

## **TRANSCRIPT**

### **Grieg Seafood Q4 2024 Results**

20 February 2024

#### **Andreas Kvame, CEO:**

Hello everyone, and welcome to the presentation of the fourth quarter and full year 2024 results for Grieg Seafood. My name is Andreas Kvame, and I am the CEO in Grieg Seafood. With me today I have Magnus Johannessen who came to Grieg Seafood in September last year and took over as CFO earlier this month. You will get to know him better at today's presentation.

#### **Highlights**

In the fourth quarter and during recent years, Grieg has had biological and operational challenges. These challenges, combined with ongoing capex requirements, have gradually eroded some of our financial flexibility. Our earnings have not met expectations, and we are therefore presenting a transformation program which we believe will give us the best foundation for a stronger Grieg Seafood and equip the company for sustainable and profitable growth going forward.

#### **Transformation program**

We are reallocating resources to develop our strong Norwegian regions, to implement necessary operational improvements and cost-cutting and increase our ambitions significantly in this area. As we have previously communicated, we have been in a dialogue with interested parties for a potential sale of our operations in Canada/Newfoundland. Those negotiations did not succeed, and we have thus chosen to conclude them now. Going forward, we will be operating Canada with lower investments and less use of resources. This takes place in a situation with increased political and regulatory uncertainty in the country.

In addition to reallocating our resources, we are planning a significant refinancing which will ensure financial liquidity and flexibility going forward. In today's presentation, we will first go through the highlights of the quarter. I will stick to the main issues to allow Magnus enough time to cover our transformation program, and I will round things up after that.

Here are the highlights of the quarter. Our operational EBIT ended negative at NOK 74 million in the quarter, with which we are of course not satisfied. The main reason the result ended like that was string jellyfish in Finnmark at a location with two million fish, as well as continued weak results in Newfoundland which is still in an early phase. In addition, we experienced a challenging framework for business in Canada due to changed operational, economic and regulatory conditions in the region. So we have altered our plans for the future in Canada. We are taking a write-down of our assets of NOK 1.7 billion. Magnus will cover more details in his presentation.

Due to this, we will change our priorities and our allocation of capital. The transaction shall lay the foundation for profitable and sustainable growth in the future. I'll say a few words about our transformation project. To make it short, we will channel resources to the best results and returns. The company does not have sufficient financial resources to implement all the possibilities we have, so we must prioritize. We will thus reallocate financial resources to develop our Norwegian regions. In general, this means that we will continue our earlier program for operational improvement, as we have communicated earlier. Further, we have the ambition to transfer knowledge and experience from what

we have achieved in Rogaland to our activities in Finnmark. By doing that, we will release the value potential that lies in that region. At the same time we are taking the necessary steps to safeguard our values in Canada and in that way maintain future options for that business.

The financial foundation to implement our strategy will be ensured through various measures. One is to issue a hybrid bond of up to NOK 2 billion. We are also planning a sale and leaseback of our smolt and post-smolt production sites in Finnmark. Our main goal is to have control of everything to do with fish, biology and production. We don't necessarily need to own steel and concrete. In addition to refinancing existing loans, this will increase our future financial flexibility. In total, this will reduce our net interest-bearing debt in the range of NOK 1.5 to 2.0 billion, giving us the necessary flexibility and liquidity to implement our plans. Magnus will come with more details about these transactions later in the presentation, but before that I will give an update about the development in our various operating units.

### **Operational review**

#### **Andreas Kvame, CEO:**

Rogaland delivered well this quarter once again. It is a good, stable region, and it has come far with post-smolt. Seawater production is good. We ended the quarter with full MAB (*maximum allowable biomass*) utilization. Our production is doing well in Rogaland, allowing us to harvest 800 tonnes more than our guidance. Our superior share was 95% and post-smolt continues to deliver good results. EBIT in the region ended at NOK 14/kg despite somewhat lower harvest weights. Årdal Aqua is a facility we have built with partners where three of four modules are now completed. Two are in production and received fish in October and the first release to seawater is scheduled for April this year.

