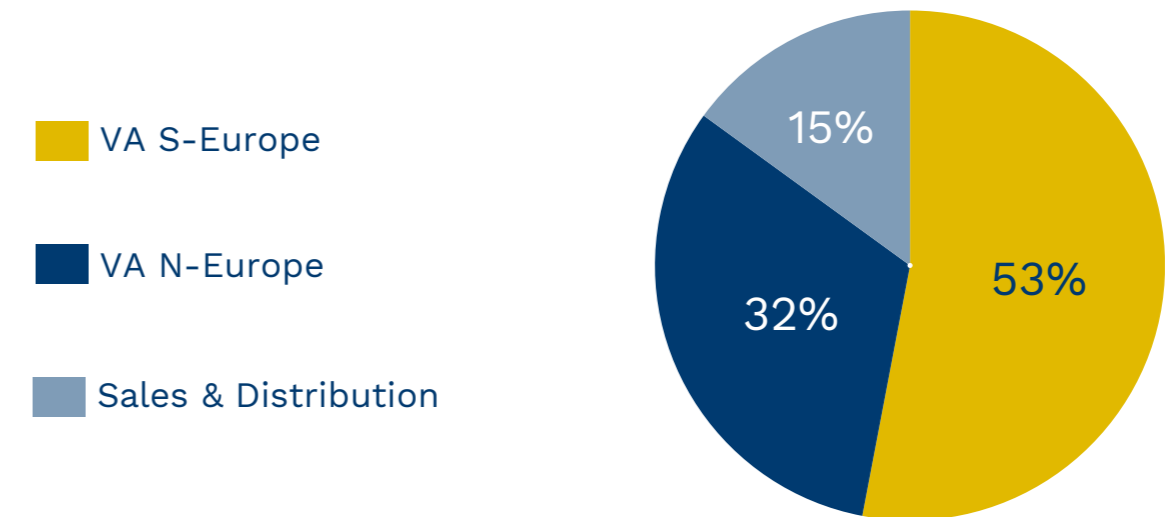
# Unique combination of sourcing expertise and well positioned value added activities

Iceland Seafood International Executive management		
Sales & Distribution	Value Added N-Europe	Value Added S-Europe
IS Iceland 	IS Barraclough 	IS Ibérica 
IS France 	IS UK 	Elba 
IS Germany 	Oceanpath 	Ecomsa >> On the way out << 
IS USA 	Dunn's of Dublin 	Achernar 
	Carr & Sons >> New incorporation << 	
<b>Employees</b>		
34 (5%) 	241 (38%) 	354 (56%) 
		3 (0.5%) 
<i>Executive management &amp; Group reporting:</i>		

Turnover 2019



Profit before tax 2019





# Q3 results marked by Covid19 impacts. Sales started to recover from June

- > VA S-Europe
- > VA N-Europe
- > Sales & Distribution

€ m's	Q3 20	Q3 19	9M 20	9M 19
Sales	33.3	33.8	96.0	124.2
Net margin	2.8	4.0	9.6	13.9
Normalised EBITDA	0.9	1.8	2.9	6.5
Normalised PBT*	0.1	1.1	1.0	5.1

\* Normalised PBT represents Profits before tax before allowing for significant items.  
\*\* Ecomsa classified as discontinued operation, therefore not included in numbers



## 9M 2020 sales down 23% on prior year

- Sales improved during Q3 after a significant reduction during lockdown from Mid March to May,
- Increased sales of Argentinian shrimp, driven by higher production and strong sales to customers in Italy helped sales in the quarter,
- Sales of light salted cod improved as well, but are still 33% down on prior year during the 9M period,
- Covid19 restrictions implemented in S-Europe have impacted sales negatively, especially since mid October. Not to the same level as in March/April.

