



**Nova Austral**

PURE SALMON FROM ANTARCTIC WATERS



SIXTY  
PURE ANTARCTIC SALMON  
SOUTH

# Q1-2020 Nova Austral Financial Presentation

June 2020

# Agenda



A

Company  
highlights



B

Market outlook &  
harvest guidance



C

Operational  
metrics



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Financial  
statements



# A Company highlights

- Message from the Board of Directors
- Covid-19 Impact – Adjusted Operations
- Investment Value Fundamentals
- Business Update

### A Message from the Board of Directors

- The BoD have devoted significant time and resources to support the company after the past events. We are still committed to steer the company through its pending legal and regulatory matters, and at the same time create a better company for the future.
- On April 8<sup>th</sup> we announced that Nicolás Larco entered the role as CEO. In addition we have strengthened the management team with two new members in the executive team, adding additional experience in sales & marketing, operations and business development.
- In our last bond update we communicated that the first smolt from our new hatchery had been performing well. So far in 2020 additional two sites have been stocked with smolt from the hatchery with promising biological KPI's and low mortality rates. It's still too early to conclude, but we are convinced that the operational performance of the company will be improved in the years to come.
- Unfortunately the Covid-19 situation has impacted the life of our dear customers and our business last months. Salmon sales, in general, are going quite well due to uplift in the retail segment globally, but the final outcome of the crisis is yet to early to predict. Management and unions are working closely and collaboratively to adapt protocols according to the evolution of this unprecedented crisis, to protect the health of the employees and to maintain Nova Austral's operation. Together we are in an essential part of the food supply chain.
- The pending legal and regulatory matters are progressing, however with limited developments since last report. The latest development is a new criminal case against five individuals (including former managers of the company) related to the incident last year. Due to this case the court of Porvenir granted, of a precautionary measure, to withhold payments covering up to 4 months under the Navarino law. Although this does not imply a suspension of the Navarino Law Benefits generally, nor a limitation on the ability of NA to continue requesting payment of such benefits for other periods, the board of directors are assessing the potential impact this could have for the company. We will aim to notify the market when there are material new developments.
- As communicated before, both Altor and Bain Capital remain engaged shareholders aiming to support the Company through this situation and continue to build long-term value reinforcing Nova Austral's position in the market.

### Adjusted operation procedures & precautionary measures taken

#### Operations

- Nova Austral's plant, farming sites and hatchery have continued operating normally.
- In response to the global Covid-19 pandemic, Nova Austral has adopted the following precautionary measures:
  - ✓ To protect the health of our plant employees, morning and afternoon shifts have been reduced by 1.5 hours since the beginning of April. We expect this to continue until the end of May.
  - ✓ Employees at farm sites have agreed to work 21-day shifts (vs. 14-days shifts).
  - ✓ 100% of teams are replaced in each shift, so that they don't have any contact with each other.
  - ✓ No external people can enter the farm sites, and restrictions have been implemented for visitors in hatchery and plant.
  - ✓ All administrative employees are currently working from home.

#### Logistics

- The Company has continued fulfilling all demand of fresh products (approx. 80 Tons per week), despite suffering some disruptions in air transportation. Cargo flights from Santiago to Miami, NY and LA continue operating.
- We do not expect significant impacts on sea transportation.

#### Community Impact

- Nova Austral donated 100 Covid-19 tests to the local hospital in Porvenir and acquired 900 for Nova Austral employees.
- Nova Austral has been selling some products to Porvenir's community at a discount, which was very well received.

#### Commercial Impact

- Sales to most of our food service customers (being some of the most important clients) have significantly decreased but have been compensated by an increase in our sales to retail clients (especially large clients in US and Europe).
- Nova Austral expects this trend to continue during 2Q-20 and 3Q-20 in USA and Europe. Demand from Asia is still weak but slowly improving.

### Nova Austral aims to improve value fundamentals, compliance, and transparency going forward

Value Fundamentals	KPI	LTM Q1-20	Target
<b>Produce pure Antarctic salmon with control over biological chain...</b>	% ABF standing biomass (N <sup>a</sup> fish)	100%	100%
	% Internal smolt in operations	18%	100%
<b>...which sells at a premium market rate</b>	% Sold as premium (kg WFE)	50.3%	65%
<b>Focus on efficient production</b>	USD/Kg WFE ex cage cost*	3.9	3.4
<b>Prioritize transparency with focus on performance</b>	% Seawater mortality*	18%	10%
	Avg. caligus load**	0.9	< 0.5
	eFCR Closed cycle***	1.24	1.15

### Comments

- Nova Austral's critical competitive advantage - pure, antibiotic free salmon - remains in place.
- Smolts from our new hatchery have been performing very well. From now on Nova Austral expects to stock 100% internal smolt.
- Seawater mortality for closed cycles decreased from 35% during 2018 to 18% LTM Q1-20. LTM mortality rates for 2Q-20 are expected to continue in the same level.
- eFCR for closed cycles has also improved from 1,45 Kg during 2018 to 1,24 Kg LTM Q1-20. Reduction of mortality rate to 10% would drive eFCR levels down to the target value.

\* Mortality and WFE ex cage cost is for closed cycles

\*\* Avg. Caligus load is reported for female eggs figures (HO – hembras ovigeras).

\*\*\* eFCR (economic Feed Conversion Ratio) - weight of feed administered over the salmon lifetime divided by the salmon weight.

### Update on Business & Operational Initiatives

#### New Management Appointments

- Anton Felmer joined Nova Austral as SVP of Operations. He will oversee Sales and Marketing affairs and will also be involved in selected operational initiatives. He will keep these responsibilities as Francisco Miranda recovers from his injury. Anton brings to Nova Austral 8+ years of experience in the salmon industry. Prior to joining Nova Austral, Anton worked with AquaChile, where he helped building up their Verlasso brand.
- Ricardo Ferrari was appointed to Nova Austral as Business Development Manager. He will lead Business Development initiatives, including managing the process on license re-location. He will also oversee corporate-finance related projects.

