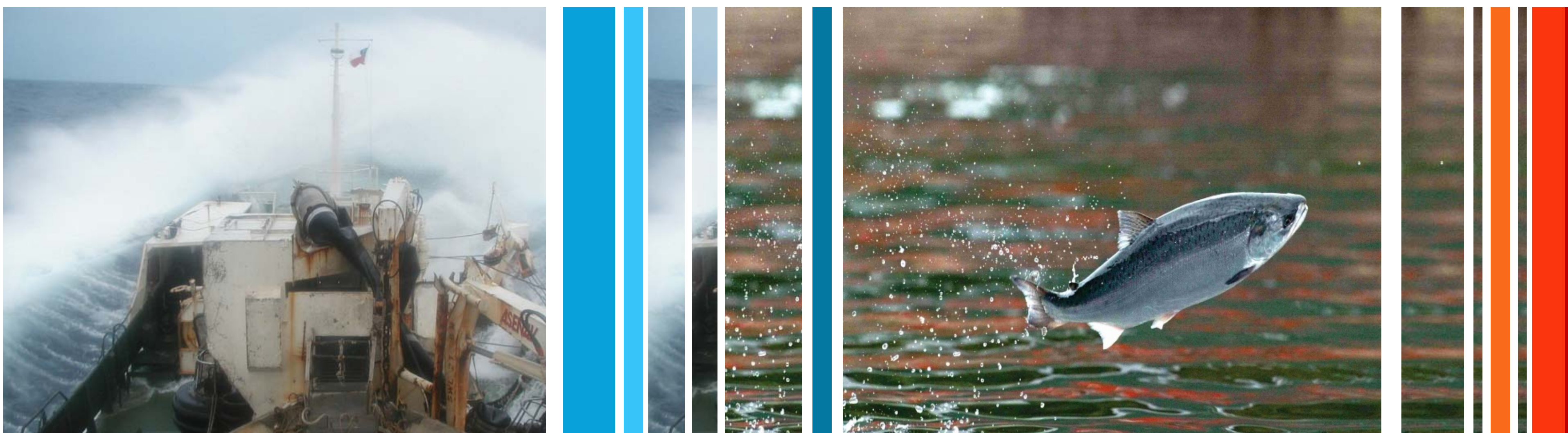
BLUMAR SEAFOODS

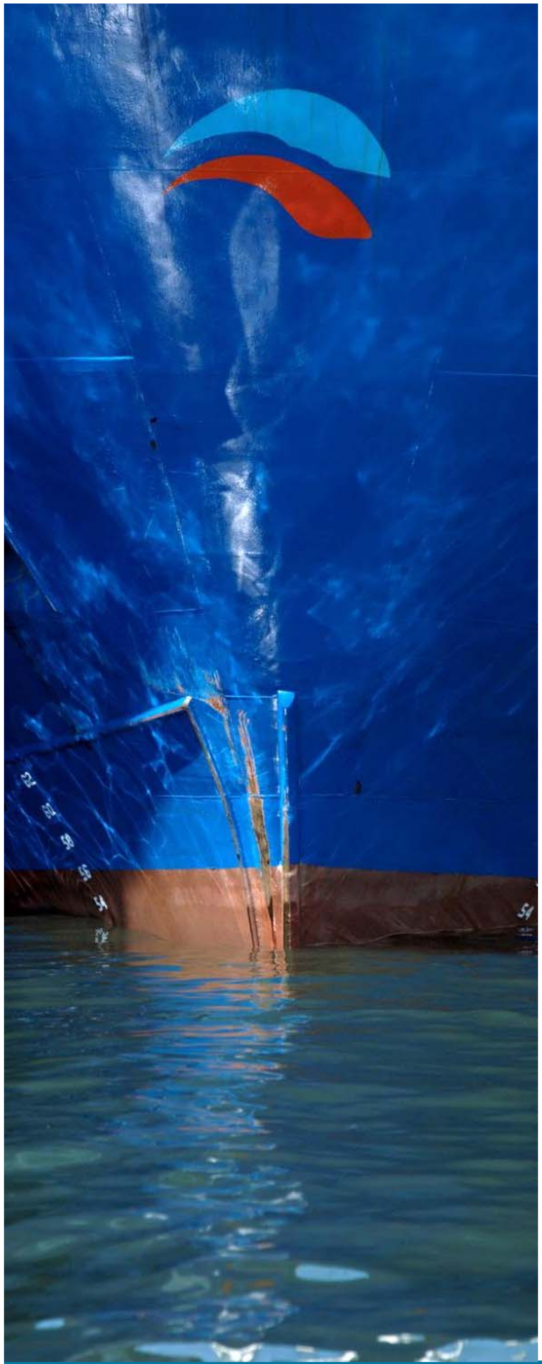
# Seafood Investment Forum

## Gerardo Balbontín - CEO

New York, May 22nd, 2013



BLUMAR SEAFOODS



# Agenda

# Blumar at a glance

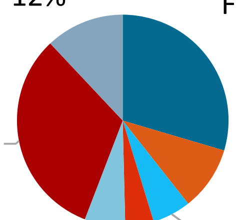
- Leader in Chilean central South fishing industry
  - 25% of the fish processed in central Southern Chile
  - 3rd Chilean largest fishmeal & oil producer
- Relevant player in aquaculture
  - 44 kt *wfe* 2012 of salmon & trout production
  - 7th largest Chilean salmon exporter
  - 2nd largest Chilean mussel exporter
- US$ 421 million market cap (May 15th)
- 2,000 direct employees