## 9M 2020 Normalised PBT of €1.0m

- Weaker sales especially in Q2 is the key explanation for reduction in profits for 9M 2020 compared to prior year,
- Price reductions and increased complexity of supply chains have negatively impacted margins in the period, especially with regards to Argentinian Shrimp and other shellfish species,
- Margin percentage of cod products have remained strong, although they have come down slightly from 2019 levels,
- Restructuring of Ecomsa completed in the quarter and sale of the company finalized in November.

# Results in Q3 impacted by supply chain disruptions due to Covid19

- > VA S-Europe
- > VA N-Europe
- > Sales & Distribution

€ m's	Q3 20	Q3 19	9M 20	9M 19
Sales	25.0	21.6	79.4	69.8
Net margin	2.3	3.0	8.4	8.4
Normalised EBITDA	0.8	1.5	3.8	3.8
Normalised PBT*	0.1	1.0	1.9	2.6

\* Normalised PBT represents Profits before tax before allowing for significant items.

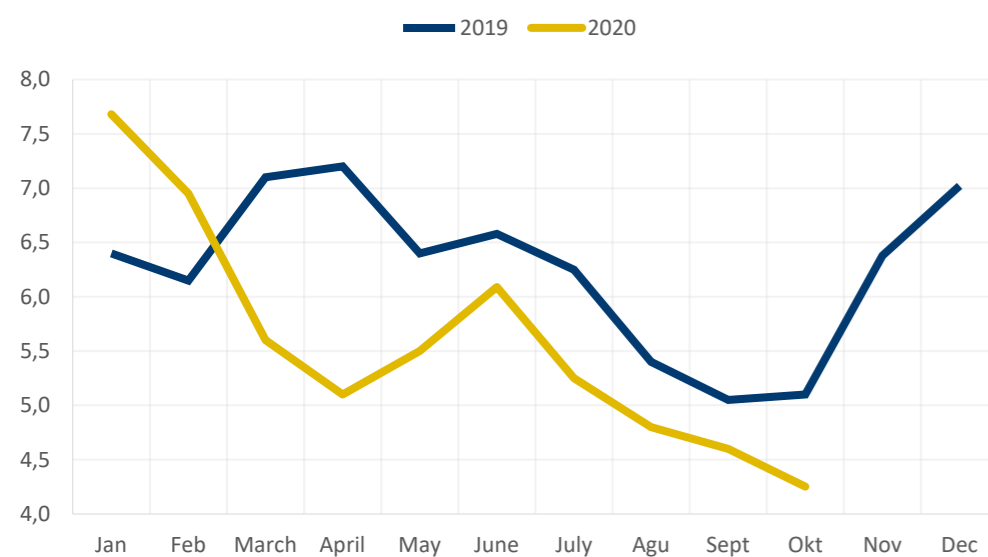
## Sales growing by 13% from prior year

- Sales growth driven by higher sales into retail, both in Ireland and UK.
- Sales into UK foodservice improved in Q3 following easing of Covid19 restrictions in UK, but were still 40% down on Q3 2019,
- Q4 is a key sales period especially in Ireland where smoked salmon is a big Christmas item,