#### JV with Trusal (Salmones Austral)

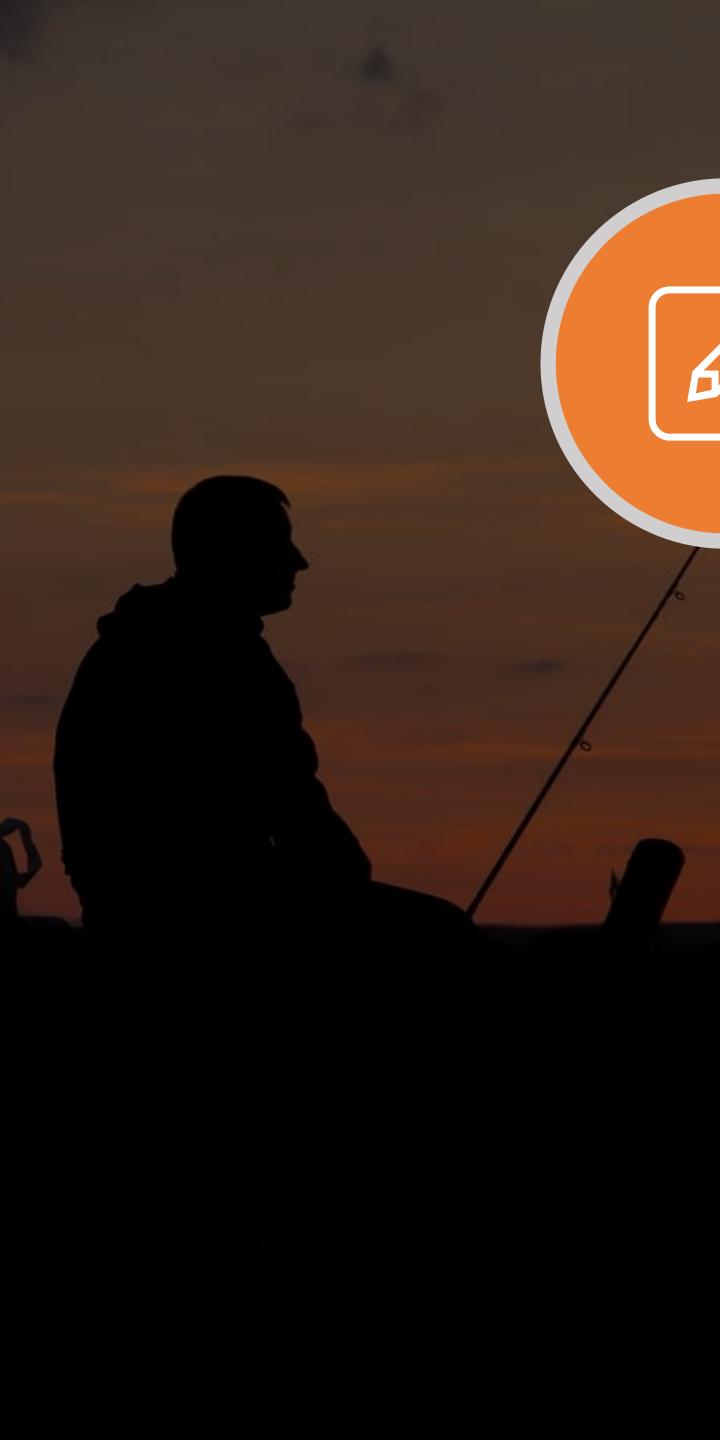
- 1<sup>st</sup> site (1,4m smolts) was implemented in March and stocked during April. 2<sup>nd</sup> site will be stocked in September 2020 (1,4m smolts) and 3<sup>rd</sup> site (1m smolts) in March 2021.

#### Navarino Law

- During 1Q-20, the company received approximately \$7.1m for April, May, June, and July 2019 filings, and during May approximately \$1.85m for August 2019.

#### Certifications

- Nova Austral expects to finish BAP auditing process in June 2020 and believes could receive certifications shortly.
- Regarding ASC certifications, Nova Austral started a pre-audit process with Control Union and expects to formally start the audit with ASC during the second half of 2020.
- In the meantime, prices are expected to retain a market premium from supplying high quality product, no use of antibiotics and loyal, quality-oriented customers.



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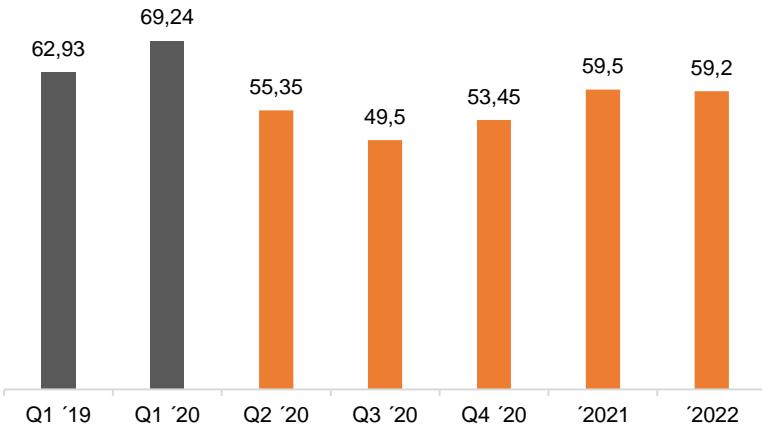
## Market outlook & harvest guidance