## Main products

Salmon & trout | Frozen horse mackerel | Fishmeal and fish oil

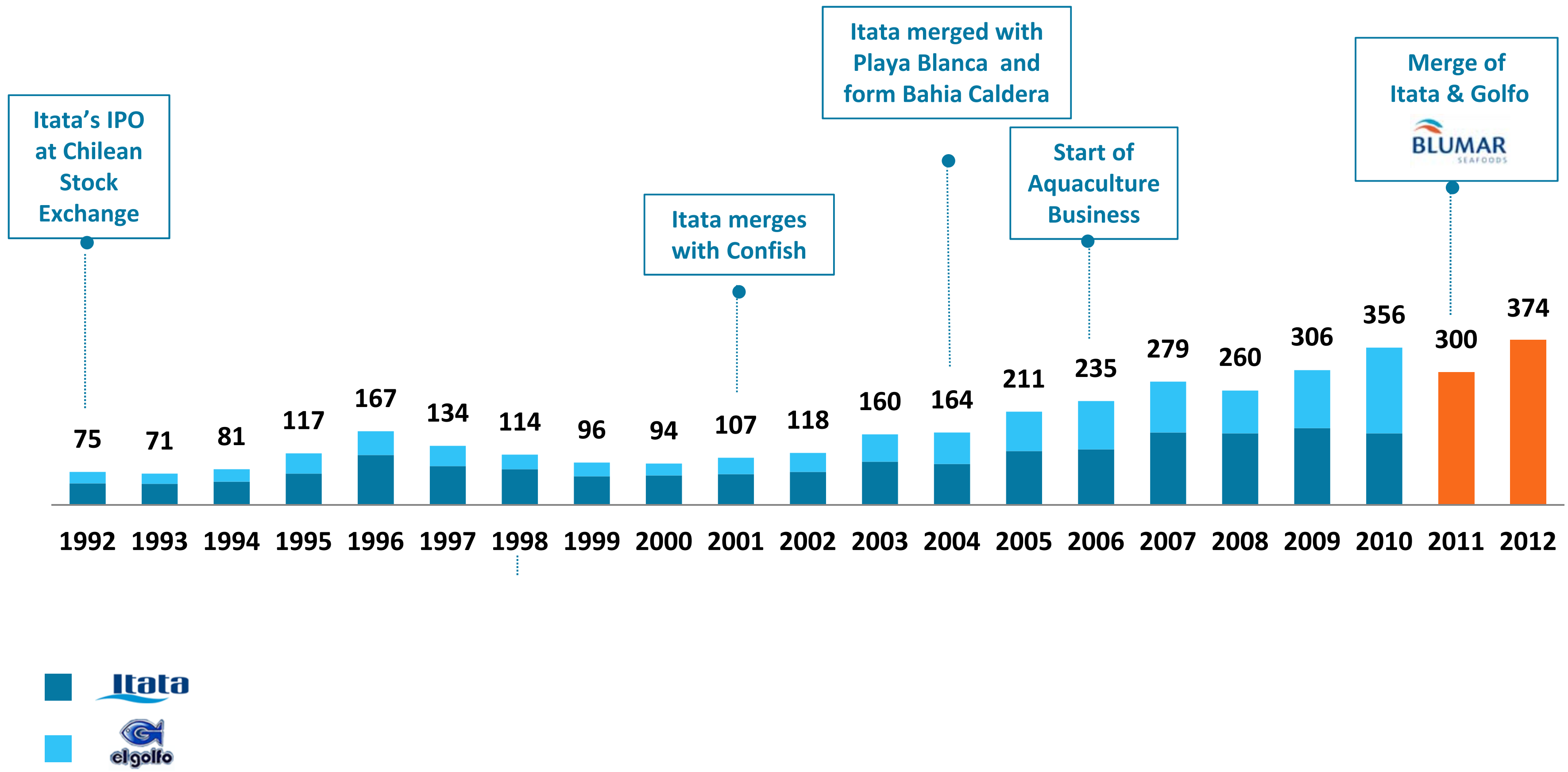
Hake fillets | Breaded products | Mussels

## 2012 Revenue breakdown (%)



# A history of growth

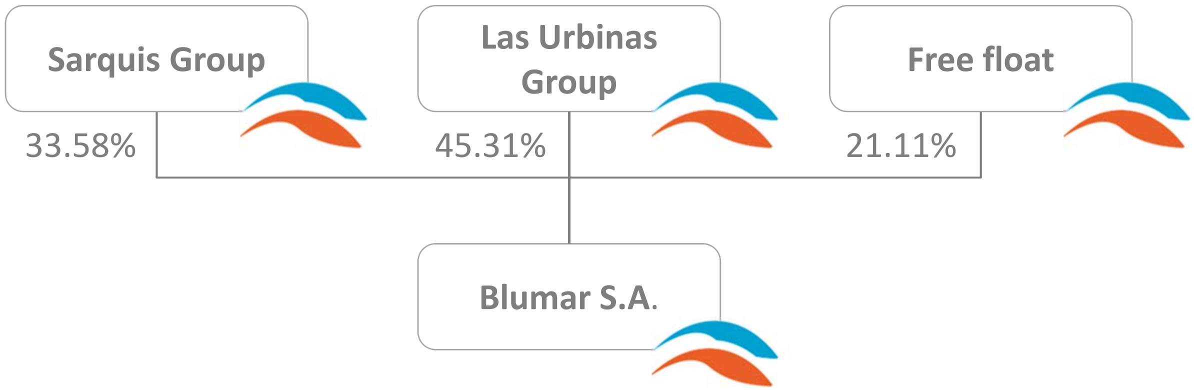
## Revenues (US$ million)



# World class assets throughout the country


- **6** Purse seiners
- **2** Trawlers
- **5** Fishmeal plants
- **5** Human consumption plants
- **24%** Of horse mackerel fishing quota
- **25%** Of sardine and anchovy fishing quota
- **38** Salmon concessions
- **20** Productive salmon and trout farms

