

# Frøy ASA – Q2 22

31 Aug 2022



FRØY

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# Agenda

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1. Highlights
2. Segment review
3. Financial review
4. Outlook
5. Appendix



# Highlights Q2 22

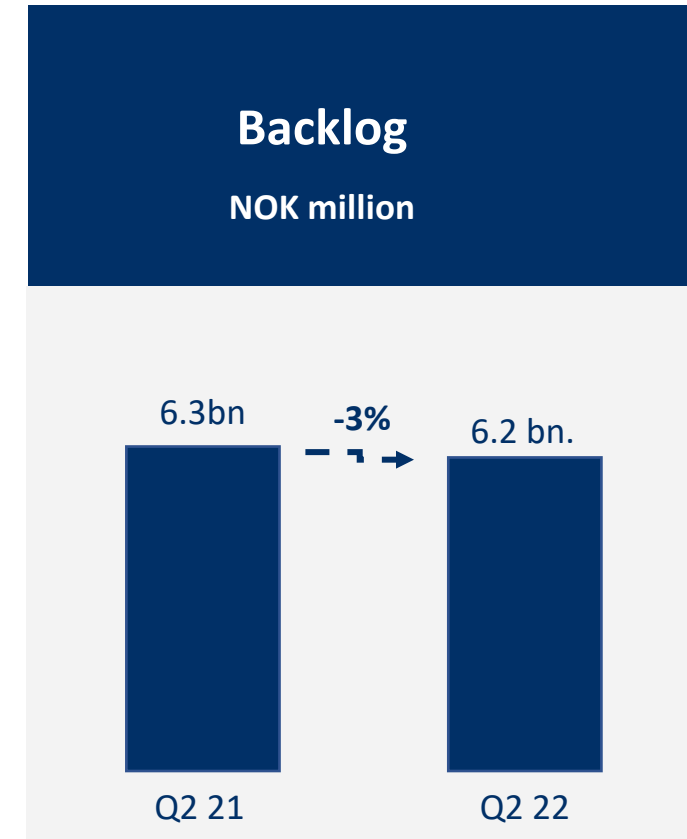
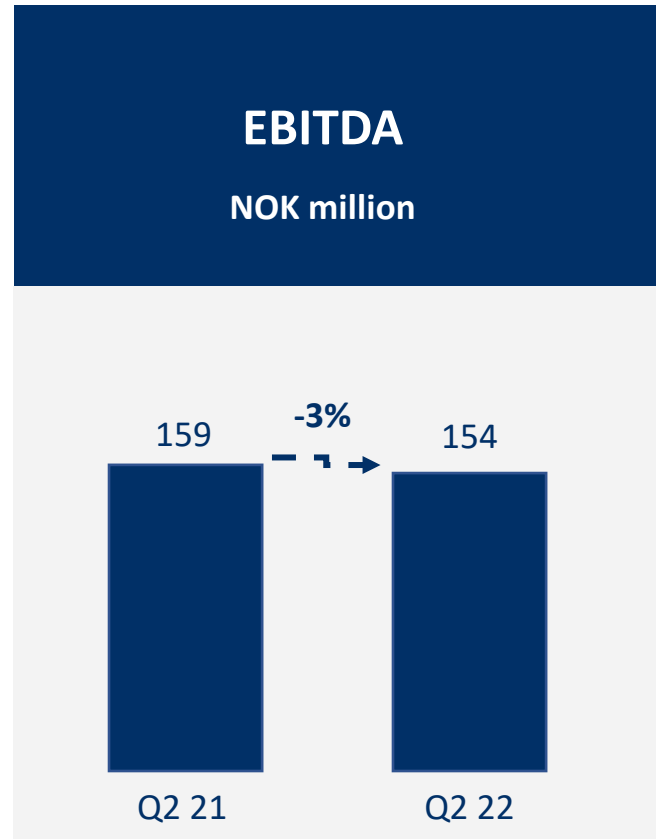
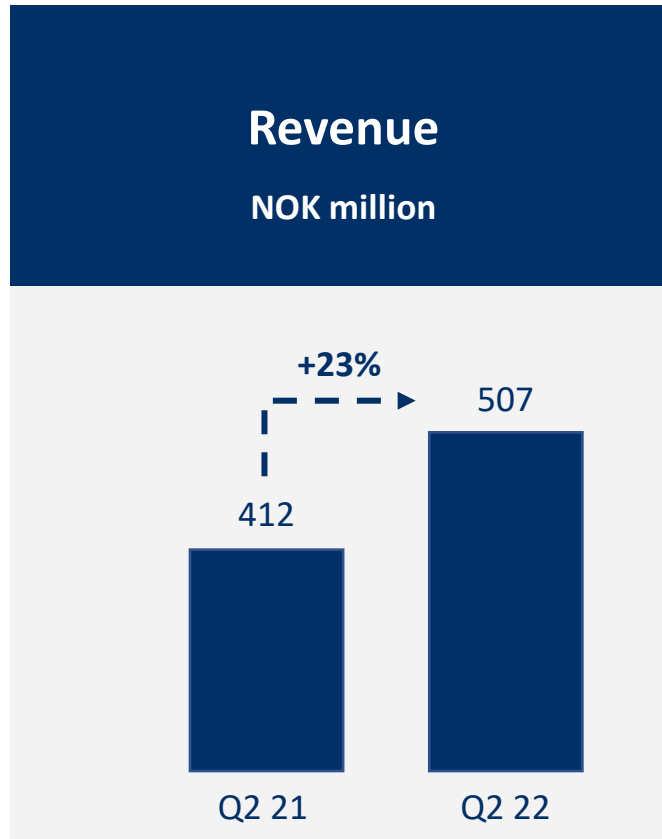


# Highlights Q2 22

- Double digit growth in revenues vs Q2 21
- Multiple new agreements signed during Q2
  - Approx. NOK 200m increased backlog vs. Q1 22
- Quarterly results impacted by high fuel costs and unscheduled off-hire and maintenance cost on two wellboats
- New 4.500 m3 wellboat ordered in May, scheduled for delivery mid 2024
- + 300 treatments completed with new combination method for removal of sea lice.
- Investing in data platform to support efficiency and ESG improvements
- NOK 130 million dividend distributed to shareholders in June