- Global Supply Outlook
- Price Outlook
- NA Stocking and Harvest

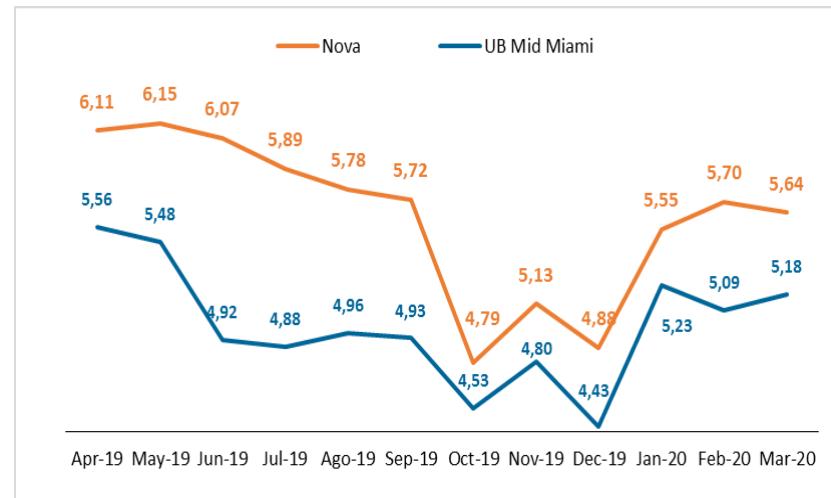
# Market outlook & harvest guidance

B Price Outlook

## Fishpool forward prices Nok/Kg



## Fresh Trim D prices USD/lb



## Comments

- Prices in Europe (Fish Pool) started very high in the beginning of 2020, but due to the Covid-19 pandemic, prices declined during March and April. After Easter, prices started to recover again and are currently around 67 NOK.
- For the second half of the year, prices are expected to decrease again in Europe (seasonal pattern), but outlook for 2021 and 2022 seems quite good.
- In Chile, prices started to recover in the beginning of the year, but after April prices in Miami (and other main markets) have decreased quite significantly.
- Nova Austral have managed to sell at a premium vs Mid Point Miami prices in more than 50% of its sales. Despite the lack of ASC certifications and the Covid-19 impact, we expect to maintain a price premium for the rest of the year.

### Global Supply Outlook

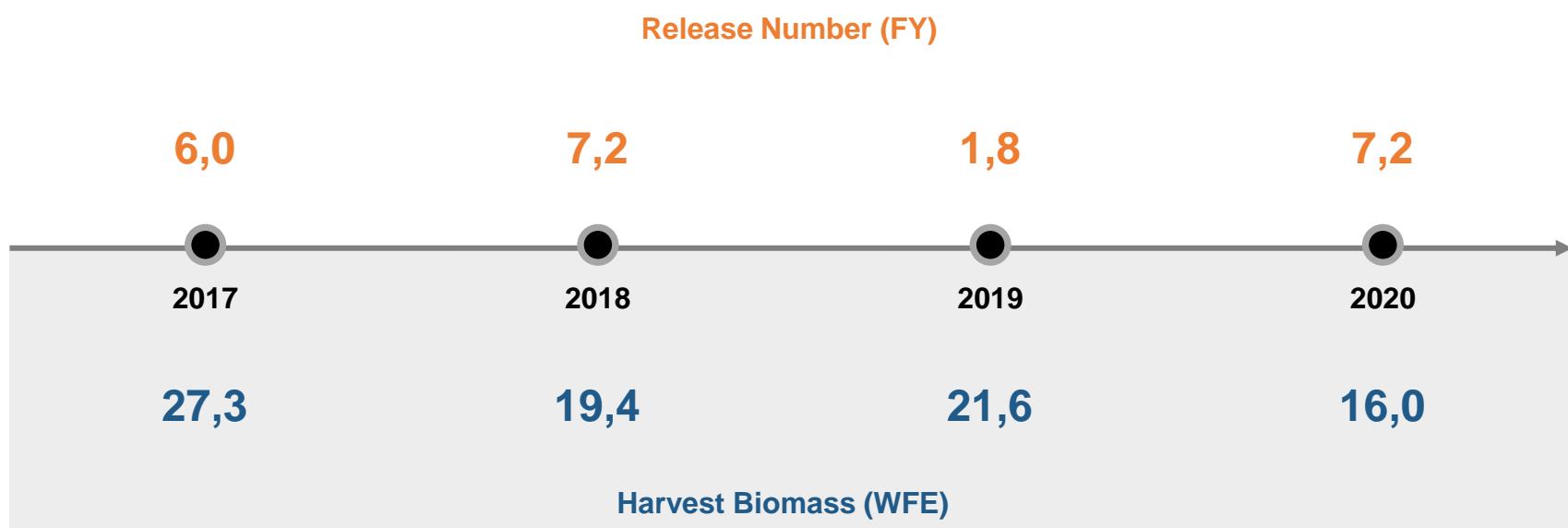
The world production of Atlantic Salmon (rw 1,000 tons)

Country	2018	2019e	2020e	2021e	2022e	% Y/Y growth	2018	2019e	2020e	2021e	2022e
	2018	2019e	2020e	2021e	2022e		2018	2019e	2020e	2021e	2022e
Norway	1253	1335	1373	1457	1523	4%	7%	3%	6%	5%	
Chile	660	690	720	723	752		5%	4%	0%	4%	
UK	154	184	188	195	201	-13%	19%	2%	4%	3%	
Canada	146	144	143	154	169	5%	-1%	-1%	8%	10%	
Faroes	72	87	86	94	102	-10%	21%	-1%	9%	9%	
Other	120	145	169	206	243	-5%	21%	17%	22%	18%	
Total Production	2405	2585	2679	2829	2990						
Annual Growth	5%	7%	4%	6%	6%		5%	7%	4%	6%	6%