# Ownership structure



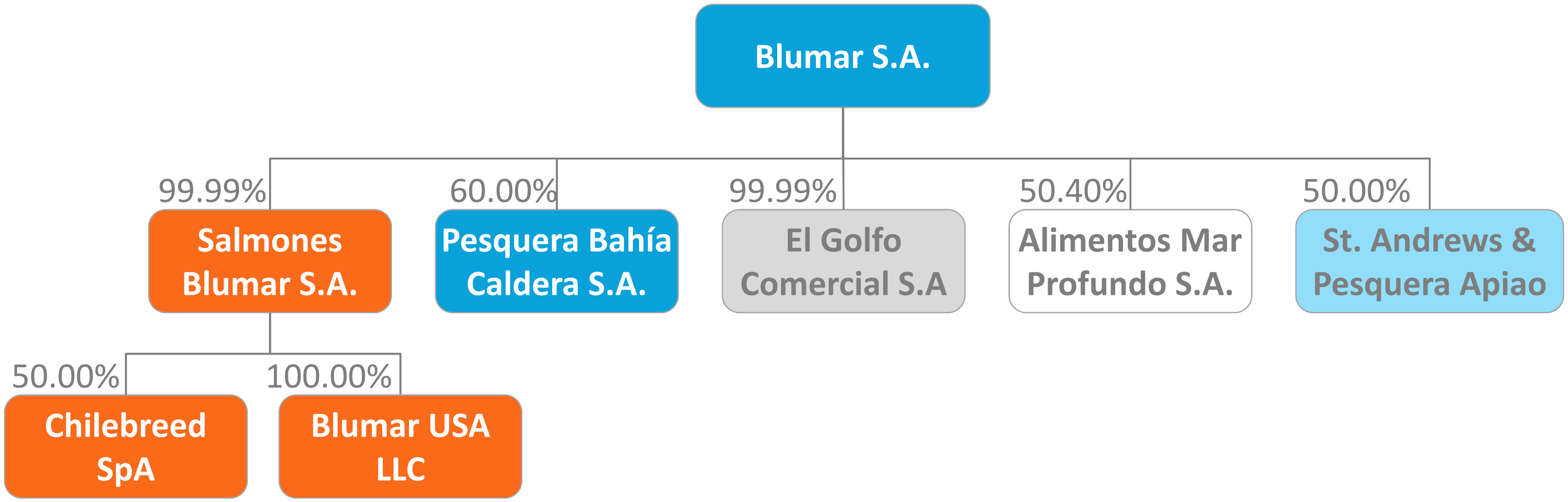

- Controlling group with high reputation and experience in different business areas
  - Las Urbinas Group: also involved in energy business, retail and real estate
  - Sarquis Group: also manages investments in real estate, agriculture and others

### Financial Structure

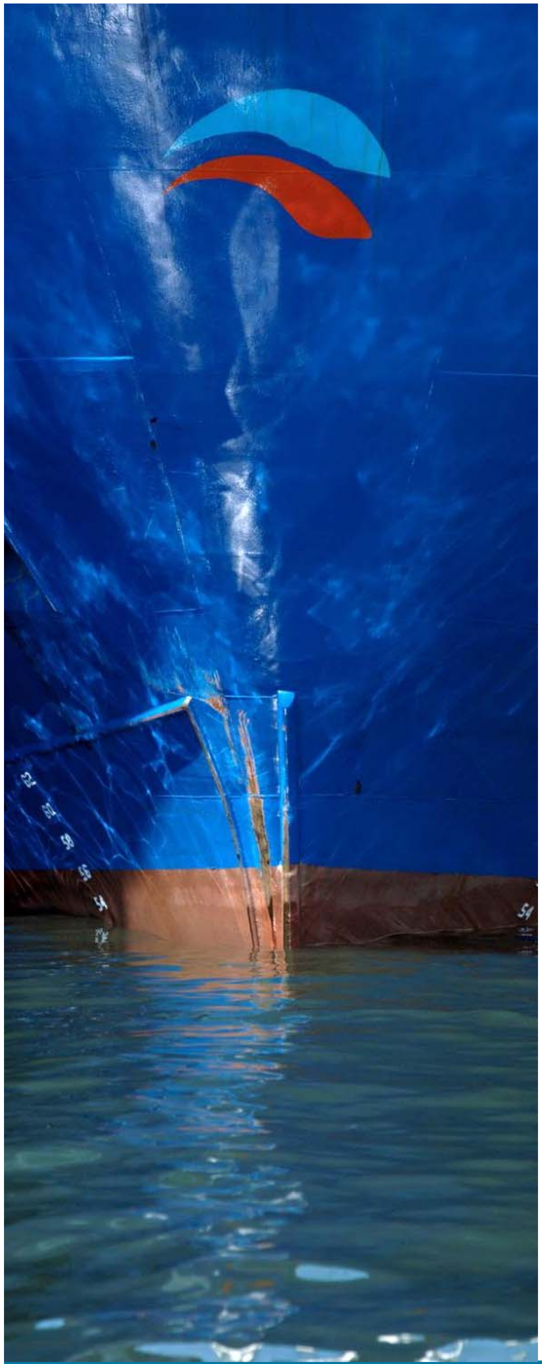
(US$ million, except share data)

| | |
|---|---|
| Stock price (May 15th) | 162 |
| Shares outstanding (mm) | 1,238 |
| Market Cap | 421 |
| Adjustments (2012 FY) | |
| (+) Debt | 186 |
| (-) Cash & equivalents | 7 |
| (+) Minority interest | 8 |
| Firm Value | 608 |

# Company structure




- Fishing operation is carried out through the holding company Blumar S.A. and Pesquera Bahía Caldera S.A.
- Salmon farming operation depends on Salmones Blumar S.A.
  - Chilebreed is a salmon eggs producer
  - Blumar USA LLC is the salmon sales office in USA
- Mussel farming operation depends on St. Andrews S.A. and Pesquera Apiao S.A.

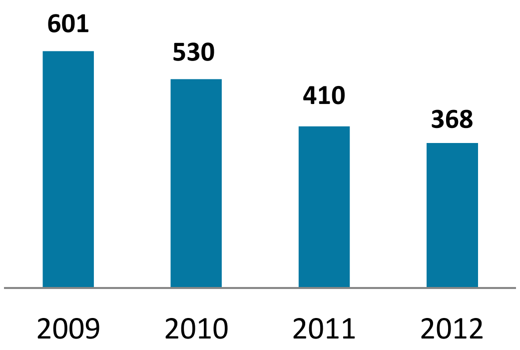


# Agenda

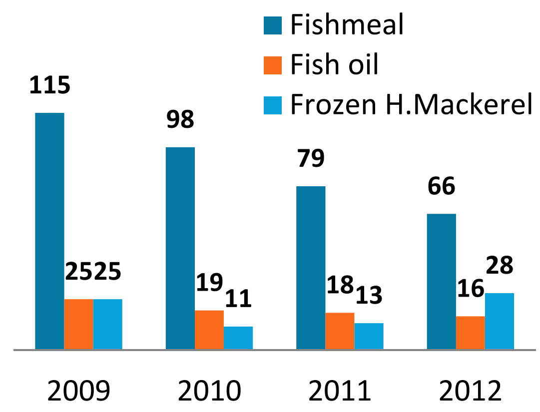
1. Blumar overview
2. Business areas
3. Market outlook
4. Financials & investment considerations

# Fishing

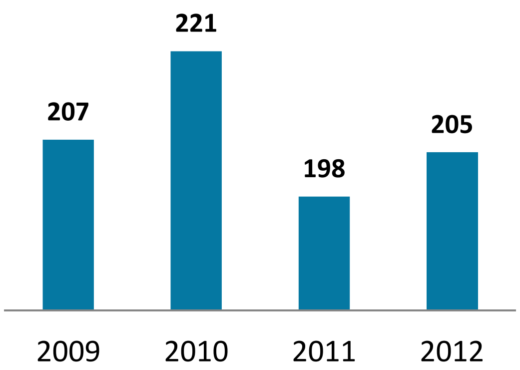
## Fish processed (ton '000)