## Normalised PBT down €0.7m from 9M 2019

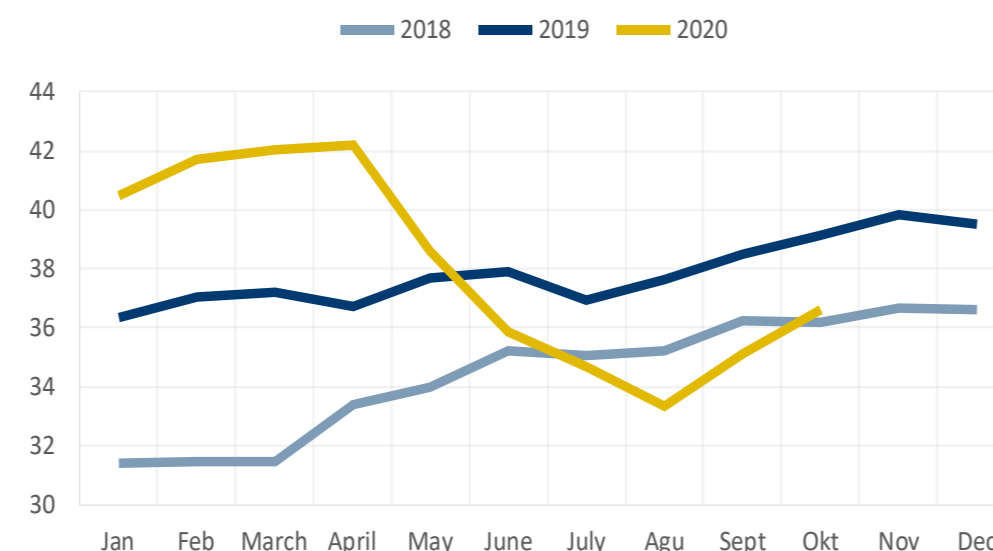
- Supply chain disruptions due to Covid19 having significant impact on margins in UK.
- Cost related to implementation of Covid19 contingency plans negatively impacted margins and operating costs in the period,
- Merging the two UK entities in a single location to be completed in Q4. The process has turned out to be more costly than anticipated,
- Good results from the operation in Ireland, driven by strong sales growth of Irish retail,
- Interest cost €0.4m higher than last year, driven by sales growth and investment in UK.

SALMON PRICES (€/KG)



Source: SeaData Center

H&G COD FROZEN PRICES (NOK/KG)



Source: Norges Sjomatrad

# Good results in Q3 driven by cost reductions

- > VA S-Europe
- > VA N-Europe
- > Sales & Distribution

€ m's	Q3 20	Q3 19	9M20	9M 19
Sales	40.3	44.2	109.3	146.5
Net margin	1.6	1.7	4.6	5.9
Normalised EBITDA	0.5	0.4	1.1	1.6
Normalised PBT*	0.4	0.3	0.9	1.3

\* Normalised PBT represents Profits before tax before allowing for significant items.

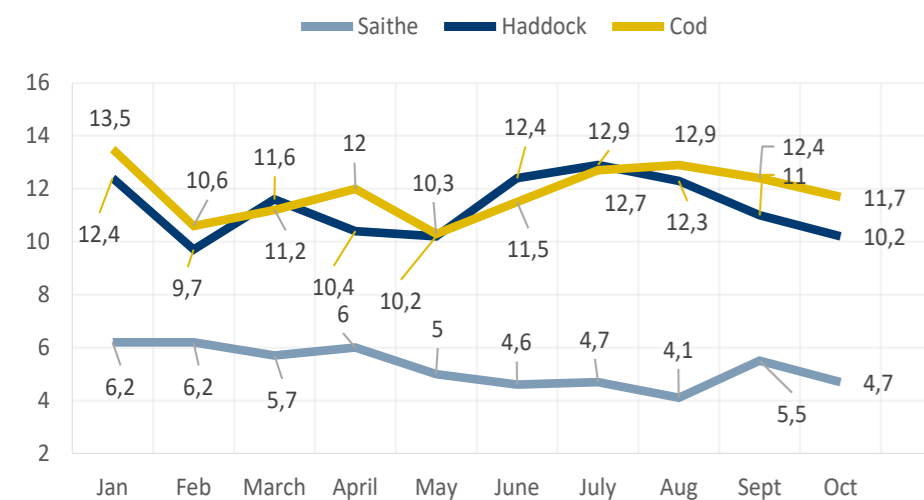
## Around 25% reduction in sales compared to 9M 2019

- After difficult Q2, sales gradually recovered in Q3 with easing of restrictions in key markets,
- Sales of fresh fish remained strong in the quarter, and pelagic sales were 4% up on last year driven by good mackerel sales,
- Outlook for Q4 2020 remains uncertain, with ongoing challenges in key markets.