Costs in Rogaland were NOK 63/kg, and we expect a stable development in Q1. We are maintaining our harvest guidance for 2025 of 30,000 tonnes, and of that amount, 6,500 tonnes will be harvested in Q1.

Results in Finnmark are affected by the string jellyfish attack in Vinnalandet. We got a wave of string jellyfish that caused mortality at the site, and we decided to harvest the site, which had two million fish, to ensure fish welfare. That means that we harvested small fish at the end of the year, with very low harvest weights, which in turn affected the achieved price. That also impacted our volumes, so we were 1,300 tonnes below guidance.

This event at Vinnalandet gave us a direct loss of NOK 75 million. We guided for a loss of NOK 70 to 90 million, which we were able to limit to NOK -75 million.

The underlying production is very good in Finnmark. That also gives us assurance about our guidance for this year. We have never had so high MAB utilization in our two Norwegian regions. We are starting the year (2025) with full MAB utilization, which gives me peace of mind that we have the volumes available for production volumes during the winter and into spring. This is something we have used the last two years to achieve. You all remember what we have been through when it comes to Spiro (*Spironucleus Salmonicida*) and the biomass in the sea now, which we are building after Spiro, is performing very well. Although there are still some winter ulcers in Finnmark, which have been a challenge the last years, the situation is significantly better than it was before. That is due to the measures we have implemented.

We are guiding for 32,000 tonnes, which is 25% up from 2024. We estimate our harvest volume for the first quarter at 7,600 tonnes.

Then British Columbia, where we didn't have any harvesting during the quarter and we won't be harvesting in the first quarter, either. Seawater production has stabilized after the event we had last summer, and the fish are growing well. We have adopted a wait-and-see attitude in BC due to the well-known political situation. Our investments are on hold, and we are only doing necessary maintenance investments in this region. We have also taken impairments due to an unclear political and regulatory situation there.

We will resume harvesting in the second quarter and our guidance for 2025 is 12,000 tonnes.

Then there is Newfoundland. We still have good seawater production. Our superior share was 96%. Our costs are still high which is due to low capacity utilization. We are happy to say that in January, at least, we did achieve positive EBIT in Newfoundland. We do of course follow the political situation with tariff threats, and thus to be on the safe side, we are accelerating the harvest in February in case tariffs are implemented in March. We have also taken write-downs here due to changed operating parameters and changed strategic priorities in the company. This is also a measure taken to reduce our investment requirements in the short and long term.

We will harvest 10,000 tonnes in 2025 and 4,700 of those tonnes will come in the first quarter.

And now I give the word to Magnus to go through our financials.

## **Financial Review**

### **Magnus Johannessen, CFO:**

Thank you, Andreas. Good morning to all of you. This was quite the quarter to start with, but I think it will go just fine. I look forward to getting to know all of you here today in the room – investors, analysts, all of you. This will be exciting. Before I cover the details, I would like to say that I believe that we have the best preconditions to deliver profitable growth and operations going forward, and that we are taking the right steps and priorities in our capital strategy to achieve just that.

There is no doubt that biological and operational conditions had a major impact on our operations in the fourth quarter and last year. We realize this and we understand the seriousness of addressing the situation and we will do just that. This has a big impact on the employees, and I can assure you that they are very motivated to handle the situation, and I am very thankful for the backing I have gotten from Andreas and management to handle this.

If we start with the results, they were influenced by biological conditions at Vinnalandet. If we start with the top line, we see that the quarter had strong revenues characterized by good prices, a higher share of superior fish, and, not least, higher harvest volumes. If we move down to costs, we see that we had an increase in average farming cost of NOK 1.9/kg, and not least, that was because a higher share of our harvest came from high-cost regions, meaning Canada. That means we ended with an EBIT of NOK -74 million, which is NOK -3.1/kg.

