

# First Securities Aquaculture Seminar

**Atle Eide**

**CEO**

**Pan Fish Group**





**Is competitive advantage  
in multinational aquaculture companies  
achievable?**



PAN FISH

# Agenda



- **The industry**
- **Shareholder value based on competitiveness**
- **The Pan Fish story and our formula for future success**



PAN FISH

# This is salmon farming



## What industry are we in?

- ▶ Fish farming is and will be a pure commodity industry!

## Market dominance?

- ▶ A dream. The competitive battle for the dinner plate will never allow it!

## Cyclical?

- ▶ It is a part of our industry we need to learn to manage, as it will be our reality for the foreseeable future!

## Competition?

- ▶ We have only seen the beginning! Look at the concentration on the retailer and enormous marketing effort from competitive food!



PAN FISH

# A fragmented industry .. examples



## Industry sector

- SIF
- Islandic
- Laschinger
- Deutsche See
- Royal Greenland
- Uniq Group
- Young & Bluecrest
- MerAlliance
- And more....

## Retailers

- Wall Mart
- Carrefour
- Auchan
- Tesco
- Marks&Spencer
- Morrisons
- Aldi
- Lidl
- And more....

**None of the major customers have one exclusive supplier of salmon**



PAN FISH

# Can we be profitable in such industry



- **The competition has changed over the last few years**
  - ▶ Rapid concentration in retail
  - ▶ Rapid concentration in food service
  - ▶ Rapid concentration in seafood processing
- **To succeed we need to**
  - ▶ Meet very strict quality standards
  - ▶ Meet very strict traceability standards
  - ▶ Meet very strict delivery standards and
  - ▶ Be able to deliver large, guaranteed volumes
  - ▶ Be very cost effective to meet the demand for competitive pricing



# How to create shareholder values?



## Three areas where the multinational could be superior

- ▶ **Attractiveness to a global investor market**
  - ▶ Profitable size might make a company more attractive to global investors
- ▶ **Multi regional supply opportunity**
  - ▶ Global customers
- ▶ **Cost effectiveness**
  - ▶ Not beyond unique regions
  - ▶ But multiple regions could accumulate strong total profits



PAN FISH

# Shareholder value creation



## Area 1 for multinational aquaculture competitiveness

### ▶ Attractiveness to a global investor market

- ▶▶ Profitable size might make a company more attractive to global investors
  - High liquidity in share
  - Good analyst coverage
- ▶▶ Size based on multiple business units will, even with limited synergies, could level out earnings. Possible business combinations are;
  - Upstream – feed
  - Primary production – salmon/processing
  - Downstream – seafood value adding and distribution
- ▶▶ Size due to multiple production areas and multiple species
  - Risk reduction due to multiple areas
  - Risk reduction due to multiple species
  - Leveling of earning from various species





# Shareholder value creation



## Area 2 for multinational aquaculture competitiveness

### ▶ Multi regional supply opportunity

- ▶▶ Global customers use country of origin as co-brand
- ▶▶ Various products types from the different production area
  - Cost effective frozen fillets and portions from Chile to discounts segment
  - Super fresh salmon from Norway to high end retailers and smokers
  - Branded Scottish salmon to huge UK home market
- ▶▶ Simplification of supplier side to partnership customers
- ▶▶ Utilizing farming and market competence across production regions
- ▶▶ Optimizing allocation of capital
- ▶▶ Risk reduction



PAN FISH

# Shareholder value creation



## Area 3 for competitiveness

### ▶ Cost effectiveness

- ▶▶ Cost effectiveness in all phases of salmon farming&distribution is essential
- ▶▶ Area 1 and 2 will not alone build acceptable profit and shareholder value
- ▶▶ There are no advantages of scale beyond unique regions
- ▶▶ Customers will only pay more if you meet their demand on defined areas
- ▶▶ Customers will not pay a premium for a complex, costly organization
- ▶▶ The concept of “LCP delivered customer” is very demanding to implement
  - it is about minimizing the cost level between the farming cluster and the increasingly demanding customer