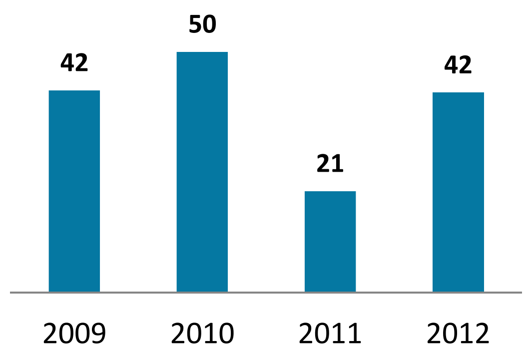

## Production (ton '000)




## Revenues (US$ million)




## EBITDA (US$ million)

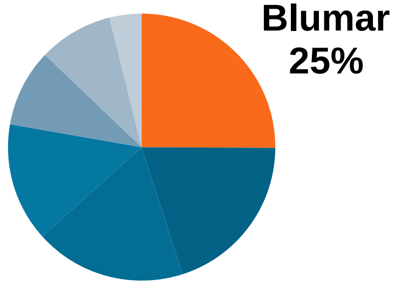


# Leader in Chilean central South fishing industry

- Diversification of fishing zones and species
  - Fishing quotas from III to X region
  - Horse mackerel, anchovy, sardine, hoki & hake fishing quotas
- Located in strategic fishing ports, along the Chilean coast

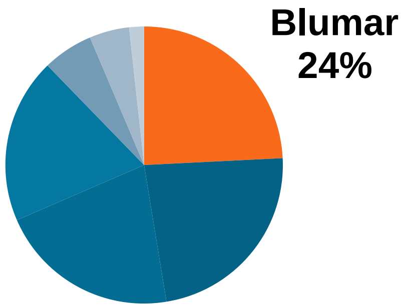
## Central South Global Industrial Quota

### Sardine & anchovy (ton)




| Total Industrial Quota 2013 | 153,990 |
|---|---|

### Horse mackerel (ton)




| Total Industrial Quota 2013 | 206,475 |
|---|---|

# Vertical integration: from catching to sales

## Purse seiner fishing


| Fishing | Processing | Sales |
|---|---|---|
| ✓ Own catch and third parties' purchase<br>✓ 6 purse seiners | ✓ 5 fishmeal plants<br>✓ 1 pelagic freezing plant | ✓ Market diversification<br>✓ High quality segment<br>✓ Experienced sales force team |

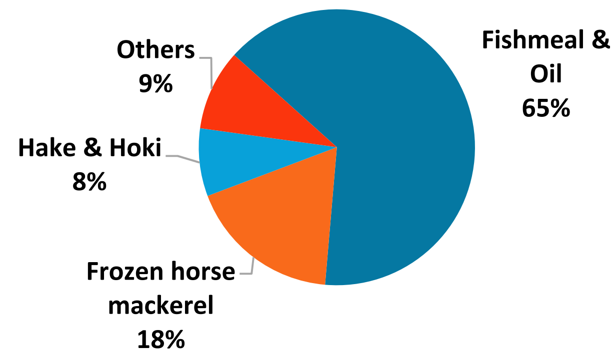
## Trawler fishing


| Fishing | Processing | Sales |
|---|---|---|
| ✓ Own catch<br>- Hake and hoki<br>✓ 2 trawlers | ✓ 1 filleting plant<br>✓ 1 breaded plant | ✓ Market diversification<br>✓ Own distrubution channel for domestic market |

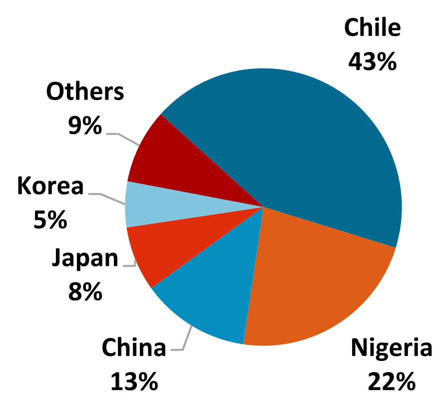
# Revenue diversification through products and markets

- Most relevant products are fishmeal & oil and frozen horse mackerel
- More than 25% of our fishing sales are for direct human consumption
- Main markets: Chile, Nigeria, China, Japan and Korea.

## 2012 fishing revenue breakdown (%)

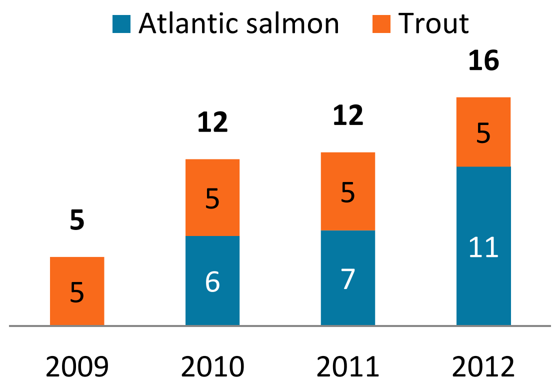



## 2012 fishing revenue by destination (%)

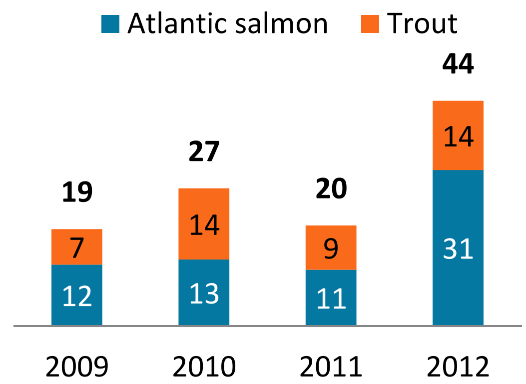


# Salmon farming

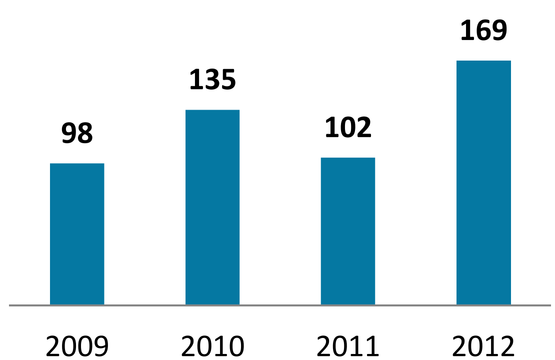
## Smolt Stocking (million of smolt)