### Comments

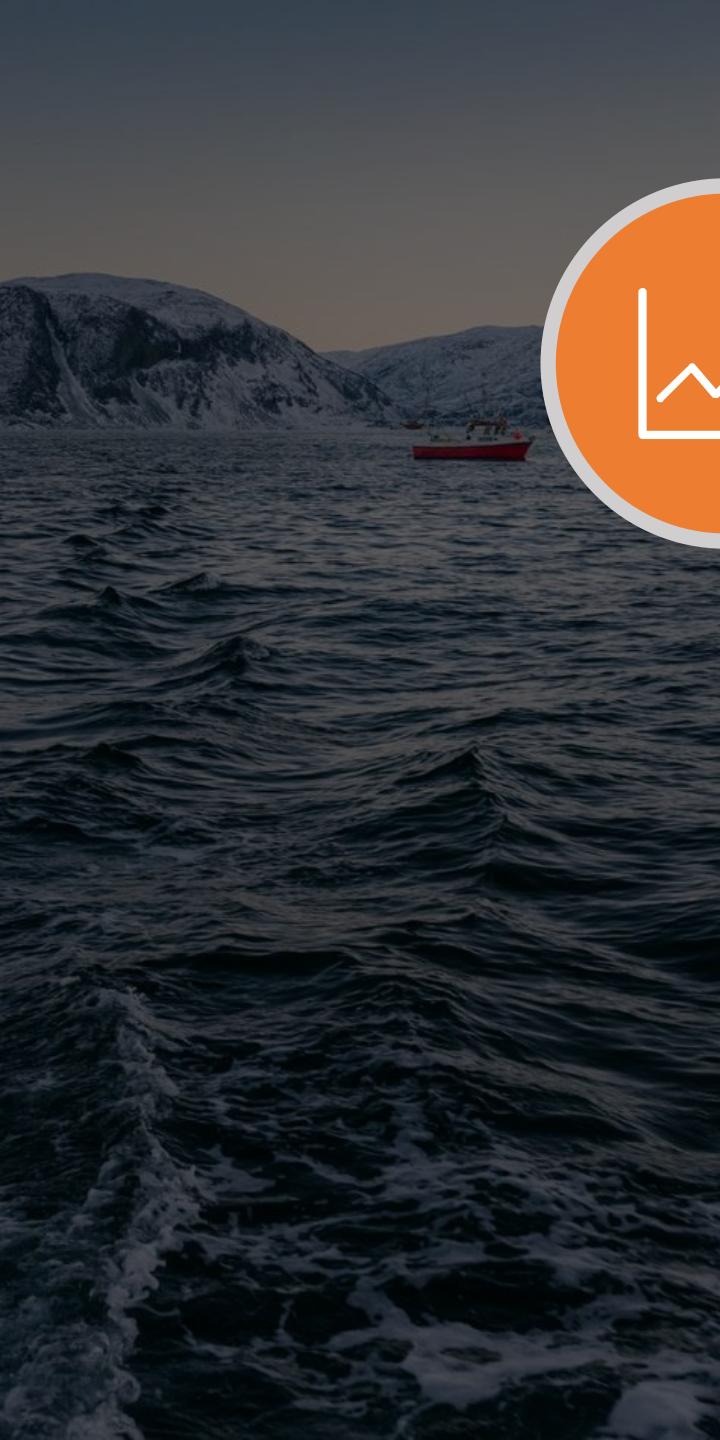
- Modest growth globally and in Chile expected in 2020. Standing biomass in Norway by end April reported to be at the same level as in 2019. Due to Covid-19 it might happen that the harvest volumes in Chile in 2020 will be lower than predicted. Globally, the highest growth rates for the next few years are coming from other countries.
- Stocking in Chile for the last eight months is estimated to be 2% below the previous cycle, confirming the modest volume output expected in 2021 from this country.
- Chile is expected to grow at 4% in 2020, but then stay flat in 2021.
- Analyst estimate that World Supply Growth will be between 4% and 6% during the next three years.

### Production Parameters



### Comments

- Nova Austral is significantly increasing stocking levels in 2020, which should generate higher harvest levels in the future. Total stocking in 2020 will be 7,2m smolts, including 2,8m smolts to be stocked in JV sites.
- Despite Covid-19 impact, Nova Austral is aiming to achieve harvest volume of around 16k Tons, which is lower than in previous years due to stocking volume restrictions in 2019.
- JV with Trusal is expected to contribute around 37k tons over two production cycles, as follows:
  - 1st cycle: 6.8k tons in 2021 and 11,7k tons in 2022
  - 2nd cycle: 8.0k tons in 2024 and 10,4k tons in 2025



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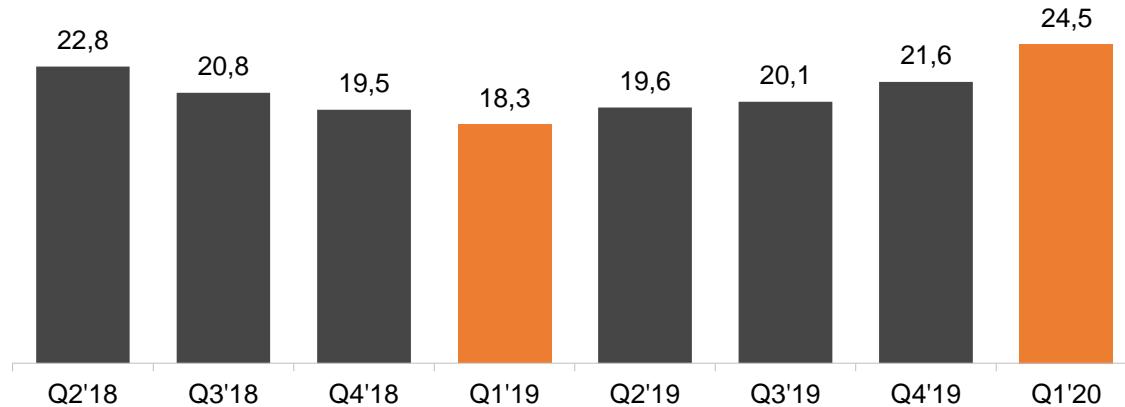
## Operational metrics

- LTM harvest & sold volumes Q1-20
- Quarterly operational revenues Q1-20
- Sales outlook Q1-20
- LTM Ex Cage Cost & EBIT/Kg Q1-20