There is one very important thing in our profit and loss statement, which is impairments. When we consider making an impairment, we must consider many scenarios, and with the great political and regulatory uncertainty now, combined with our plan to lower investments, that will have an impact on how we value these assets. It is also important to say that this follows a methodology in a standard which we can not deviate much from.

We had a negative cash flow from operations in the quarter of NOK 213 million, affected by biomass, but also due to changes we made in working capital at the end of the year.

When it comes to investments, we have desired to maintain our ambitions when it comes to post-smolt. When our assumption for doing this was based on using our operating cash flow and more, it is self-evident that when operating cash flow and operating conditions are lacking, it would have consequences. That is also why we established a bridge loan of NOK 750 million toward the end of the year..

If we look more closely at investments, we had growth investments during the year, post-smolt for instance, and we had maintenance investments at similar levels to earlier. Going forward, we will continue our capex activity to complete projects and capture the good synergies we see from post-smolt in Rogaland and bring them to Finnmark. That is exactly why we need to finish our construction in Adamselv. However, with such a level of investments, which we cannot finance solely by our cash flow, it pulls down our internal cash buffer and we had to draw on our credit and overdraft facilities.

So, we started the quarter with NOK 4.8 billion in net interest-bearing debt, had a reduction from EBITDA, an increase from increasing biomass, and a significant debt increase from gross investments of nearly NOK 450 million. The last column shows other changes, primarily customer receivables and trade payables (*which increased debt by NOK 430 million*), so we ended the quarter with NOK 5.6 billion in net interest-bearing debt. Obviously, this isn't something that can continue. We must have capital discipline, and allocate capital where returns are higher. That is obvious, but then we need to do something with our balance sheet.

We are planning to do three things to optimize. We need to ensure flexibility and robustness in our balance sheet. We must have satisfactory liquidity, but this money can't go to projects where we have yet to see returns. Thus we must shift our priorities to our Norwegian activities.

If I start by addressing our first goal, which is increased flexibility, we will be issuing a hybrid bond which will be classified as equity, not as debt on our balance sheet. This bond will be used to repay our green bond, as well as strengthening our equity and making our balance sheet more flexible.

But we also wish to strengthen the long-term liquidity buffer in Grieg Seafood. We don't want to be an administrator of steel and concrete; we want to focus on salmon farming. That is why we are also planning a sale and leaseback of our Adamselv facilities, where our focus is to maintain operational control, optimize our operations without the sale and leaseback affecting that negatively. We see that we are achieving especially good terms from the sale/leaseback, both when it comes to yield and the value of the property, which is assessed at roughly NOK 2 billion. Several actors have signalled concrete interest, and we are now entering a mutually agreed process with a real estate actor to reach a sale/leaseback agreement.

Then it is important to point out that this does not have a negative impact on how we run our business. That is important, because we have a value chain perspective with which we will continue. The sale/leaseback will not hinder that.

The third pillar is to achieve optionality in our locked-up capital, where much of our capital investment has been allocated to Canada. That will be reversed. And in that connection I can point out that in the past weeks we have managed to reduce the capital tied-up in our Canadian business by NOK 500-600

million, which we can instead invest in our Norwegian business. And when you see the profitability in our Norwegian business, and the potential in Finnmark, that shouldn't come as a surprise..

What will the specific impacts of this be? We said first that we will strengthen our equity. We have not breached our covenants, and we ended 2024 in compliance with our covenants. We see that these measures will bring us up to 50 percent equity in a pro-forma Q4 calculation.

Then there is the liquidity we need to maintain our investments, continue our post-smolt strategy, realize short-term and long-term cost synergies for costs and biological security. We see that the hybrid bond, sale/leaseback and our optionality measures combined will give us NOK 3.2 billion in liquidity impact before we calculate the potential repayment of debt or further measures to strengthen our balance sheet.