## Growth in revenue, stable EBITDA and backlog vs. Q2 21



# Increased activity and revenues

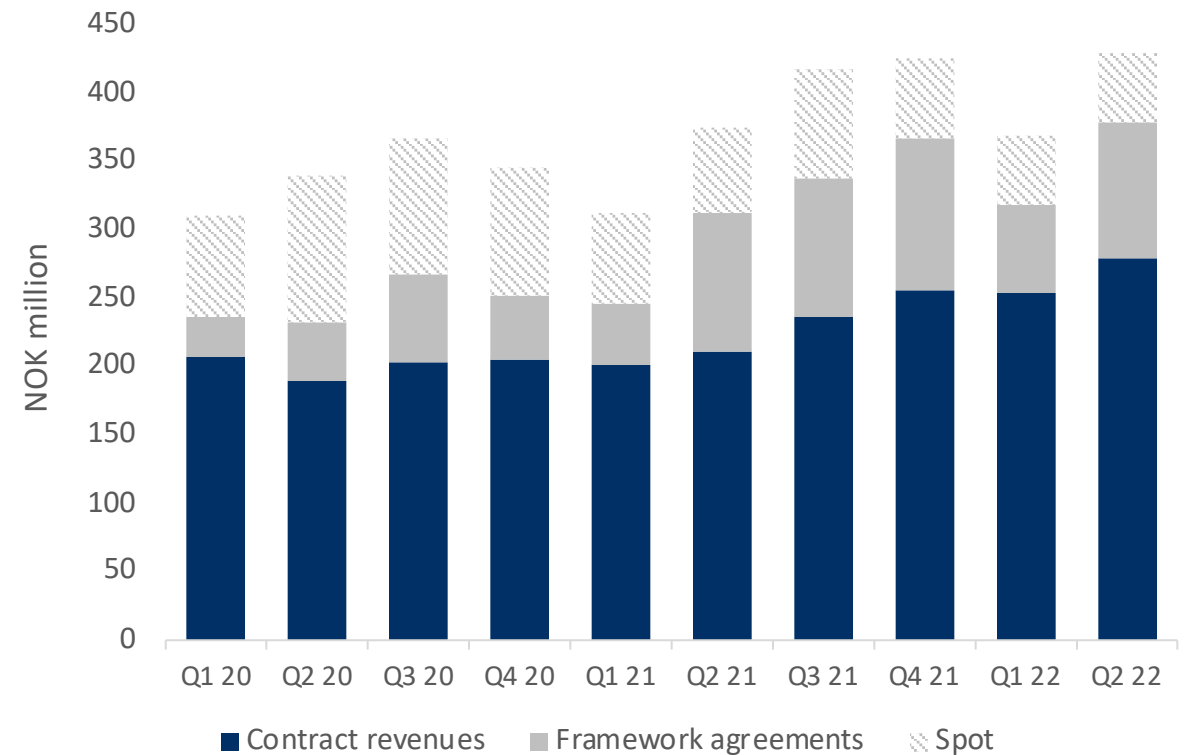
## Double digit growth in operating revenues

- **15%** increase in operating revenues<sup>1</sup> Q2 22 vs. Q2 21
- **21%** increase in revenues from contracts and framework agreements vs. Q2 21

## Normal seasonal increase in Q2

- Seasonal change in sea temperatures results in increased demand for aqua services from Q1 into Q2

Revenue split per quarter



Note: Q1 20 is based on proforma figures.

1) Operating revenues defined as contract revenues, revenues from framework agreements and spot revenues. Re invoiced costs and other revenues are excluded from the graph. Please find full revenue split in the quarterly report

# Q2 22 backlog NOK 6.2 bn.

## Fixed backlog

- Total fixed revenue commitments of approx. NOK 3.7 billion
- Wellboat fleet with weighted avg. backlog coverage of close to 4,5 years<sup>1</sup>

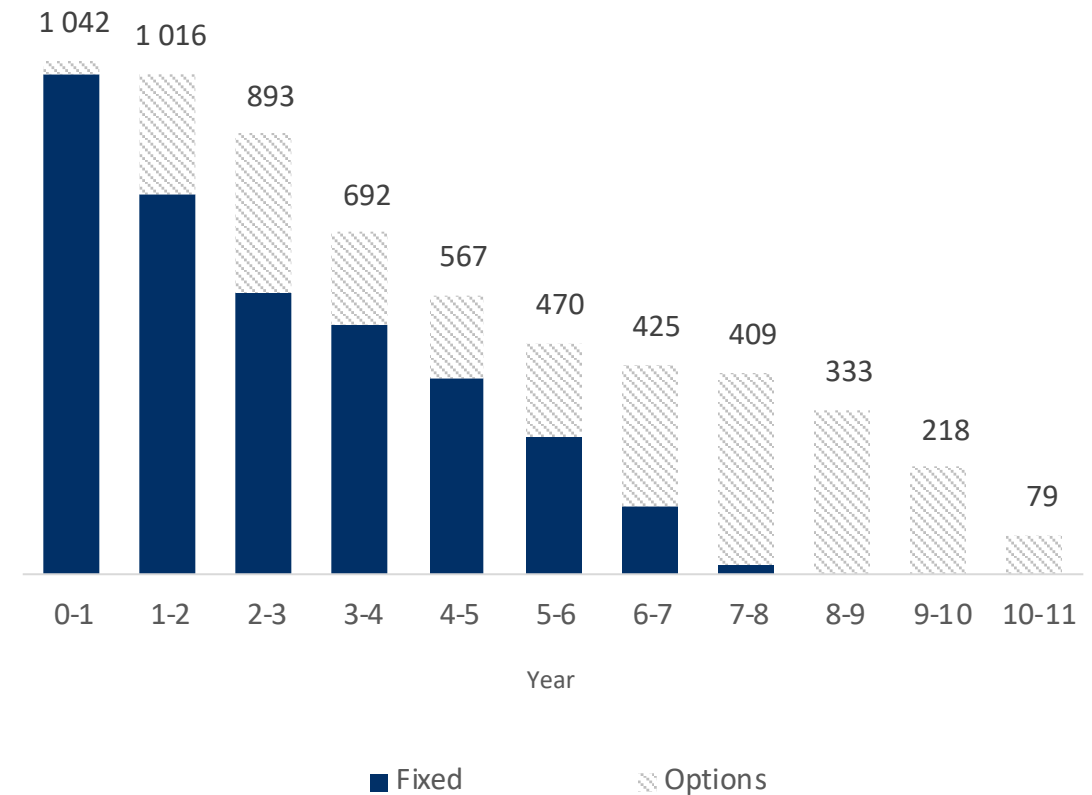
## Options

- Most fixed time charter contracts include extension options
- Total options of approx. NOK 2.5 billion