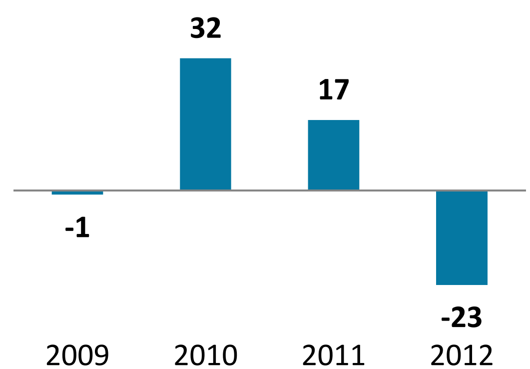

## Harvest (tons '000)




## Revenues (US$ million)

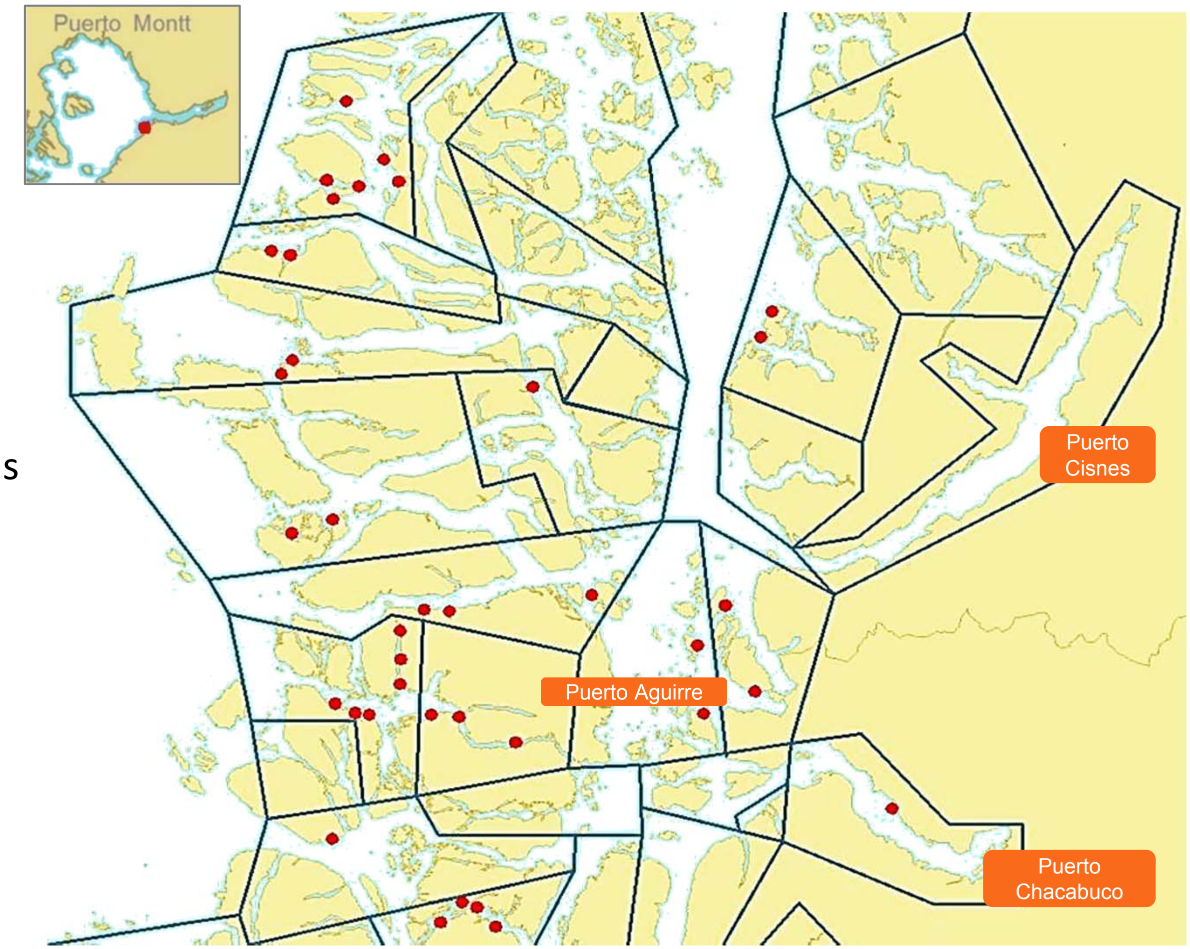



## EBITDA pre fair value (US$ million)



# Salmon farming productive assets

- 38 salmon concessions
  - 1 in X Region
  - 37 in XI Region
- 15 neighborhoods
- Potential production up to 60,000 tons
- 20 marine farms in operations
- 25,000 ton processing plant capacity
- International sales office in Miami



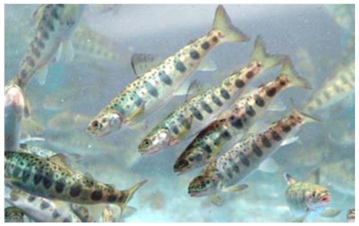
# Vertical integration throughout the value chain

## Eggs

**Strict policy for egg selection**

- ✓ Eggs certification under strict internal protocol
  - Quality
  - Sanitary
  - Biosecurity
- ✓ Self-production

Chilebreed



## Smolts

**High standard in smolts' selection**

- ✓ Smolt produced in RAS
- ✓ Strict smolt selection
- ✓ Minimal fish handling in freshwater stage
- ✓ Vaccination of 100% of the smolt
- ✓ Special control in transferring smolts to the sea

## Feeding

**Focus on feeding control**

- ✓ Feeding system incorporates the latest available technology
- ✓ Neighborhoods' diversification reduces sanitary risk
- ✓ First class professional and technical team

## Process

**High quality standards**

- ✓ Long term experience in fish processing
- ✓ Value added lines
- ✓ Strict control of biosecurity

## Sales

**Focus on maximizing product return**

- ✓ Commercial team organization based on export markets
- ✓ Focus on market diversification
- ✓ Sales office in USA
- ✓ GLOBAL GAP & BAP certification