Then there is the strategic rationale. We have a post-smolt strategy and see that it works, and we will copy it, but that requires that we complete the projects we have started. And we will. We will thus refinance our green bond, which matures in June. That is important. We will get a substantial liquidity boost, which is important for stability, both in terms of ensuring our measures to do pro-active things to ensure operational stability, but also to have the possibility of having flexible resources. And, not least, optionality in Canada where there has been a lot of focus on too much capital being tied up in areas that have not achieved results in line with your expectations or market expectations. We have taken those concerns seriously.

It is thus enjoyable to participate in establishing the foundation for implementing this, so I would thus like to give the word back to Andreas to talk about the path going forward.

### **The way forward**

#### **Andreas Kvame, CEO:**

Thank you, Magnus. Then I will look at the way forward. Magnus covered our plans well for the financial side, so I will say a bit more about operations. These are our two regions, Norway and Canada.

Our focus will return to Norway. We will allocate our capital to Norway, and we see that approximately 75% of our fish in 2025 will be of Norwegian origin. Canada will be stable. As we have said for a long time, British Columbia is on hold. Newfoundland is stable and provides optionality.

A little back to post-smolt. If we look at Rogaland, for example, it is among the better in Norway to utilize MAB. We have 17,800 tonnes of MAB and a harvest volume of 30,000 tonnes. This is due to our post-smolt strategy and what we have achieved over many years because we have emphasized this. We are the leader in this area, and we have good capacity utilization. The results are self-explanatory: significantly fewer lice treatments, shorter time in seawater with less exposure to pathogens in seawater. We have a lower economic feed factor because survival rates have gone up quite a bit or mortality has declined significantly. Where we have pure post-smolt groups, our mortality is at 8% whereas the region has had an average of 22% and 17% during the last years.

We definitely believe we are moving in the right direction. With Årdal Aqua in 2025 we will be close to 1 kg for fish released to sea. But the potential is at least as big in Finnmark as in Rogaland. And that will be our focus. We have completed many initiatives in Finnmark, especially after we were hit by the Spiro

parasite. We have installed UV filters in our freshwater facility so that nothing will be entering the facility through the water intake. We have added more capacity for lice treatment with larger boats. We have skirts on our sites, both for sea lice and to restrain the string jellyfish we have experienced in this region for two years. And we have vaccinated our fish. In 2022, before Spiro, Finnmark was at the same level as Rogaland when it came to results, and when we are rebuilding after Spiro we are including post-smolt at Adamselv, which you see a picture of here (slide 20).

In Canada, our focus is to protect our values and maintain optionality for the future. We will do this by scaling down our capex ambitions in Newfoundland. BC's strategic, or long-term, investments have been put on hold, while we wait for the transition plan, which was communicated in 2019, but still hasn't been finalized. So that sums up Canada.

## **Outlook and summary**

### **Andreas Kvame, CEO:**

Then a little about our outlook and a summary. The market for our products is good. Demand is still large and strong. We had a very good start to the year (2025), both from our Norwegian regions and from harvesting in Newfoundland. We are very happy about good demand and good prices in the market.

We have more contracts this year (2025) than in the previous two years. Uncertainty in those years had to do with winter ulcers, making it very hard to make many commitments for superior fish. We are in a completely different situation this year, and we now have a contract portfolio with 22% for the year in total and 23% contracts for the first quarter.

When it comes to volumes for the year, we expect 84,000 tonnes in 2025. Of that, we expect 18,800 tonnes in harvest the first quarter, spread out in three of our regions. We are very pleased with the development we see now in both Rogaland and Finnmark; stable in Rogaland and growth in Finnmark is going well, full capacity utilization for MAB, which is a very positive thing. And production in BC has stabilized after last summer's low dissolved oxygen and algae challenges, which is good. Now production is good and stable, but with no harvesting in the first quarter. In Newfoundland, the current generation will complete its harvest during the month of February.

So, a little summary of the quarter. Vinnalandet was something everyone seemed to know about with pictures in all the newspapers of string jellyfish entering the salmon pens. That had a major impact on our results when we had to remove the two million affected fish. Having said that, we still have plenty of fish left in the sea and we are able to maintain our MAB. Production was good in Norway, with good MAB utilization. It was at an all-time high, it has never been so high at the start of a year. We had good and stable production in Newfoundland and improved production in British Columbia.