## Framework agreements

- Most framework agreements do not have minimum value clauses and are not included in the backlog
- Framework agreements are typically related to diving, cleaning of nets and other service work

Backlog (NOKm)





# + 300 treatments completed with new sea lice treatment method

- During 2020/21, Frøy, together with a large Norwegian salmon farmer, applied for and received permission to test out 2 new methods for removal of sea lice
- The methods combines fresh water and lukewarm water and fresh water and hydrolicer
- As of Q2 frøy has completed more than 300 treatments with documented positive effect on fish welfare and efficiency
- One of the methods has been independently verified by the Institute of Marine Research (Havforskningsinstituttet)
- As of August 22, Frøy has rolled out the new method on 5 vessels



# Segment review

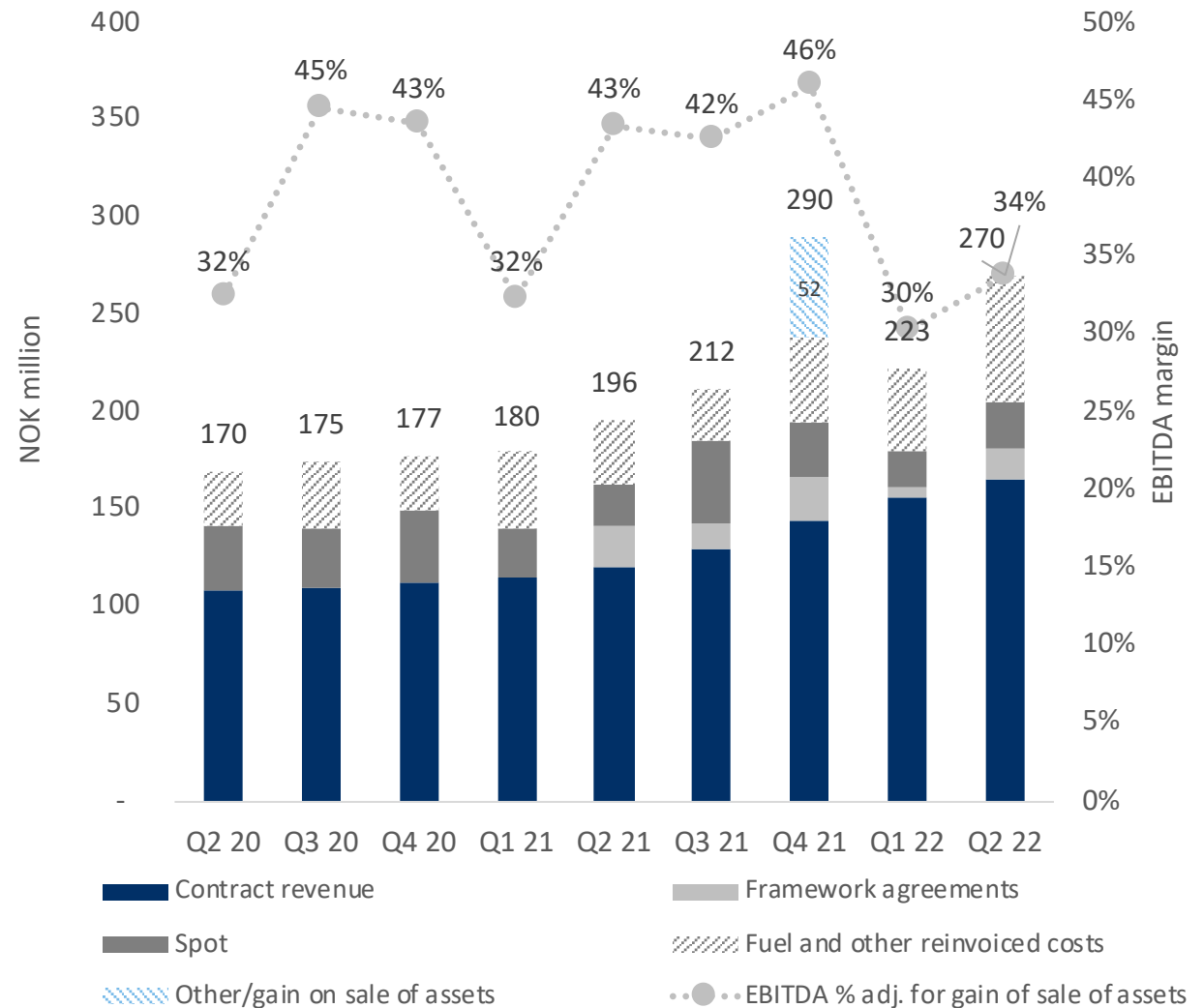
# Wellboat

## Segment results

- Total revenues NOK 270 million (NOK 196 million)
  - 28% increase in revenues from contract and framework agreements vs. Q2 21
- EBITDA of NOK 91 million (NOK 85m)
- EBITDA margin of 34% (43%)

## Other

- Increased fuel and other reinviced costs with zero margin reduce the EBITDA margin vs. Q2 21
- Unscheduled repair and maintenance costs on two vessels impacted EBITDA negatively in Q2 22





# Two vessels with unscheduled maintenance in Q2 22

Est. negative effect

- Lost revenue days NOK 4 million
- Increased maintenance costs NOK 5 million

Frøy has continuous focus on improving its maintenance program to maximize vessel uptime and minimize the overall cost level