# Blumar is the 7th largest Chilean salmon exporter

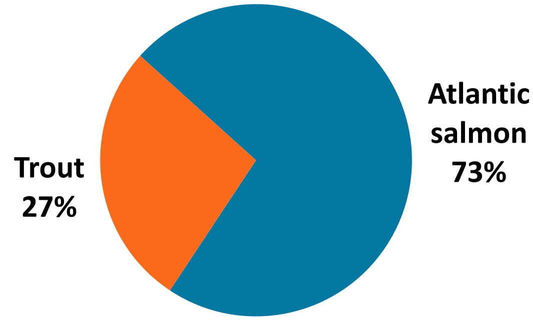
| Nº | | MUS$ | Net ton | Market share (value) | Market share (volume) |
|---|---|---|---|---|---|
| 1 | Aquachile Group | 286,492 | 51,027 | 9.9 | 10.4 |
| 2 | Mainstream Chile + CMC | 274,999 | 46,604 | 9.5 | 9.5 |
| 3 | Salmones Multiexport | 209,832 | 26,966 | 7.2 | 5.5 |
| 4 | Marine Harvest Chile | 170,453 | 29,169 | 5.9 | 6.0 |
| 5 | Los Fiordos Limitada | 159,097 | 31,200 | 5.5 | 6.4 |
| 6 | Grupo Acuinova Chile | 153,002 | 32,101 | 5.3 | 6.6 |
| 7 | Salmones Blumar | 149,755 | 24,190 | 5.2 | 5.0 |
| 8 | Salmones Camanchaca | 132,369 | 19,122 | 4.6 | 3.9 |
| 9 | Salmones Antartica | 129,330 | 18,251 | 4.5 | 3.7 |
| 10 | Invertec | 119,055 | 18,950 | 4.1 | 3.9 |
| | Others | 1,110,113 | 190,889 | 38.4 | 39.1 |
| --- | Total | 2,894,498 | 488,468 | 100.0% | 100.0% |

Source: Infotrade

# Revenue breakdown and markets

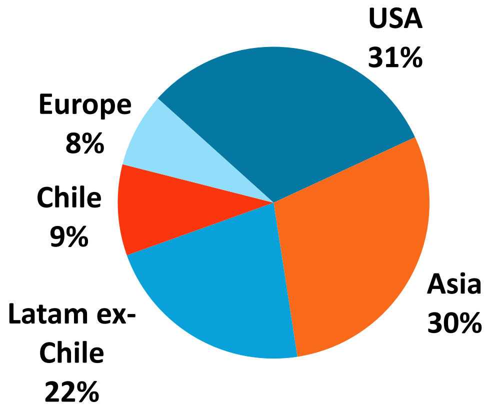
- Diversification through products and markets
- Main markets for Atlantic salmon are USA and Brazil
- Main market for trout is Japan

## 2012 salmon revenue breakdown (%)




2012 Revenues: US$ 169 million

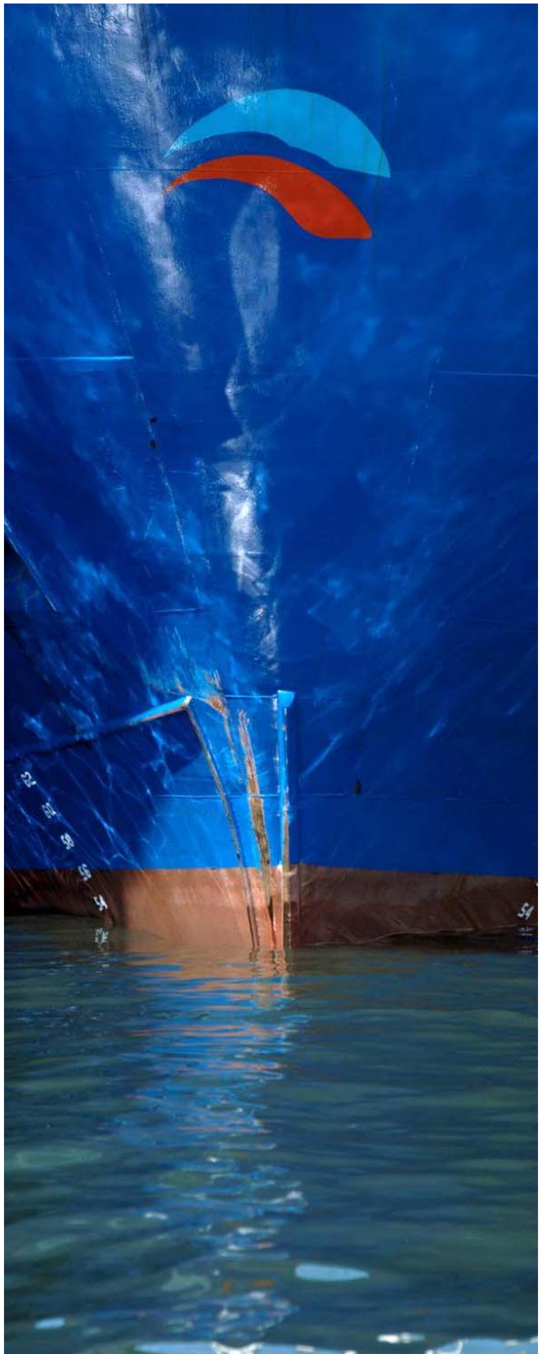
## 2012 salmon sales by destination (%)



# Mussel farming

- Blumar starts its mussel farming business in 2008, through the acquisition of 50% of St. Andrews, a mussel farming company with operations in Chiloé Island
- Second largest exporter of mussels in Chile
- Processing plant complies with all certifications to export the products to USA, EU and Asian markets
- Products: IQF meat, whole shell and half shell
- Total Revenues 2012: US$ 18 million



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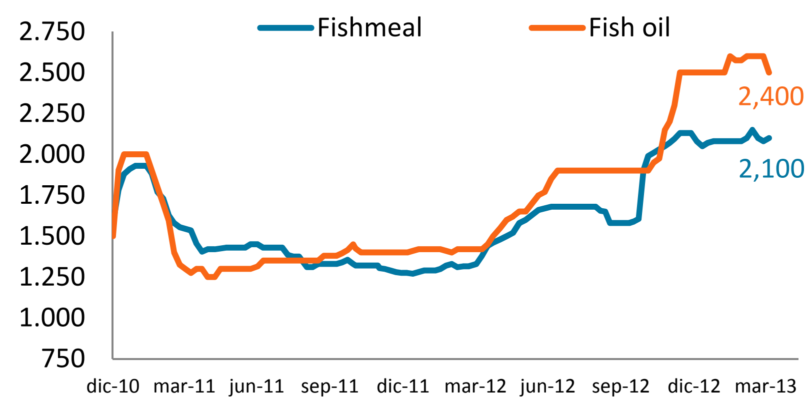
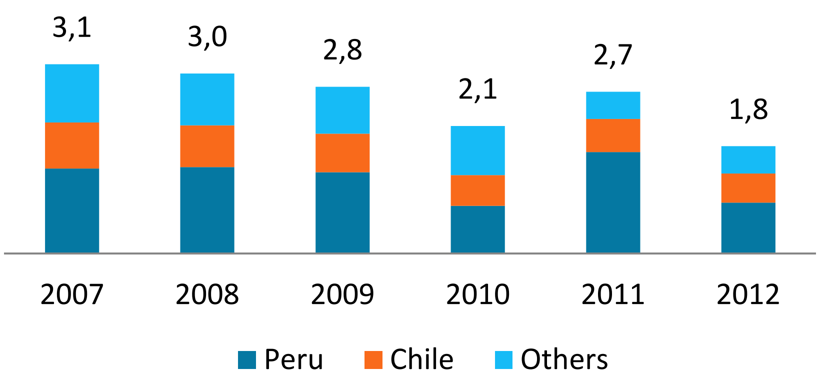
# Fishmeal & oil price momentum