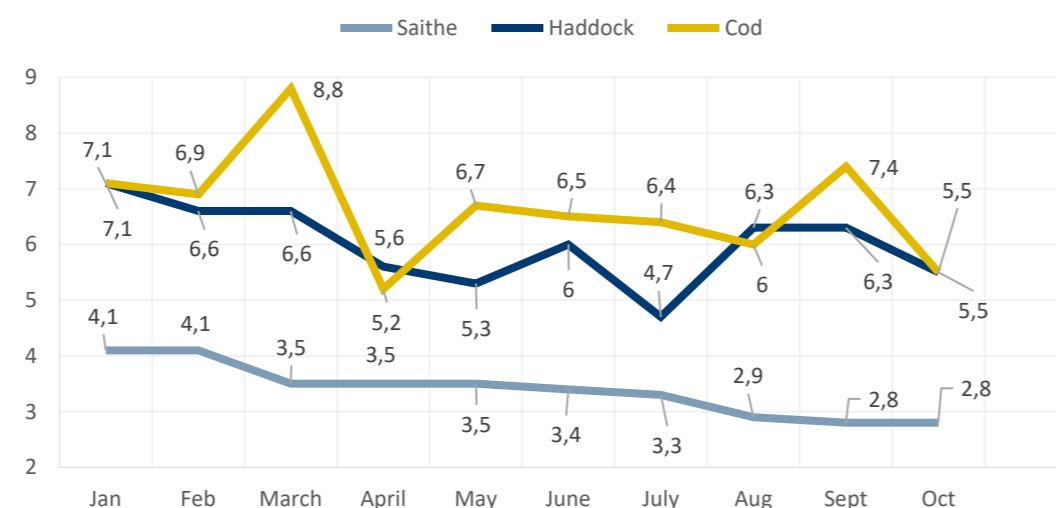
## Normalised PBT in Q3 €0.1m up on last year driven by cost reductions

- Net margin €1.3m below 9M 2019, due to lower sales. Net margin in the quarter only €0.1m down on last year with normalized PBT higher due to reduced cost.
- Various actions were taken to reduce overhead cost in all regions. Depreciation of ISK has supported reduced cost in EUR, as operating costs in Iceland are in ISK,
- Overall reduction in overhead costs of €0.8m compared to 9M 2019

### FRESH FILLETS (€/KG)



### FROZEN AT SEA FILLETS (€/KG)



# Overall sales in Q3 only marginally down on same period last year

€ m's	Q3 20	Q3 19	9M 20	9M 19
Sales	95.7	96.0	276.2	321.6
Net margin	7.3	8.7	22.6	28.3
Normalised EBITDA	2.0	4.3	7.7	12.2
Normalised PBT*	0.4	2.1	3.0	7.7
Net Profit	(0.4)	1.0	1.0	4.3

\* Normalised PBT represents Profits before tax before allowing for significant items and discontinued operations.



## Overall sales in Q3 only marginally down on last year

- After significant reduction in sales during Q2, sales recovered gradually during the summer,
- Sales in the 9M period still 14% down on prior year,
- Strong sales in retail during the whole period. Sales into S-European HORECA sector only slightly down on prior year in Q3,
- Stricter Covid19 restrictions implemented in key markets in Q4 are impacting sales, but not to the same extent as during the first wave,
- Forthcoming growth in Irish and UK retail sales will create a better balance between retail and foodservice within the Group.

## Normalised PBT down €4.7m on prior year

- Margins impacted by price reductions, especially in S-Europe,
- Covid19 causing supply chain disruptions and increased costs in our production units, which is further impacting margins and profit,
- Overhead cost in the 9M 2020 period €1.3m lower than last year, driven by cost synergies in Spain, depreciation of ISK and various actions taken to reduce costs in all regions,
- Ecomsa classified as discontinued, €0.5m net cost in the 9M period.
- Net profit €3.3m down on last year.