We have launched a transformation program for the company where we reallocate our resources from our operations in Canada to Norway, where we have had good profits in recent years. If we can get Finnmark up to Rogaland's level, it will be very good.

The license value alone in this company in Norway is NOK 12 billion, based on the latest auction, so the company is a strong, solid business.

Thank you. Now we are open for questions.

## **Q&A**

**Henrik Knudsen, Carnegie:**

You don't say very much about the process to sell assets in Canada. Can you say a bit more there?

**Andreas Kvame, CEO:**

Well, We came a long way in negotiations, especially with one party. We were discussing partnership or a potential sale. But in the end, with given terms, , in combination with a big challenge we got because of a new president who lives a bit further south, regarding tariffs, we found it best to keep the assets in-house. The potential purchaser ended up reducing his bid.

**Magnus Johannessen, CFO:**

I would like to add that what we saw in the negotiations was the likely success rate of the deal was too low because of the tariffs then it is not right to continue with a sales process if you don't know whether the sale can be completed. It is all about creating optionality and give the shareholders the possibility to maintain a strategically important position and instead realize some of the advantages from a sale by reducing capital obligations. The risk-reward for us was not optimal under any circumstances.

**Henrik Knudsen, Carnegie:**

Then another thing. You say that you want to maintain operational control through the sale/leaseback agreement. Does that mean a sale of Finnmark is out of the question?

**Andreas Kvame, CEO:**

Yes. We will create a flexibility in our balance sheet, so we are not considering a sale of Finnmark. We want to maintain our operational control. We see that Finnmark can become at least as good as Rogaland. We can't let the operational and biological control out of company. That's why it is concrete and steel.

**Herman Dahl, Nordea:**

Can you say anything about which investments you are cutting in Canada for those NOK 500-600 million? Could you possibly say anything about whether you are completely ruling out a sale or partnership if something in Canada would change in the next year, months or weeks?

**Magnus Johannessen, CFO:**

I will start with the investments. The post-smolt facility in Newfoundland is the main capex item being reversed. It is important to say that it won't be standing there with exposed cables and wires during the winter. The completed phase is concrete, and we are stopping there. The concrete structure will be in a satisfactory condition to withstand weather and wind in coming years. There aren't pipes and electrical wires sticking out. When it comes to other investments in Newfoundland, for instance seawater sites, we will focus on keeping operations stable. So maintenance and replacement will also be done.

**Andreas Kvame, CEO:**

For the other question about what is ruled out, we have closed the door, but if new conditions or interesting terms arise that give value to shareholders, obviously we will consider that.

**Alexander Aukner, DNB Markets:**

I had some of the same questions, but we can go further with Newfoundland and costs. With the same volume in 2025 as in 2024, is there any reason to believe in lower costs this year compared to last?

**Andreas Kvame, CEO:**

This year, towards the end of the year, we will be able to lower costs. But clearly we have scaled for a higher volume that was supposed to come, but that won't be coming after all. Now we need to reevaluate our cost base, with boats, and all the equipment to see how much we can scale down to adjust our costs to the volumes we now will have.

**Alexander Aukner, DNB Markets:**

So we can assume, with everything else the same, you are still loss-making in Newfoundland, at least until the end of the year?

**Andreas Kvame, CEO:**

It depends very much on what prices we achieve, but our ambition is to lower costs in Newfoundland. They will never come down to Norwegian levels, with these volumes, but we expect costs to decline from today's situation.

**Alexander Aukner, DNB Markets:**

Thanks.

**Martin Kaland, ABG Sundal Collier:**

What are expectations to increasing biomass and working capital during 2025? Can you say anything about that or other payments, for instance taxes or major items?

**Magnus Johannessen, CFO:**

When it comes to biomass the increase will be very similar to what we saw in 2024. When it comes to working capital we need to take measures regarding accounts payable. We will also be getting new cash, so the overall situation should be better, in our view. When it comes to other costs, we have demobilization costs in Newfoundland, of course, but they are limited to a minimum, but yes, there will be some costs there.

