

Mowi ASA

CORE HOLDING*

Recommended since 08.08.19

04.08.2022



Country NO	Market capitalization (bn) NOK 116.6	Perf. since reco. (%)
Sector Food & Beverage	Free float 78.6%	Mowi ASA 0.3
Factset MOWI-NO	Closing price NOK 225.50	Sector 4.7
ISIN NO0003054108	ESG Risk score* 25.8 Medium risk	



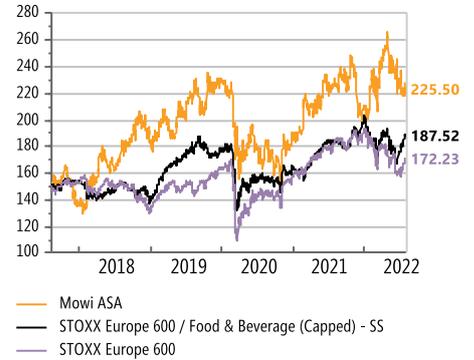
*From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

Profile

Formerly Marine Harvest, a group founded in 1964 and based in Bergen (Norway), Mowi is the world's largest producer of farm-raised Atlantic salmon (436,000 tonnes in 2019), located on the best sites (Norway, Scotland, the Faroe Islands, Ireland, Canada, Chile). The Group is active across the entire value chain, from feed production to fish farming and the sale of value-added products.

Market - competition - positions - barriers to entry

World demand for salmon has been particularly strong over the last 20 years (up between 5% and 7% per year), boosted by new consumption habits and the desire for healthy food, but the quality of the offer is disparate, as is the competition. Barriers to entry are high (i.e., investments / legal permits / strict health regulations), and biological (diseases) and climatic risks are widely present.



Source: Factset

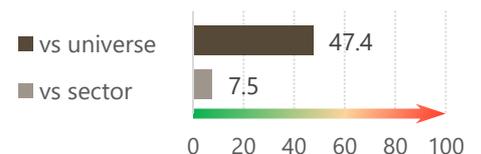
Investment case

- Mowi's business starts in its feed (biomass) plant in Norway, boosted by its organic produce in Scotland used to feed its farm-raised salmon. Its salmon farms are located in Norway, Scotland, the Faroe Islands, Ireland, Canada and Chile, where natural conditions are optimal, enabling it to sell top-quality Atlantic salmon and develop value-added products such as ready meals and smoked products. Traditional fishing has been stagnating for the past 30 years (95 million tonnes a year), while aquaculture has soared (up from 10 to 110 million tonnes a year). While Russia, Japan and the United States prefer to fish Alaskan salmon, the main countries that produce Atlantic salmon specialise in aquaculture. Mowi capitalizes on this momentum thanks to 1/ its historical expertise (55 years); 2/ its natural production location; 3/ new consumption habits (fish versus meat / natural versus industrial); 4/ low-quality production in Asia; 5/ and an insufficient supply of Atlantic salmon.
- In 2020, Farming had suffered from low salmon prices in a period of tighter Covid/containment for demand. In 2021, the latter rebounded strongly in H2 and retail sales picked up again: the lesser restrictions led to a return of salmon consumption in restaurants while home consumption remained strong. These more favorable conditions enabled Mowi to record better commercial and operating performances.
- These have even accelerated over the first six months of 2022 with EBIT that after doubling in Q1, stood at €320m in Q2 (vs. €137m in Q2 2021). In addition to the €182 million in productivity gains achieved over the 2018-21 period and those in progress (€25 million in savings) as well as strongly rising salmon prices, Mowi was able to increase its salmon harvest volumes and thus better benefit from very sustained demand in a very buoyant price environment. All the indicators are green for the group and 2022 will be a good year at all levels (rebound in sales, operations and profits) even if the bases of comparison will become higher at the end of the year and a normalization of supply in 2023 should calm down the surge in prices. In an uncertain context (geopolitics/economy/stock markets), Mowi is one of the defensive growth stocks to be favored.