# Operational Metrics

C LTM Harvested & Sold Volumes Q1-20

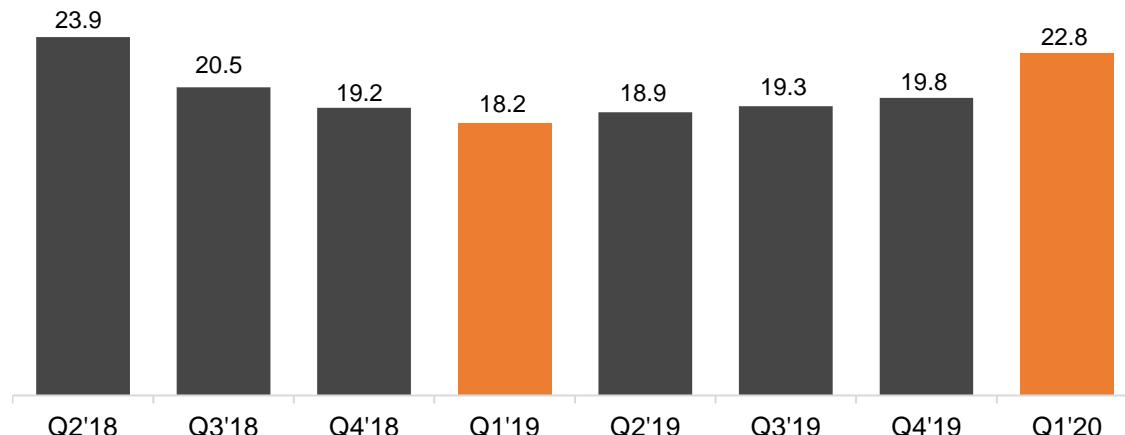
## LTM Harvest (kTon WFE)



## Comments

- Nova Austral experienced an increase of 34% in harvested volume during LTM Q1-20 vs LTM Q1-19.
- Despite the Covid-19 impact, the company harvested 5,8k Tons in 1Q-20.

## LTM Sold Volumes (kTon WFE)

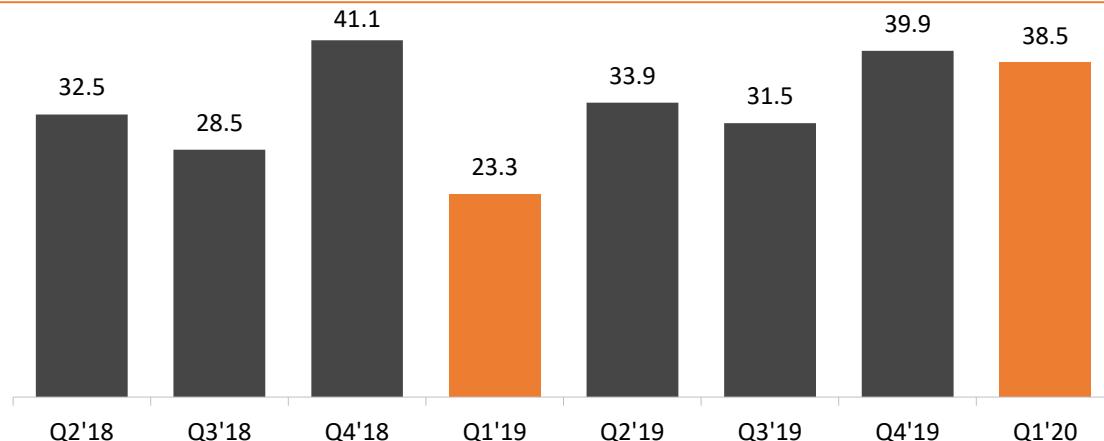


- In the case of LTM sold volumes, the company experienced an increase of 25% vs same period last year.

# Operational Metrics

C Quarterly Operational Revenues Q1-20

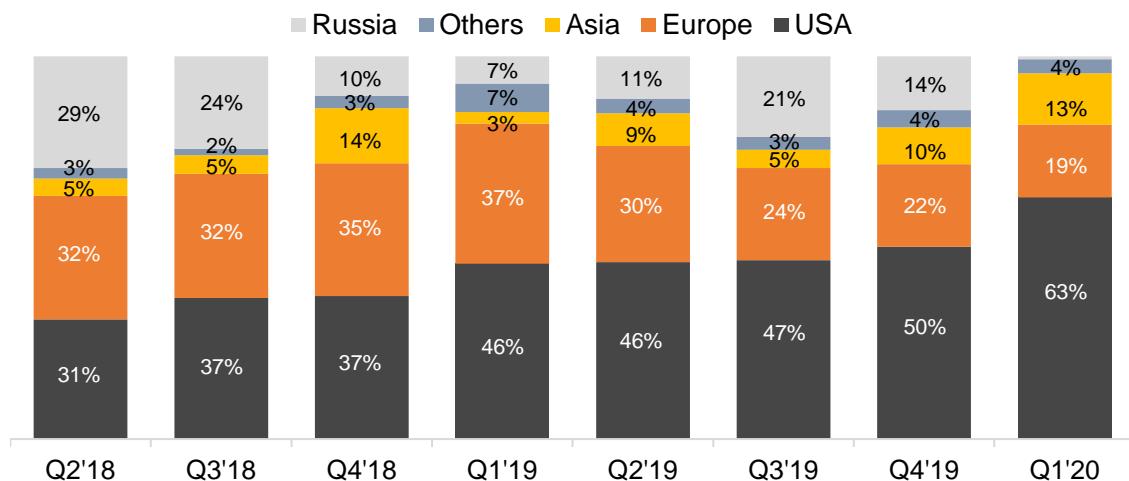
## Quarterly Operational Revenues



## Comments

- Operational revenues in Q1-20 were 65% higher than the same period last year.