- Fishmeal & oil have a high protein and energy value and are key additives for aquaculture feed formulation
- Continuous growing trend in demand with a limited supply
- Prices expected to remain high in the short term

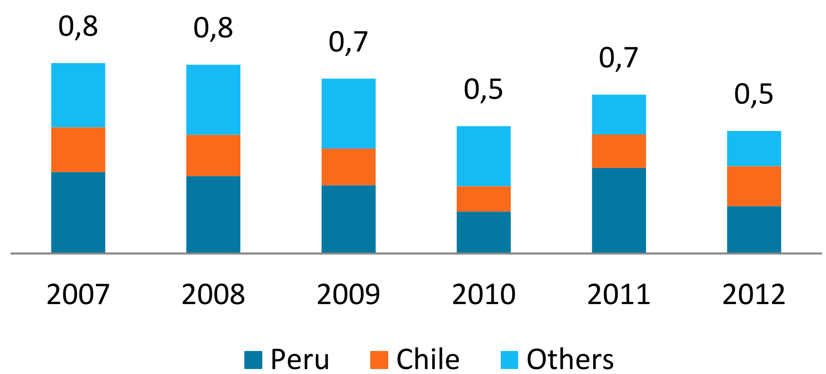
## Fishmeal & Oil prices (1) (US$/ton)




## Fishmeal production IFFO members (2) (mm ton)



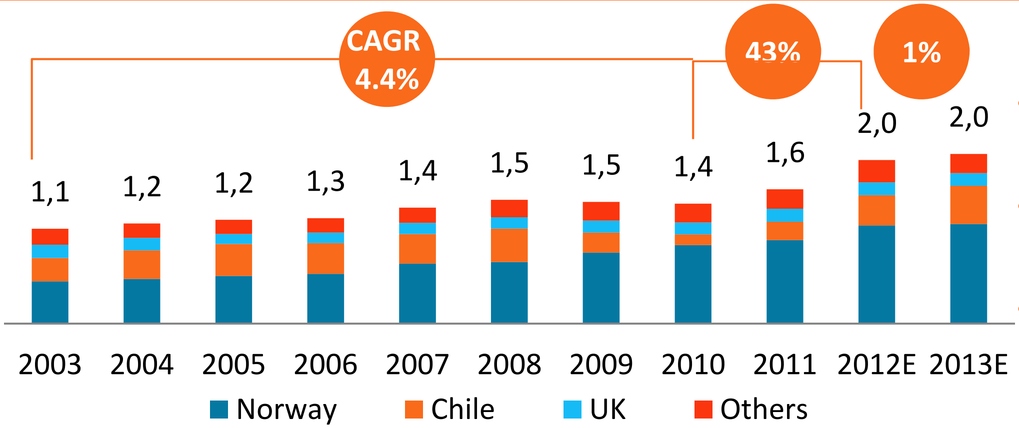

## Fish oil production IFFO members (2) (mm ton)




(1) Prices of Chilean prime fishmeal and Chilean aqua grade fish oil
(2) IFFO members: Peru, Chile, Denmark, Norway, Island, UK, Ireland, Faroe Islands, Southafrica and USA. About 60% of total world production

# Salmon supply grouth

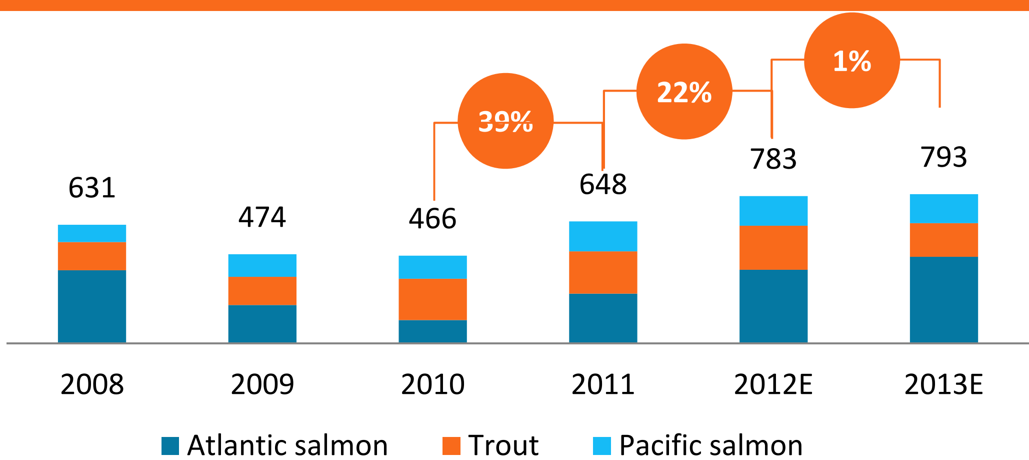
## Atlantic salmon global supply (mm ton *wfe*)




Source: Kontali, Monthly Salmon Report February 2013

- Salmon farming has shown a steady annual growth of 4.4% until 2010
- Supply growth of 43% from 2010 to 2012 (+500,000 ton)
- For 2013 is expected a lower global salmon supply growth