## Total assets down €8m from end of June, driven by reduction in inventory

€ m's	30.9.2020	31.12.2019	Variance
Fixed assets	21.6	17.6	4.0
Leased assets	1.7	2.7	(1.0)
Intangible assets	48.3	44.7	3.6
Deferred tax/other	3.1	3.1	0.0
<b>Non Current Assets</b>	<b>74.7</b>	<b>68.1</b>	<b>6.6</b>
Inventory	78.2	65.1	13.1
Trade and other receivables	51.4	62.3	(10.9)
Other assets	5.9	4.4	1.5
Bank deposits and cash	14.1	9.6	4.5
<b>Current Assets</b>	<b>149.7</b>	<b>141.4</b>	<b>8.2</b>
Assets classified as held for sale	5.2		5.2
<b>Total Assets</b>	<b>229.6</b>	<b>209.5</b>	<b>20.1</b>

Stock level in S-Europe division has reduced by €15.2m during Q3 with higher sales.

At the same time inventories in N-Europe division increased by €7.5m driven by new retail sales in UK and build up of Christmas stock in Ireland.

Following the decision to sell Ecomsa its assets are classified as held for sale at 30.9.2020.

Net debt at end of September of €85.2m were €19.6m higher than at year beginning, driven by higher stock levels, investments in UK and acquisition of Elba.

Equity ratio of 36% compared to 38% at year beginning.

€ m's	30.9.2020	31.12.2019	Variance
<b>Total Equity</b>	<b>82.4</b>	<b>80.2</b>	<b>2.2</b>
Thereof minority interest	4.2	3.8	0.4
Long term borrowings	22.4	8.0	14.4
Lease liabilities	1.4	2.1	(0.7)
Obligations/Deferred tax	1.7	2.1	(0.4)
<b>Non Current Liabilities</b>	<b>25.5</b>	<b>12.2</b>	<b>13.3</b>
Short term borrowings	76.9	67.2	9.7
Trade and other payables	35.1	42.2	(7.1)
Other current liabilities	5.8	7.7	(1.9)
<b>Current liabilities</b>	<b>117.8</b>	<b>117.1</b>	<b>0.7</b>
Liabilities – assets held for sale	3.9		3.9
<b>Total Equity and Liabilities</b>	<b>229.6</b>	<b>209.5</b>	<b>20.1</b>

New funding of €8.9m raised with auction of 6-month bills in Iceland at end of September.

Group funding headroom (including cash) of €42m at end of September.

Tightening of risk management controls, especially around receivables and inventories. Receivables contract in line with lower revenues.

Around 82% of receivables credit insured at end of September. Inventories consist of frozen and salted products with long shelf life.