## Quarterly Operational Revenues by Market

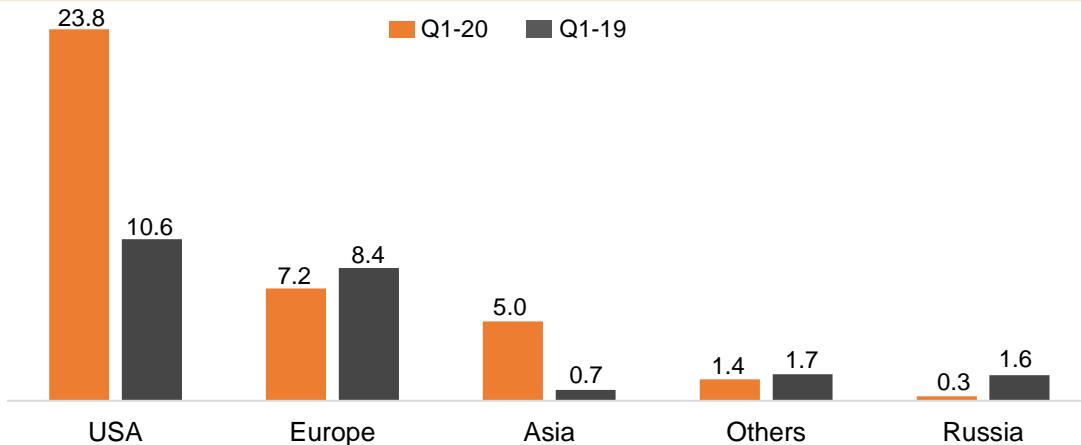


- US continues to increase its relevance for Nova Austral sales, 63% during Q1-20 compared to 46% in Q1-19. Although Europe is still the second market in terms of volumes, Asia has increased its participation since Q1-19.
- In the case of Russia, we expect that market to start increasing its share from 2Q-20 onwards till get in line with historical volumes.

# Operational Metrics

C Sales by Market & Products Q1-20

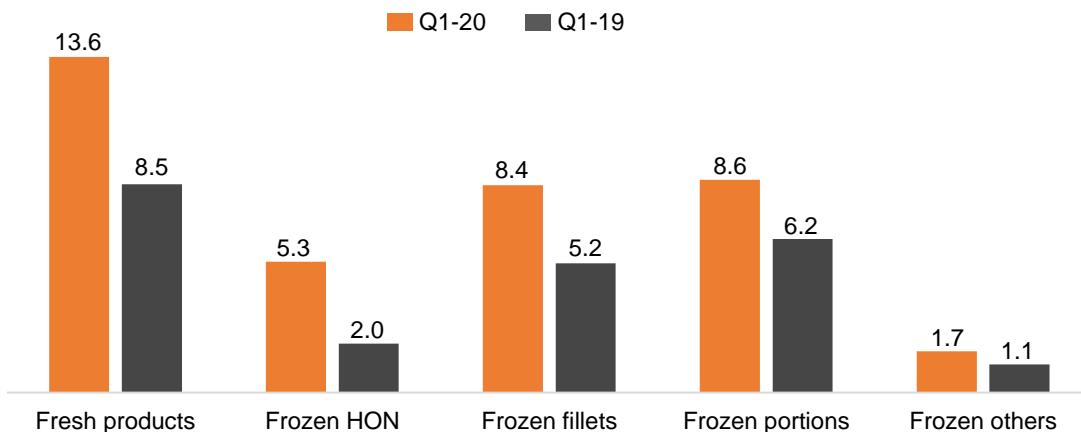
## Sales Income by Market Q1-20 (m USD)\*



## Comments

- From a market's perspective, US and Asia have been the main drivers of YoY sales increase. The US market represented 63% of Nova Austral sales (up from 46% in Q1-19), pushed by our strategy focused on fresh products, while Asia contributed with a 13% (vs. 3% in Q1-19).

## Sales Income by Product Q1-20 (m USD)\*



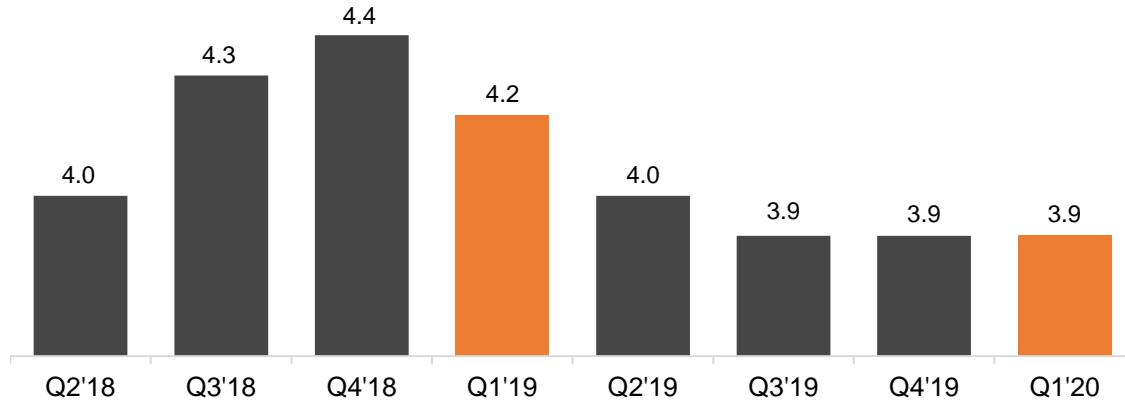
- In terms of products mix, sales grew in all categories during Q1-20 vs same period 2019. Fresh products (60% YoY growth), frozen portions (39% YoY growth) and Frozen Fillets (61% YoY growth) were the most relevant categories, representing 36%, 23% and 22% of our sales, respectively. Such categories are sold at premium prices.

\* Considers sales of finished products -excludes revenues from processing services (\$0.8m).