**We need to build cost competitiveness in the good years of 2005 and 2006**



PAN FISH

# Pan Fish Vision

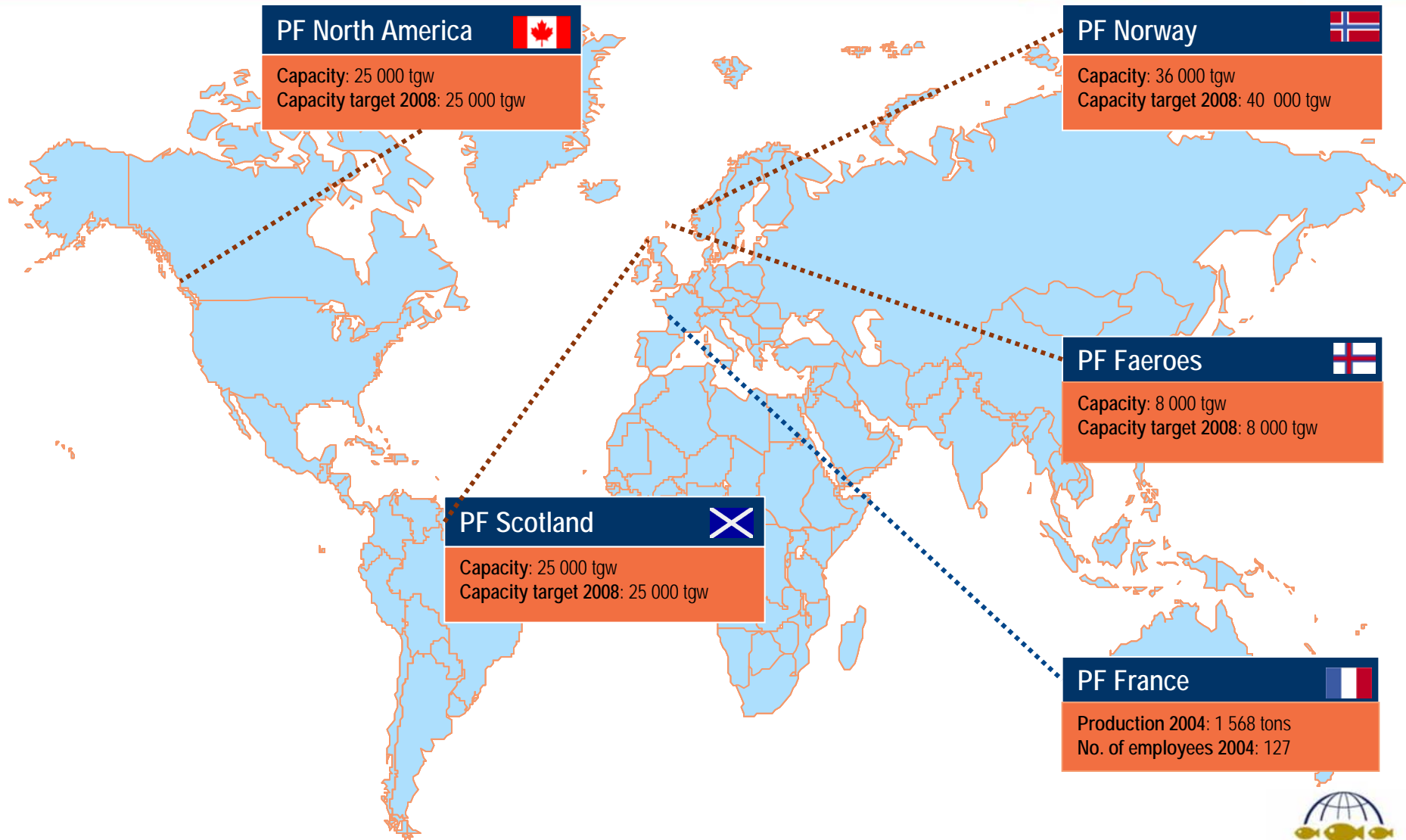


***“Pan Fish shall supply the world with high quality salmon products at the lowest cost delivered to customer”***



PAN FISH

# Pan Fish – a global company



PAN FISH

# Strategic focus remains unchanged



## Two main targets

- ▶ **Lowest cost production**
- ▶ **Rebuilding of biomass within existing infrastructure**

## Critical success factors

- ▶ **Focus on all “daily” aspects of our business**
- ▶ **Retain and attract top industry competence**
- ▶ **Maintain uncompromised focus on quality, sustainability and fish health**
- ▶ **Retain and develop long term customer partnerships**



PAN FISH



# Processing



*“High quality processing is an absolute requirement to achieve high quality, food safety and delivery control – all of which are key aspects to attract top quality international customers!”*

- ▶ **Pan Fish has high quality processing plants in Norway, Scotland and Canada**
- ▶ **All of which are designed for larger volumes which will pay off when Pan Fish now is in position to grow**



**PAN FISH**

# Low Cost = High Quality



*“Top quality is an absolute requirement both for low cost and attracting and maintaining attractive customers!”*