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**Outlook**



# Previous Outlook range withdrawn due to ongoing uncertainty. Trading update to be published in December

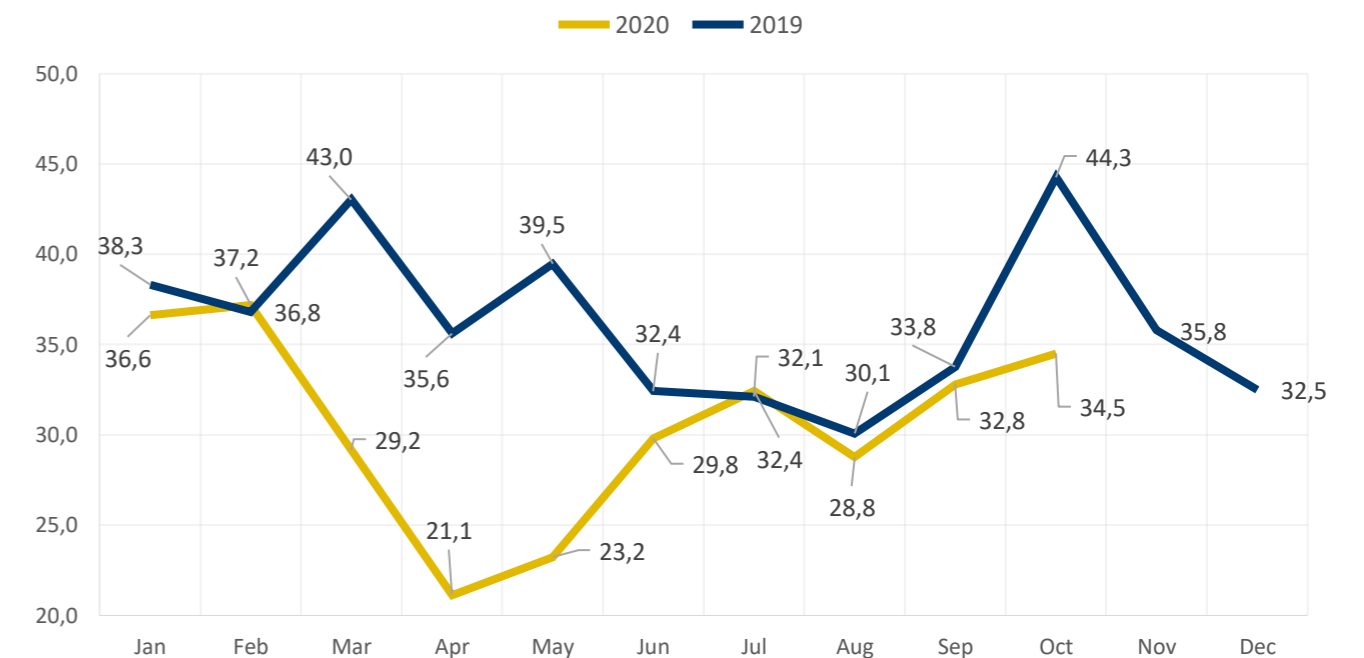
## Increased uncertainty due to negative Covid19 development in key markets

- After significant reduction in sales during Q2, sales recovered strongly during Q3,
- The restrictions that have been put in place in key markets to control current Covid19 wave are severally impacting sales, especially in S-Europe,
- As the recent restrictions are not as strict as these implemented in March-May, the impact on sales is not of the same level,
- Increased costs due to higher inventory levels, disruption in supply chains and various contingency plans,
- Price developments have impact margins negatively and are expected to continue to do so in Q4,
- Strong retail sales have helped managing the situation. Improved balance between retail and foodservice being created recent investments in VA N-Europe division,

## The last two months of the year an important trading period in key businesses

- December is a key sales period for smoked salmon in Ireland. This period becomes even more important with the acquisition of Carr & Sons,
- Outlook for Ireland is good, as retail consumption has increased considerably due to Covid19 restrictions,
- Rawson season in Argentina started in November this year. Sales of significant part of the planned production in Q4 has already been contracted with customers,
- Shellfish consumption in UK and saltfish consumption in S-Europe also high during Christmas and should positively impact sales,

**GROUP MONTHLY SALES 2020 VS. 2019 (€'M)**



\* Group sales on a like for like basis, excluding Elba and Ecomsa

**Number of factors that will positively drive profits in Q4 (especially Ireland with 100% retail focus and Argentina where shrimps are in good demand), at the same time as impacts of Covid19 restrictions are evident. Although positive profits are expected in the quarter, the previously announced profit outlook range for 2020 is withdrawn due to the high uncertainty. A trading update will be published in December when more clarity is obtained.**

# Forward Looking Statements

## Disclaimer

This presentation is furnished and intended for European market participants and should be viewed in that manner.

Any potential forward looking statements contained in this presentation are reflective of managements current views on future events and performance,

whilst the views are based on positions that management believes are reasonable there is no assurances that these events and views will be achieved. Forward looking views naturally involve uncertainties and risk and consequently actual results may differ to the statements or views expressed.





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