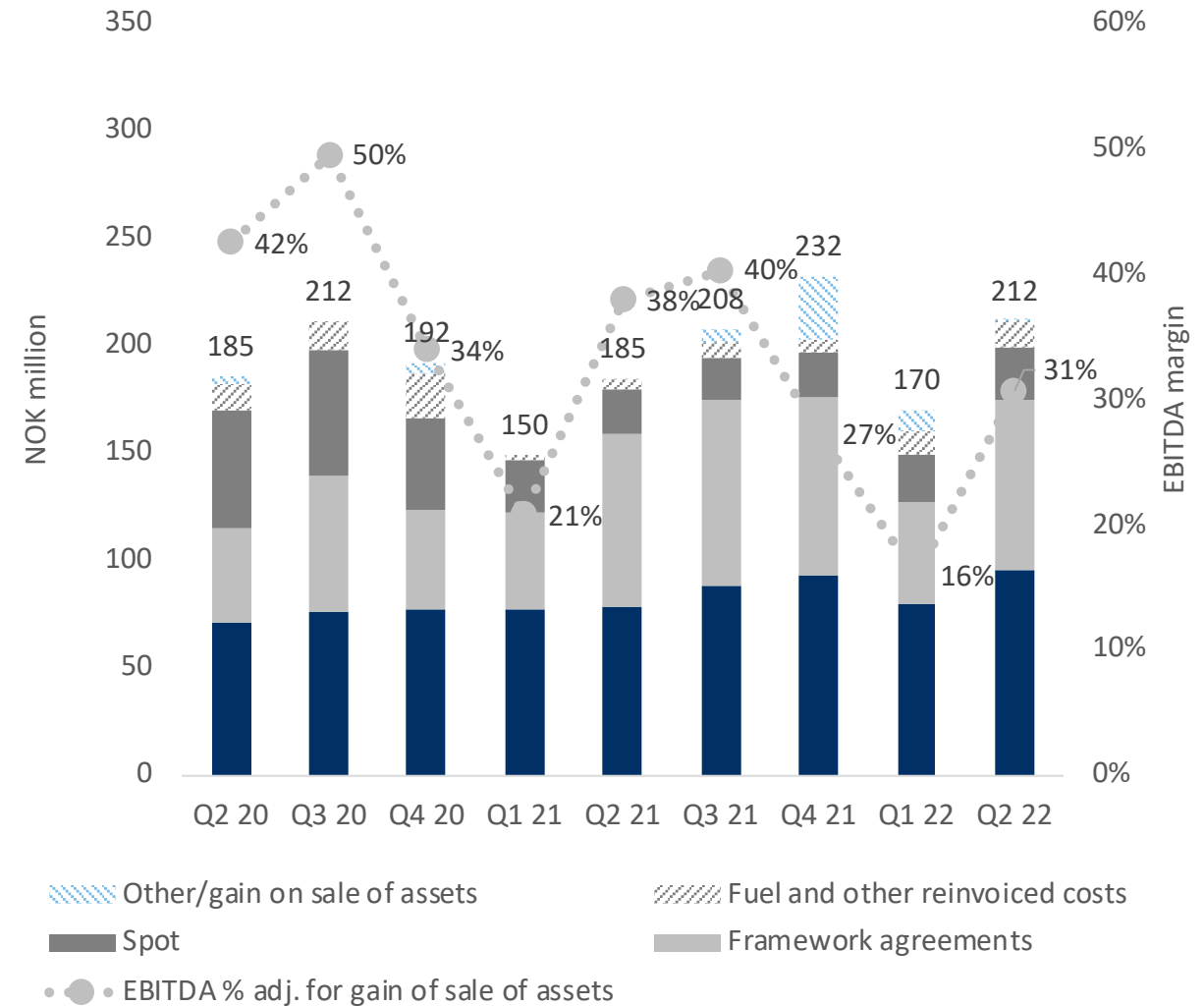
# Service

## Segment results

- Total revenues NOK 212 million (NOK 185 million)
  - 10% increase in revenues from contract and framework agreements vs. Q2 21
- EBITDA of NOK 65 million (NOK 70 million)
- Adj. EBITDA margin of 31% (38%)
  - Fuel costs increased with approx NOK 6 million vs. Q2 21

## Other

- Somewhat slower activity within diving and net cleaning in Q2 22 than in Q2 21, especially in the north of Norway