**Pan Fish superior share of production in 2005**

- ▶ **Norway** **90%**
- ▶ **Scotland** **94%**
- ▶ **Canada** **97%**

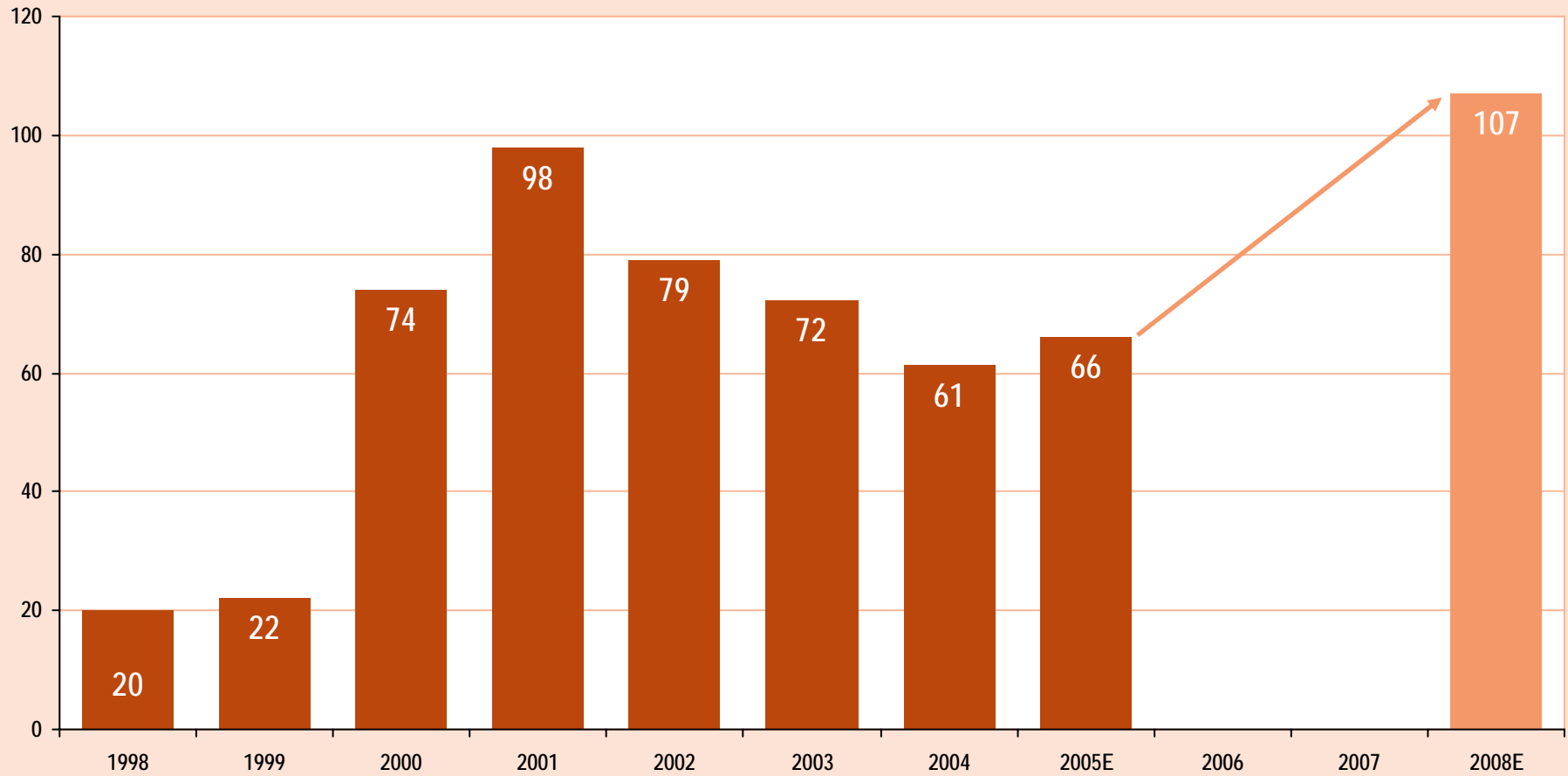


**PAN FISH**

# Heading back to full capacity



Production, TRW



PAN FISH



# Highlights from 2Q/05



**Biomass increase through 2Q and continued declining costs of fish in sea**

**LCP potential proven – lower costs will materialize in the quarters to come**

**Harvesting down 35% y-on-y due to “forced” biomass reduction through 2004**

**Total operational and balance sheet restructuring over last 24 months**

**Equity share of 35% - solid long term financing in place**

**Sufficient cash for organic growth, access to capital for strategic growth**



**PAN FISH**

# Pan Fish formula for future success



## Multiplication of lowest cost production cluster

A clean and simple organizational structure limits cost between production cluster and customer

## Very focused strategic approach – Pan Fish LCP™

- ▶ Lowest cost delivered customer
- ▶ Not very fancy, but low risk and solid profit

## Pan Fish USP's

- ▶ Partnership
- ▶ Quality and traceability – only our own fish
- ▶ Super effective processing units is a guaranty for quality
- ▶ Easy to work with
- ▶ Keep our promises without exceptions



PAN FISH

# Summary



## Multinationals can become Lowest Cost producer, and the preferred investment case

- ▶ **Pan Fish is organized in respect for the industry dynamics**
  - ▶ Deliver the increasingly demanding customers what they want and do it at low cost
  - ▶ Lowest cost to market is a “no hazel” strategy in all farming, therefore so difficult for multinationals
- ▶ **There are advantages coming from size which the smaller companies can not match going forward**
  - ▶ Global supply
  - ▶ Profitable size to attract global investors
  - ▶ Multiple business units to level earnings over time in a cyclical industry



PAN FISH



**A bright future for a fantastic product**