**Martin Kaland, ABG Sundal Collier:**

When it comes to Finnmark you don't say so much about costs other than that they will gradually decline. Does that mean stable in Q1, and gradually lower during the year? Can it come as early as Q2?

**Andreas Kvame, CEO:**

It will come gradually, even in Q1. We see that the trend is positive.

**Martin Kaland, ABG Sundal Collier:**



Thank you.

**Henrik Knudsen, Carnegie:**

A little follow-up question to working capital. You said that there would be an improvement in accounts payable? Right now, they seem artificially high compared to historical levels.

**Magnus Johannessen, CFO:**

When we have limited flexibility in operations to plan payments, it will affect obligations to suppliers. We are switching from running planning and optimization to more long-term planning and communication with our suppliers about our payment obligations. I believe that will have an impact so that accounts payable are not artificially high because of moving payments as we plan our payments vs. operations much better. That is how I see it.

**Ola Trovatn, DNB Markets:**

In the transformation plan with the bridge loan of NOK 750 million, can you say whether that has been converted to permanent debt or does that also have to be repaid during the year?

**Magnus Johannessen, CFO:**

The duration of that loan was 18 months when we took it in December. Our plan is to repay it, not least because of the measures we are taking now, and we believe that makes sense because we see cheaper financing options elsewhere, such as sales/leaseback, for example. That's where we are with that, so the loan has the same classification.

**Ola Trovatn, DNB Markets:**

Thanks.

**Moderator:**

There are some questions from the web. Here is one: "You mentioned that other parts of Finnmark are not for sale but are there other areas in Norway you are evaluating for a sale?"

**Andreas Kvame, CEO:**

No, there are not. We are most interested in operating fish farming. And the way we are doing things in Finnmark can be a possibility at some point in time, but as of today we have no concrete plans to do that.

**Magnus Johannessen, CFO:**

I would like to add that we are seeing enormous interest in our steel and concrete assets. A nail isn't a nail, so to speak. We see great underlying value potential in our assets, so we are looking at as a structurally possible transaction similar to what we are doing at Adamselv for our whole portfolio of property.

**Question:**

You say that especially tariffs are an issue for discussions about the sale of Newfoundland. If there aren't tariffs after all, will interest come back or are there other things that will put the brakes on?

**Andreas Kvame, CEO:**

We can't speculate about that, but if tariffs don't come I would expect the interest to be different than what it is now with the uncertain situation between the US and Canada.

**Question:**

When it comes to Newfoundland, have milestone payments been a limitation in the negotiations about a sale?

**Andreas Kvame, CEO:**

No, they haven't. With the current reallocation, and our production plans for the future, we won't be harvesting more than 15,000 tonnes during the valid milestone horizon, so there won't be more milestone payments.

**Magnus Johannessen, CFO:**

Since I have already been texted with a question about this, note that even though the harvest milestones have not been achieved, it does not impact how we treat intangibles on our balance sheet.

**Question:**

In light of the biological results so far in Q1, what harvest weights are you at so far in Q1 in Finnmark and Rogaland?

**Andreas Kvame, CEO:**

We had the remainder of Vinnalandet the first two weeks in January in Finnmark. The average weights now in Finnmark are 600 g higher than last year. In Rogaland we have good average weights up to 5 kg HOG.

**Question:**

What are the book values of BC and Newfoundland after the write-downs?

**Magnus Johannessen, CFO:**

Many have asked about that split. No, we aren't going to say. The reason for that is that we will come back to that in the first quarter. Since we have stopped the sales process, there is an interest about that info, but we have decided to wait on making any new information available to avoid influencing any potential interest. Don't consider that to be a signal. It is of course important not to open every information door.

**Moderator:**

There aren't any more questions from the web.

**Andreas Kvame, CEO:**

Thank you for coming in the middle of winter vacation week!