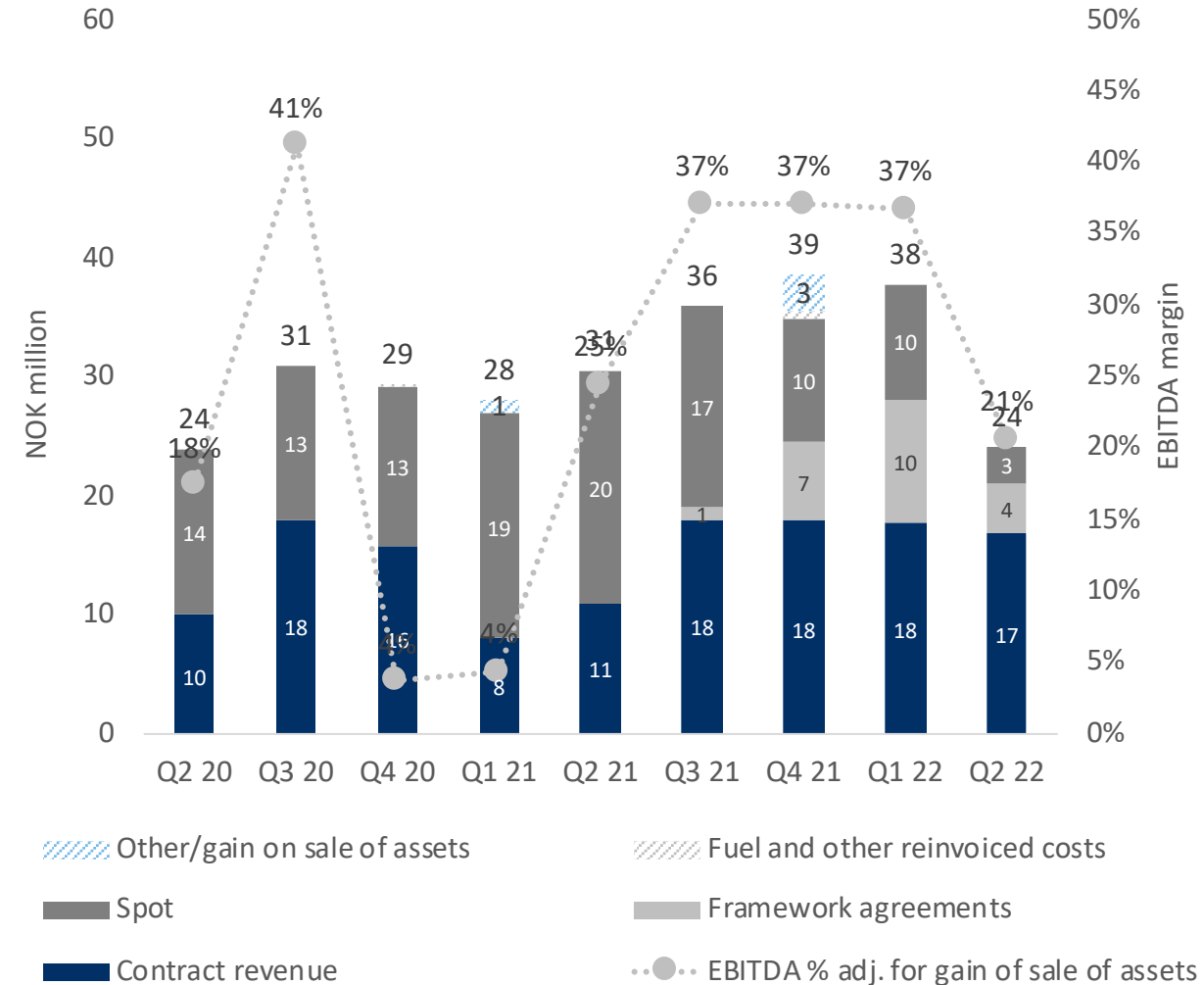
# Sea transport

## Segment results

- Total revenues of NOK 24 million (NOK 31 million)
- EBITDA of NOK 5m (NOK 7.5m)
- EBITDA margin 21% (24%)

## Other

- Results impacted by the planned yard stay and rebuilding of MS Folla





# Completed rebuilding of MS Folla

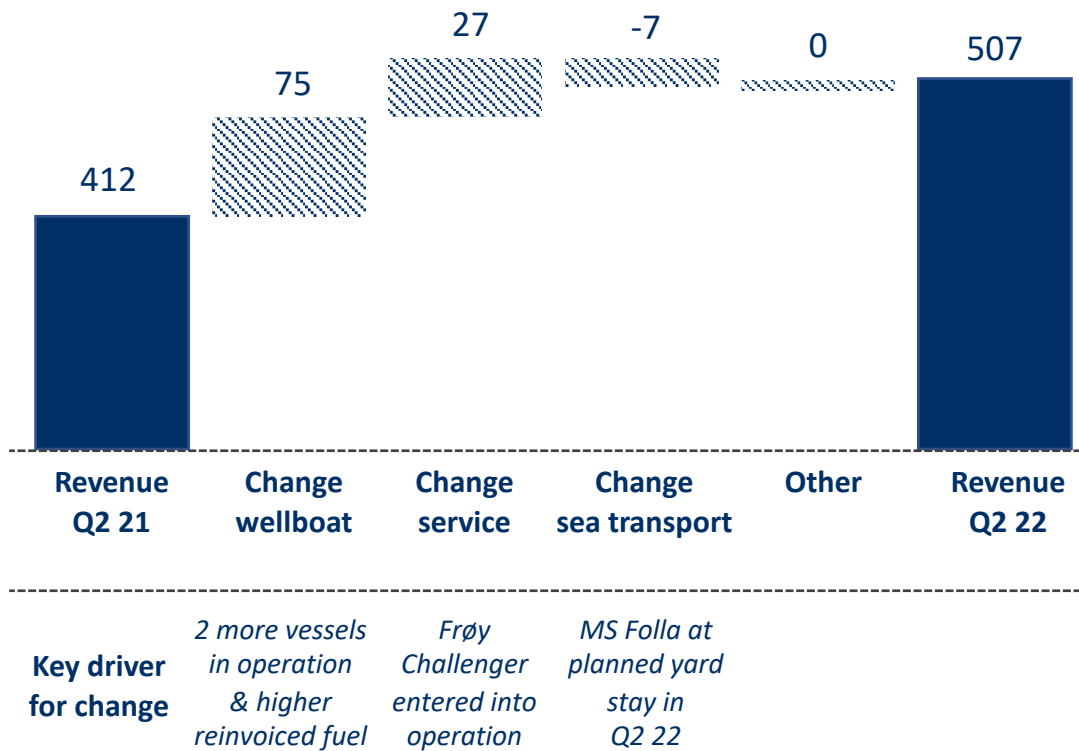
- Rebuilding successfully completed end of June, after 10 weeks at the yard
- Multi-purpose capability - frozen seafood and fish feed
- Investments made to improve efficiency and reduce emissions
  - Dynamic positioning (DP) system
  - Ballast water treatment system
  - SCR system reducing NOx emissions
  - Antifouling paint expected to materially reduce fuel consumption