ESG - risks and key points

- Mowi has an average risk of suffering significant financial impacts related to ESG factors due to its average exposure and management of relevant issues.
- The consumption of salmon involves food safety risks (the presence of heavy metals and contamination by pathogens can lead to costly product recalls).
- Mowi is dependent on 1/ fuels for its operations, that imply high energy costs; 2/ plant-based ingredients (16% soya-based) for its salmon farming business, with deforestation risks in supply chains.

ESG risk vs. universe & sector (percentile)*



Source: Sustainalytics

Valuation** in NOK

Current price	Value Bordier Scenario
226	266

Given the risks inherent in the company (a single-product production line / health issues / regulations), we are assuming a WACC of 6.2%, a European risk-free interest rate of 2%, a recovery in sales growth from 2021, targeting 3% in 2025, and a normative EBIT margin of 18.5% over the long term.

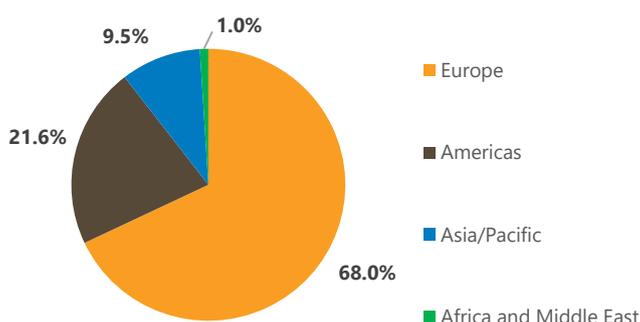
***) The theoretical value reflects the company's business model, our baseline growth and profit scenario and market data, exogenous to the company (risk-free rate and equity risk premium). It does not in itself constitute a target price.

"Bordier Core Holding" indicators

In millions of EUR	2020	2021	2022e	2023e	2024e
Sales revenue	3'760	4'202	5'000	5'250	5'460
Sales growth %	-9.1%	11.8%	19.0%	5.0%	4.0%
EBITDA	676	896	1'280	1'360	1'425
% of sales	18.0%	21.3%	25.6%	25.9%	26.1%
EBIT	338	523	910	970	1'025
% of sales	9.0%	12.4%	18.2%	18.5%	18.8%
Adjusted EPS	0.5	1.0	1.4	1.5	1.5
Adjusted EPS growth	-54.5%	101.6%	39.0%	6.0%	5.6%
Capex/Sales	8.4%	5.8%	5.8%	5.8%	5.8%
Free cash-flow	84	476	652	719	762
FCF/Sales	2.2%	11.3%	13.0%	13.7%	13.9%
Dividend yield	0.1%	1.9%	3.9%	4.3%	4.6%
ROCE - WACC	3.9%	6.7%	15.2%	15.4%	15.6%
ROE (%)	9.2%	16.2%	20.9%	20.7%	20.4%
Net debt/Ebitda	215.6%	143.6%	86.0%	65.3%	47.0%
Gearing	52.7%	40.8%	32.4%	24.3%	17.2%

Source: Factset, Bordier estimates

Sales breakdown - 12/2021



Ratios

	Mowi ASA	Stoxx Europe 600	
		Sector	Market
PE (x)***		Food & Beverage	Stoxx 600
2021	29.7	25.2	15.4
2022e	16.6	21.7	12.7
2023e	15.7	19.7	12.2
P/B (x)***			
2021	3.7	3.7	2.0
2022e	3.5	3.5	1.8
2023e	3.2	3.3	1.6
Beta (2Y, daily) vs market:			0.59

***) The valuation ratios set out are provided for information only. They do not constitute the criteria based upon which Core Holdings are selected, and may present significant premi-ums representing the quality of the company's business model.

Governance and ownership structure

Since 2009/2019 Chairman O. Leroy / CEO I. Vindheim

Key shareholders (if any):

John Fredriksen 14.4%.

Agenda

2Q 2022 results on 08/24/2022.

Any special characteristics of ownership (multiple voting rights, controlling holding company, shareholders' agreements, etc.):

None

Glossary

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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