# Operational Metrics

C LTM Ex cage cost & EBIT/Kg Q1-20

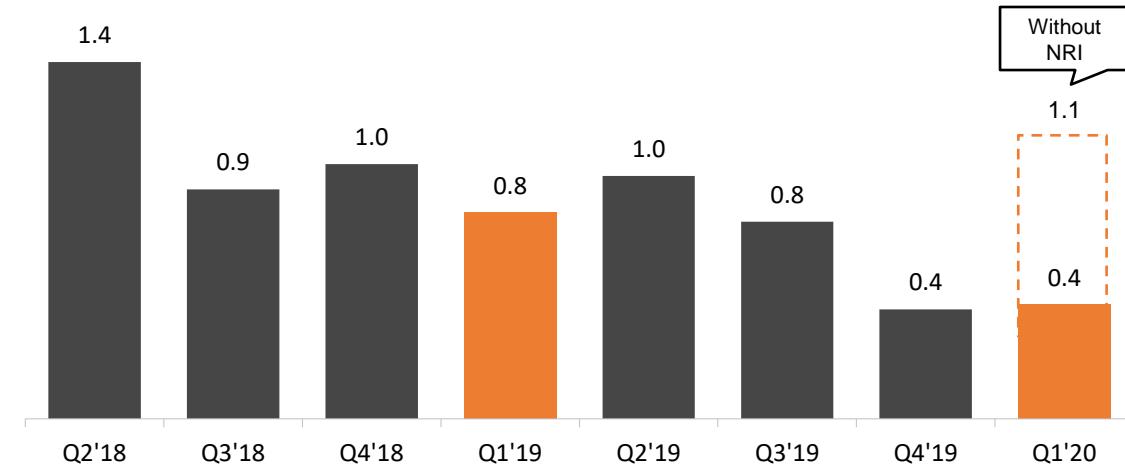
## LTM Ex Cage Cost (USD/Kg)



## Comments

- While ex cage cost continues to be at the lowest levels of the last 2 years, we continue striving to get to our target of \$3.4/Kg.

## LTM EBIT/Kg WFE (USD)\*



- LTM Q1-20 EBIT/Kg considers the impact of non recurring costs and expenses, namely, legal advisory (\$5.8m), smolts eliminations (\$4.8m), smolts sales below costs (\$2.6m) and severances payments for reorganization (\$0.6m). Without such impact, LTM Q1-20 EBIT/Kg would have been \$1.1.

\* According to IFRS, before fair value adjustments.



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# Financial statements

- Q1-20 IFRS Income Statement
- Q1-20 IFRS Balance Sheet Statement
- Q1-20 IFRS Cash Flow Statement

# Financial statements

D Q1-20 IFRS Income Statement

Income statement (USD m)	Q1-20	Q1-19	Var	Var %
Revenues	38,5	23,3	15,2	65%
Cost of goods sold	-31,6	-20,8	-10,8	52%
<b>Gross profit before fair value adjustm</b>	<b>6,9</b>	<b>2,6</b>	<b>4,3</b>	<b>169%</b>
Other income (*)	6,2	3,7	2,5	67%
Other Cost	0,0	0,0	0,0	0%
Distribution Cost	-3,7	-1,9	-1,8	100%
Admin Cost	-5,6	-3,2	-2,3	72%
Depreciation	-1,9	-1,8	-0,1	5%
Fair value adjustments	-6,8	8,0	-14,8	-186%
Other earnings / costs	0,8	-0,4	1,2	NA
Net Financial Income/Expenses	-5,3	-5,3	0,0	0%
Foreign exchange costs	-1,9	0,2	-2,1	-1222%
<b>Earnings before taxes</b>	<b>-11,3</b>	<b>1,8</b>	<b>-13,1</b>	<b>-741%</b>
Tax	0,0	0,0	0,0	2927%
<b>Net profit (loss)</b>	<b>-11,3</b>	<b>1,8</b>	<b>-13,1</b>	<b>-743%</b>
<b>EBITDA before fair value adjustment</b>	<b>2,8</b>	<b>1,0</b>	<b>1,8</b>	<b>188%</b>
<b>EBITDA with fair value adjustment</b>	<b>-4,1</b>	<b>8,9</b>	<b>-13,0</b>	<b>-146%</b>
<b>EBIT before fair value adjustment</b>	<b>0,8</b>	<b>-0,9</b>	<b>1,7</b>	<b>NA</b>
<b>EBIT with fair Value adjustments</b>	<b>-6,0</b>	<b>7,1</b>	<b>-13,1</b>	<b>-185%</b>

## Comments

- Higher Revenues mainly due to higher volumes sold (+84%).
- COGS increased less than Revenues due to lower mortality levels and lower processing costs per Kg.
- Increase in Other Income due to higher Navarino Law as harvested volumes increased significantly.
- Increase in Distribution Costs driven mainly by higher refrigerated storage costs and higher logistics costs due to an increase in sales of fresh products.
- Increase in Admin. Costs due to Legal advice costs (\$3m).
- Fair Value adjustments decreased due to lower biomass volumes and lower prices.
- Foreign exchange costs are impacted by deferral of payments of Navarino Law accrued in 2019.

(\*) Included Navarino Law Income

# Financial statements

D Q1-20 IFRS Balance Sheet Statement

Balance sheet (USD m)	1Q-20	1Q-19	Var	Var %
Cash and cash equivalents	6,6	3,0	3,7	123%
Accounts receivable	19,7	14,3	5,4	38%
Inventories	48,3	27,5	20,8	76%
Current biological assets	50,5	91,5	-41,0	-45%
Tax and other current assets	34,6	30,4	4,2	14%
<b>Total current assets</b>	<b>159,8</b>	<b>166,6</b>	<b>-6,8</b>	<b>-4%</b>
Intangible assets other than goodwill	12,2	11,8	0,3	3%
Property, plant and equipment	68,9	65,7	3,2	5%
Biological assets, non-current	8,2	14,3	-6,1	-42%
Other non-current assets	128,7	119,5	9,2	8%
<b>Total non-current assets</b>	<b>218,0</b>	<b>211,3</b>	<b>6,7</b>	<b>3%</b>
<b>Total assets</b>	<b>377,8</b>	<b>377,9</b>	<b>-0,1</b>	<b>0%</b>
Paid in capital	1,0	1,0	0,0	0%
Retained earnings	-12,4	3,0	-15,3	-517%
<b>Total equity</b>	<b>-11,4</b>	<b>4,0</b>	<b>-15,3</b>	<b>-387%</b>
Other current financial liabilities	41,9	13,6	28,3	208%
Accounts payable	44,6	58,4	-13,8	-24%
Accounts payable to related entities	0,0	0,0	0,0	0%
Other current liabilities	2,3	1,9	0,4	22%
<b>Total current liabilities</b>	<b>88,8</b>	<b>73,9</b>	<b>14,9</b>	<b>20%</b>
Other non-current financial liabilities	300,0	300,0	0,0	0%
Accounts payable to related entities	0,4	0,0	0,4	100%
<b>Total non-current liabilities</b>	<b>300,4</b>	<b>300,0</b>	<b>0,4</b>	<b>0,1%</b>
<b>Total liabilities</b>	<b>389,2</b>	<b>373,9</b>	<b>15,3</b>	<b>4%</b>
<b>Total Equity and liabilities</b>	<b>377,8</b>	<b>377,9</b>	<b>0</b>	<b>0%</b>