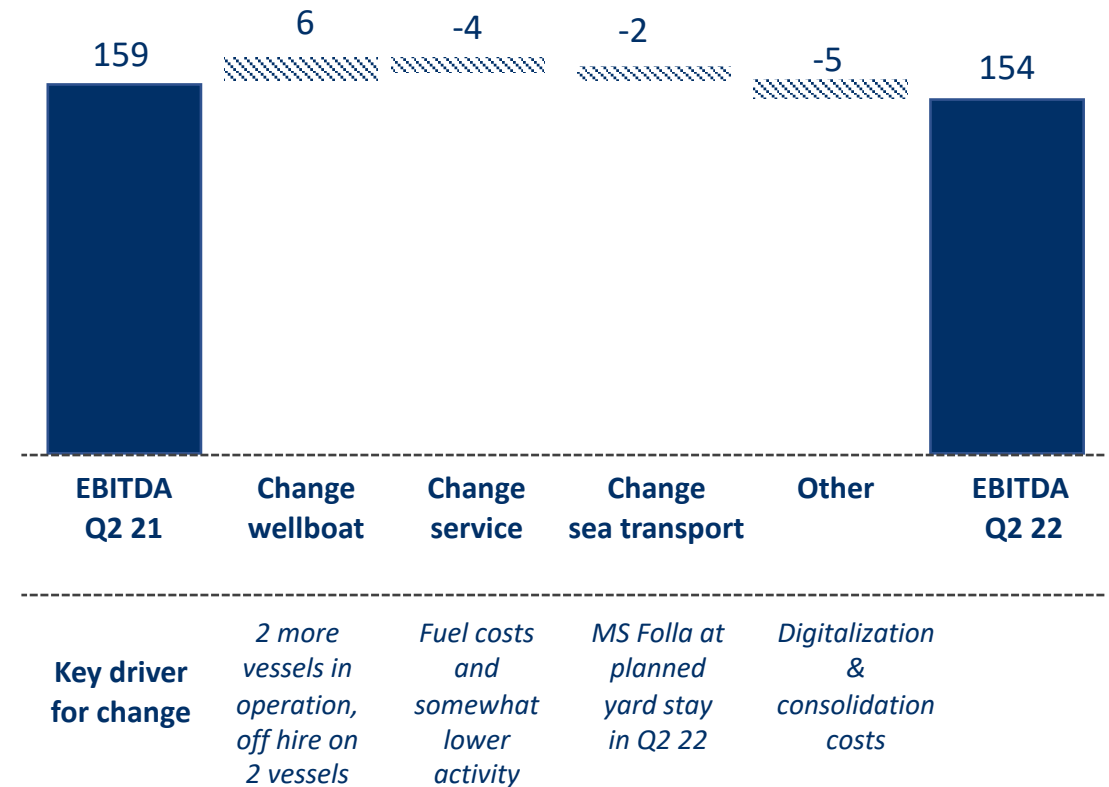
# Financial review

# Group financial development

Revenue bridge Q2 21 – Q2 22



EBITDA bridge Q2 21 – Q2 22





# Profit & loss

- Total revenues of NOK 507 million (NOK 412 million)
- EBITDA of NOK 154 million (NOK 159 million)
- EBITDA margin of 30% (39%)
- Net finance includes NOK 17 million positive P&L impact from fixed interest rate swaps

(NOKm)	Q2 22	Q2 21
Total revenue	506.7	412.4
<b>EBITDA</b>	<b>153.6</b>	<b>159.0</b>
EBITDA %	30%	39%
Depreciation	99.8	72.3
<b>Operating profit</b>	<b>53.8</b>	<b>86.7</b>
Net financial items	-17.1	-21.3
<b>Profit (loss) before tax</b>	<b>35.9</b>	<b>65.4</b>
Taxes	-6.4	6.4
<b>Net profit</b>	<b>42.3</b>	<b>59.0</b>

# Balance sheet

## Highlights Q2 22

- Increased vessels, property, plant and equipment vs. Q2 21 due to investments into the ongoing newbuild program
- Gross debt increased due to debt on newbuilds
- Net interest-bearing debt of NOK 3 688 million (NOK 2 995 million)
- Equity ratio 41% (43%)

(NOKm)	30.06.2022	31.12.2021	30.06.2021
Goodwill and intangible assets	687.6	687.6	687.6
Vessels, property, plant and equipment	5 784.8	5 447.6	4 764.6
Right-of-use assets	453.1	455.4	453.5
Other assets	32.6	45.2	33.6
<b>Non-current assets</b>	<b>6 958.1</b>	<b>6 635.3</b>	<b>5 939.3</b>
Inventory	12.2	11.5	12.0
Receivables	338.2	205.5	235.3
Cash and cash equivalents	394.1	738.5	749.8
<b>Total current assets</b>	<b>744.5</b>	<b>1 021.6</b>	<b>997.1</b>
<b>TOTAL ASSETS</b>	<b>7 702.6</b>	<b>7 656.8</b>	<b>6 936.4</b>
<b>Total equity</b>	<b>3 147.0</b>	<b>3 186.0</b>	<b>2 948.5</b>
Non-current interest-bearing liabilities	3 023.6	3 370.4	2 949.1
Non-current lease liabilities	262.2	269.4	296.8
Deferred tax liabilities	37.7	40.5	27.9
<b>Total non-current liabilities</b>	<b>3 323.6</b>	<b>3 680.3</b>	<b>3 273.8</b>
Current interest-bearing liabilities	696.7	474.3	403.7
Current lease liabilities	99.2	92.9	95.1
Other current liabilities	436.0	223.3	215.4
<b>Total current liabilities</b>	<b>1 232.0</b>	<b>790.5</b>	<b>714.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7 702.6</b>	<b>7 656.8</b>	<b>6 936.4</b>
Net interest-bearing debt	3 687.6	3 468.5	2 994.9
Equity ratio	41 %	42 %	43 %

# Cash flow

## Highlights Q2 22

- Positive cash flow from operations of NOK 37 million
- Increased working capital driven by seasonal increase in receivables
- Cash flow from investment activities of NOK -150 million driven by the ongoing newbuild program and sale of older vessels
- Cash flow from financing of NOK -232 million includes payments of dividends and down payment of debt in the quarter
- Cash position at NOK 394 million

(NOKm)	Q2 22	Q2 21
<b>Cash flows from operating activities</b>		
Profit or loss before tax	35.6	65.3
Depreciation and impairment	99.8	72.3
Net interest and financial items	17.5	21.3
Changes in working capital and other	-115.8	-52.3
<b>Net cash flows from operating activities</b>	<b>37.3</b>	<b>106.6</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-150.4	-377.1
Other	0.5	0.3
<b>Net cash flow from investing activities</b>	<b>-150.0</b>	<b>-376.2</b>
<b>Cash flow from financing activities</b>		
Proceeds from borrowings	41.5	427.1
Repayment of borrowings	-72.6	-358.1
Payment of principal part of lease liabilities	-35.9	-24.0
Interest paid	-35.2	-21.1
Payments of dividends	-129.5	-0.7
<b>Net cash flow from financing activities</b>	<b>-231.7</b>	<b>-62.8</b>
<b>Net change in cash and cash equivalents</b>	<b>-344.4</b>	<b>-332.4</b>
Cash and cash equivalents, beginning of period	738.4	1 082.2
<b>Cash and cash equivalents, end of period</b>	<b>394.1</b>	<b>749.8</b>



# Investment program

**Total capex** related to the newbuild program estimated to approx. NOK 1.5 bn.

## Wellboat

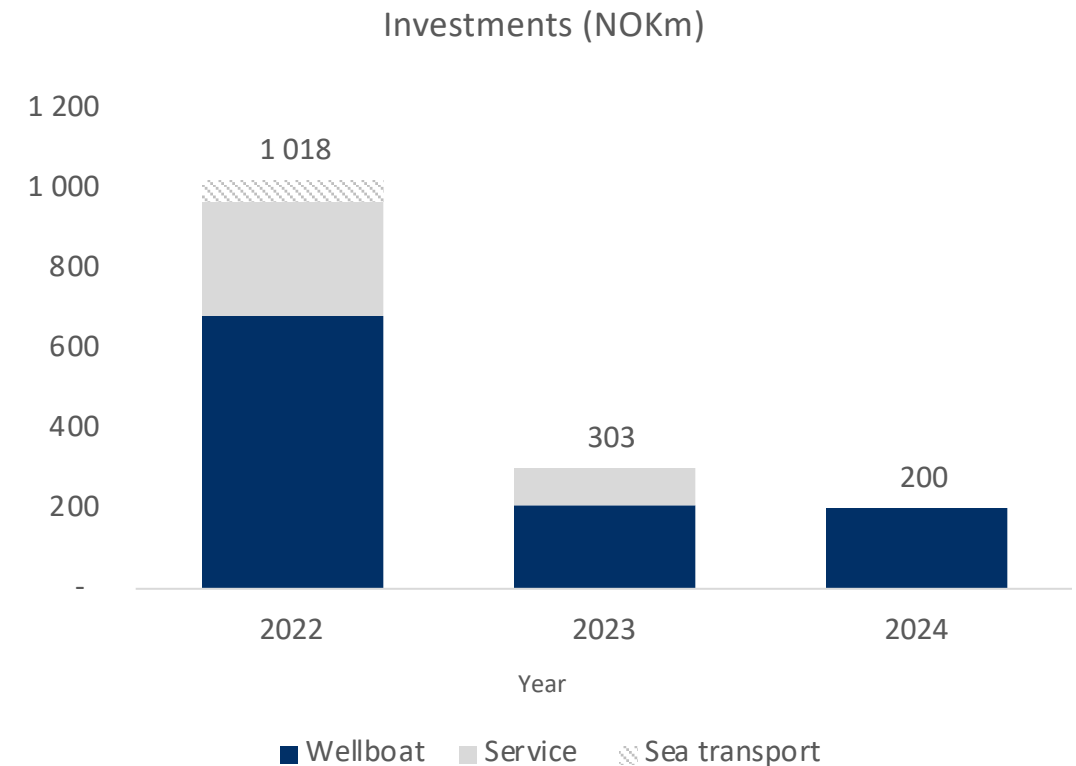
- MS Gåsø Odin expected to be delivered Q4 22
- MS Veidnes newbuild scheduled for delivery summer 2023
- 4.500 m3 newbuild scheduled for delivery 2024

## Service

- Two service vessels delivered mid Q3 22
- One service vessel scheduled for delivery Q4 22
- Two large service vessels scheduled for delivery in 2023
- After the end of the quarter, Frøy placed an order for two net cleaning vessels. The vessels are scheduled for delivery in Q4 22 and Q2 23

## Sea transport

- Rebuilding of MS Folla completed in Q2 22



# Financing

## Financing strategy

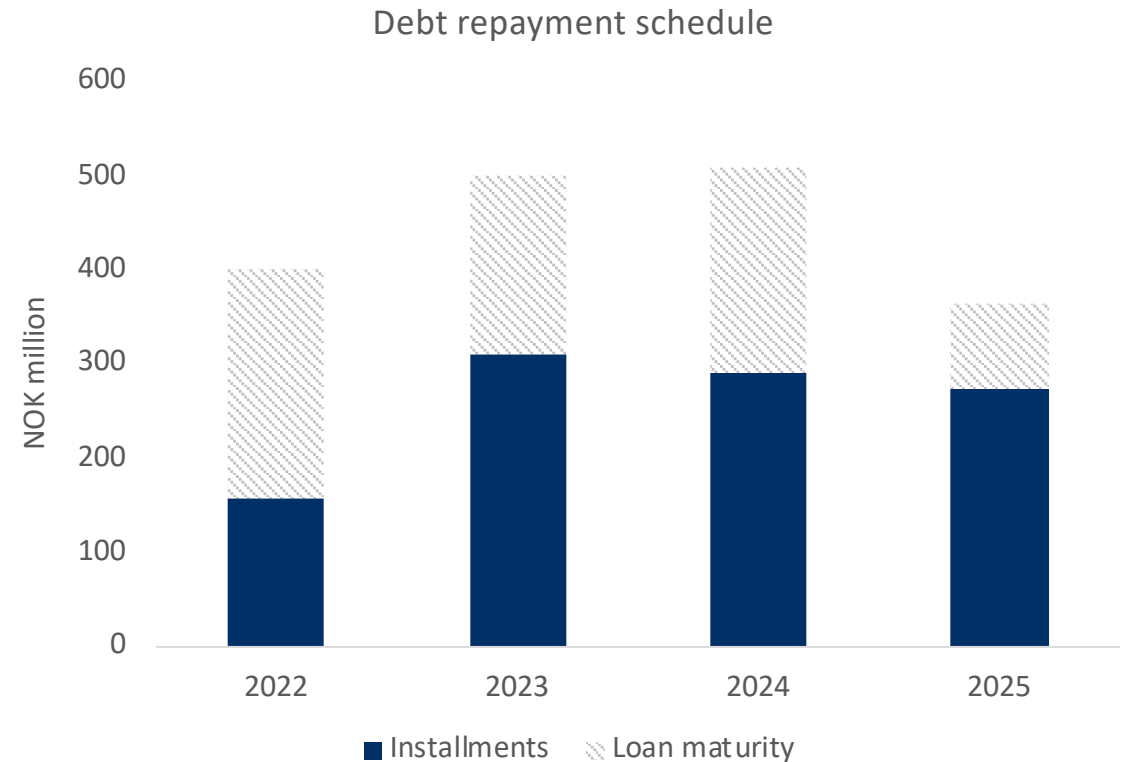
- Frøy finance its fleet and equipment with bank debt and leasing