## Comments

### Current Assets:

- Stronger cash position and AR due to higher sales during Q1-20.
- Inventories grew due to higher stocks of Finished Products (+\$14,3m F.Prod. + \$8,2m Fair Value of F.Prod.).
- Reduction in Current biological assets due to lower volumes and prices.

### Non-Current Assets:

- Lower Biological assets due to lower smolts costs and volumes.
- Higher Other non-current assets mainly due to accrued interests.

### Equity & Liabilities:

- Retained earnings decreased due to negative Net Income in Q1-20.
- Higher Other Financial Liabilities due to a draw on the RCF (\$33m) during 2019.
- Lower AP due to a reduction in feed acquisition compared with Q1-19.

# Financial statements

## D Q1-20 IFRS Cash Flow Statement

Cash flow statement (USD m)	Q1-20	Q1-19	Var	Var %
Receipts From Sales Of Goods And Rendering Of Services	37,3	31,7	5,6	18%
Other Cash Receipts From Operating Activities	7,2	4,9	2,3	47%
Payments To Suppliers For Goods And Services	-33,1	-43,1	10,0	-23%
Payments To And On Behalf Of Employees	-4,9	-4,4	-0,6	13%
Payments For Premiums And Claims Annuities And Other Policy Benefits	-0,7	-0,6	-0,1	26%
Income Taxes Paid or Refunded	1,5	2,8	-1,3	-48%
Other In flows Out flows Of Cash	-0,4	-0,3	-0,1	22%
<b>Net cash from operating activities</b>	<b>6,9</b>	<b>-8,9</b>	<b>15,8</b>	
Cash Flows Used In Obtaining Control Of Subsidiaries Or Other Businesses	-0,3	-4,0	3,7	-92%
Purchase Of Property Plant And Equipment	-1,1	-1,8	0,7	-39%
Proceeds From Sales Of Property Plant And Equipment	0,0	0,0	0,0	0%
Other In flows Out flows Of Cash	0,0	0,0	0,0	0%
<b>Net cash from investing activities</b>	<b>-1,4</b>	<b>-5,9</b>	<b>4,4</b>	
Loans to related entities	-3,3	0,0	-3,3	100%
Proceeds From Borrowings short terms	0,0	5,0	-5,0	-100%
Interest Payment	-1,0	0,0	-1,0	100%
Payment Of Loans, Short Term	0,0	0,0	0,0	0%
Payment Of Loans, Long Term	0,0	0,0	0,0	0%
Other In flows Out flows Of Cash	-8,3	-0,2	-8,1	4783%
<b>Net cash from financing activities</b>	<b>-12,6</b>	<b>4,8</b>	<b>-17,4</b>	
<b>Change in cash before Before Effect Of Exchange Rate Changes</b>	<b>-7,1</b>	<b>-9,9</b>	<b>2,8</b>	
Effect Of Exchange Rate Changes On Cash And Cash Equivalents	0,6	-0,1	0,7	NA
<b>Cash and cash equivalents b.o.p</b>	<b>13,1</b>	<b>13,0</b>	<b>0,1</b>	<b>0,8%</b>
<b>Cash and cash equivalents e.o.p (***)</b>	<b>6,6</b>	<b>3,0</b>	<b>3,6</b>	<b>122%</b>

(\*\*\*) In addition we have a WK facility of \$50m (\$33m drawn at Q1-20)

### Comments

#### Operating Activities:

- Higher Receipts from Sales of Goods due to higher volumes sold.
- Lower payments to Suppliers for Goods and Services mainly due to a reduction in feed acquisition.

#### Investing Activities:

- \$0,3m correspond to payments of the concessions in Beagle Ch.
- Capex of \$1,1m mainly for maintenance and fixed assets.

#### Financing Activities:

- Increase in Loans to related entities corresponds to loans to PTF S.A. (Hatchery).
- Proceeds from borrowing short terms decreased since we didn't draw any funds from the RCF during 1Q-20.
- Other outflows for \$8,3m correspond to final payment to a factoring company.



## Responsibility statement

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The Board of Directors of Nova Austral S.A. consists of Halvor Horten from Bain Capital Private Equity (Europe), LLP, Tom Jovik from Altor Equity Partners AS, and Yngve Myhre. Company management consists of Nicolas Larco (CEO).

We confirm to the best of our knowledge that the condensed set of financial statements for the quarter ended March 31<sup>st</sup>, 2020, has been prepared in accordance with IAS 34 –Interim Financial Reporting and give a true and fair view of the assets, liabilities, financial position and result of Nova Austral S.A. and the Nova Austral group as a whole for the period. We also confirm to the best of our knowledge that the financial review includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

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**Global Call, Friday June 5<sup>th</sup>, 15:00 CET; 14:00 UK; 9:00 US ET**

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**Information for online registration will be provided in the next days.**

## **Q&A Details:**

During the call, investors will have the opportunity to ask questions on the operational and financial performance of the company.



**Nova Austral**

PURE SALMON FROM ANTARCTIC WATERS



# Q1-2020 Nova Austral Financial Presentation

June 2020