## Newbuild financing

- Bank debt secured on all committed wellboat newbuilds incl. new wellboat ordered after quarter end
  - +/- 80% loan to value

## Debt maturities

- Annual regular installments on bank debt of approx. NOK 300 million



# Outlook



# Outlook

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## Outlook

- **Positive underlying market trends driven by** farming in more exposed locations, larger farming sites, new regulations and ESG requirements
- **New regulations** tighten requirements on how to conduct aqua services to reduce risk of escapes and improve fish welfare
- **High fuel costs** and soaring inflation expected to continue to impact results in 2H 22
- **Increased activity into Q3** in line with normal seasonality, with somewhat lower activity level observed in the North of Norway compared to last year

## Strategic priorities

- **Profitable growth** - Minimum Return On Equity of 10-18%
- **Cost control** – Reduce cost level through more efficient use of resources
- **Investing in data platform** to support efficiency and sales

# Q&A

# Share information 30.06.22

## Total number of shares

- 86 348 603 shares outstanding

## Total number of shares owned by 20 largest shareholders

- 87.3 % of total number of shares outstanding

Name of shareholder	No. of shares	%
NTS ASA	62 269 112	72.11
Gåsø Næringsutvikling AS	1 884 298	2.18
State Street Bank and Trust Comp	1 426 442	1.65
HSBC Bank Plc	1 185 494	1.37
Skandinaviska Enskilda Banken AB	1 026 000	1.19
Trøndelag Helgeland Invest AS	702 411	0.81
BNP Paribas Securities Services	656 820	0.76
Riiber Holding AS	634 490	0.73
Amble Investment AS	631 147	0.73
Verdipapirfondet Pareto Investment	580 000	0.67
VPF Fondsfinans Norge	578 756	0.67
Verdipapirfondet Alfred Berg Norge	574 208	0.52
Torghatten Aqua AS	570 000	0.66
Verdipapirfondet Alfred Berg Aktiv	444 939	0.45
GH Holding AS	427 868	0.50
Aars AS	418 844	0.49
Furberg & Sønn A/S	400 000	0.46
DnB NOR Bank ASA, Meglerkonto Innland	346 707	0.40
LIN AS	327 868	0.38
The Bank of New York Mellon SA/NV	283 880	0.33
<b>Total 20 largest shareholders</b>	<b>75 369 284</b>	<b>87.28</b>
Total other	10 979 319	12.72
<b>Totale number of shares 30.06.2022</b>	<b>86 348 603</b>	<b>100.00</b>



# Appendix

# Non-IFRS financial measures / Alternative Performance Measures

- The non-IFRS financial measures/APMs presented herein are not measurements of performance under IFRS or other generally accepted accounting principles and investors should not consider any such measures to be an alternative to: (a) operating revenues or operating profit (as determined in accordance with IFRS or other generally accepted accounting principles), as a measure of the Group's operating performance; or (b) any other measures of performance under generally accepted accounting principles. The non-IFRS financial measures/APMs presented herein may not be indicative of the Group's historical operating results, nor are such measures meant to be predictive of the Group's future results.
- The Company believes that the non-IFRS measures/APMs presented herein are commonly reported by companies in the markets in which it competes and are widely used by investors in comparing performance on a consistent basis without regard to factors such as depreciation, amortisation and impairment, which can vary significantly depending upon accounting methods (particularly when acquisitions have occurred), business practice or based on non-operating factors. Accordingly, the Group discloses the non-IFRS financial measures/APMs presented herein to permit a more complete and comprehensive analysis of its operating performance relative to other companies and across periods, and of the Group's ability to service its debt. Because companies calculate the non-IFRS financial measures/APMs presented herein differently, the Group's presentation of these non-IFRS financial measures/APMs may not be comparable to similarly titled measures used by other companies.
- The non-IFRS financial measure/APMs are not part of the Company's consolidated financial statements and are thereby not audited. The Company can give no assurance as to the correctness of such non-IFRS financial measures/APMs and investors are cautioned that such information involve known and unknown risks, uncertainties and other factors, and are based on numerous assumptions. Given the aforementioned uncertainties, prospective investors are cautioned not to place undue reliance on any of these non-IFRS financial measures/APMs.

# APMs and Key Figures

## Non-IFRS financial measures / Alternative Performance Measures

- EBITDA is defined as total revenue less operating expenses (direct expenses, employee benefit expenses and other operating expenses).
- Adjusted EBITDA is defined as total revenue less operating expenses (direct expenses, employee benefit expenses and other operating expenses), gain on sale of assets and IPO costs
- EBITDA and adjusted EBITDA is used by the management as measure the Group's ability to service debt and finance investments. Management also believes the measure enables an evaluation of operating performance.

## Reconciliation of adjusted EBITDA – NOK millions

(NOK 1,000,000)	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22
Total revenue	356	412	457	561	431	507
Direct expenses	50	42	46	89	91	119
Employee benefit expenses	113	120	138	130	143	146
Other operating expenses	110	92	85	82	86	89
<b>EBITDA</b>	<b>84</b>	<b>159</b>	<b>188</b>	<b>260</b>	<b>112</b>	<b>154</b>
Loss/gain on sale of assets	1	0	6	84	9	0
IPO costs	8	0	0	0	0	0
<b>Adjusted EBITDA</b>	<b>92</b>	<b>159</b>	<b>183</b>	<b>176</b>	<b>102</b>	<b>153</b>

(NOK 1,000,000)	Q1 20	Q2 20	Q3 20	Q4 20
Total revenue	134	385	413	399
Direct expenses	33	60	63	37
Employee benefit expenses	38	106	116	116
Other operating expenses	33	82	54	80
<b>EBITDA</b>	<b>30</b>	<b>137</b>	<b>180</b>	<b>166</b>
Loss/gain on sale of assets	0	3	-4	4
IPO costs	0	0	0	0
<b>Adjusted EBITDA</b>	<b>30</b>	<b>135</b>	<b>183</b>	<b>162</b>





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