## Chilean harvest by species (th ton *wfe*)

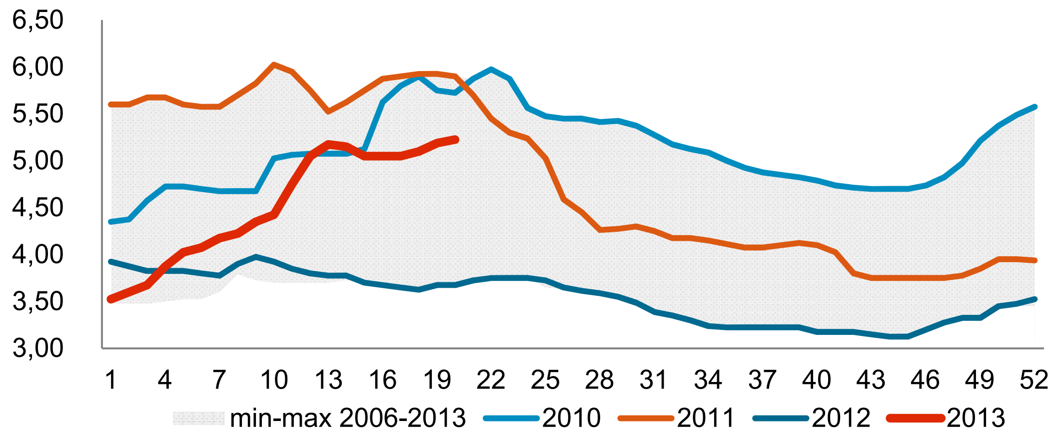



Source: Aquabench, January 2013

- After the ISA crisis in Chile, production has shown a drastic recovery, mainly in Atlantic salmon
- Due to sanitary reasons and new regulations to come, it is expected that production growth will stabilize

# Recovery in major reference prices

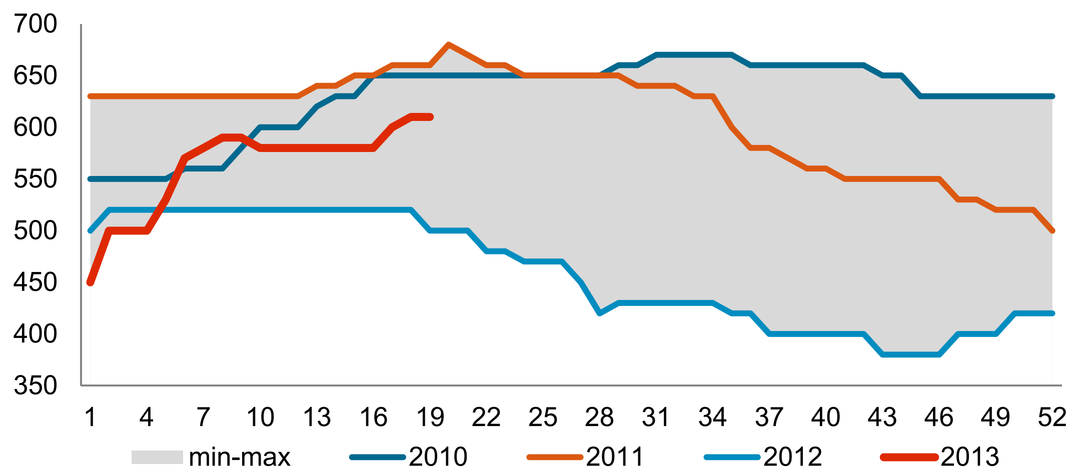
## Atlantic salmon reference price (Fresh fillet trim-D, 3-4 lb FOB Miami, US$/lb)




Fuente: Urner Barry

- As the supply growth has normalized in Chile, there has been a sharp price recovery, but supply has grow 3 times since 2011

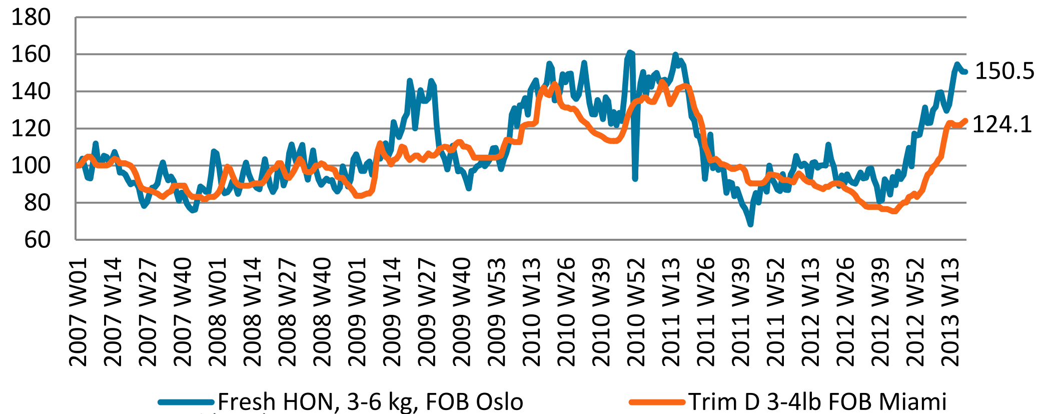
## Trout price (HG 4-6 lb Tsukiyi Market,Yen/Kg)




- Strong price recovery also in trout as supply has started to fall

# But prices still lagging

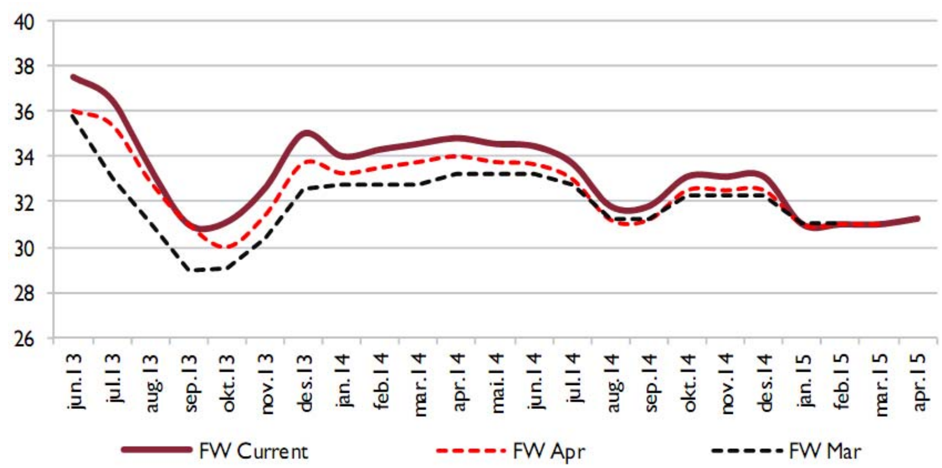
## Atlantic salmon price index (base 100 = 2007 W01)




Fuente: Urner Barry y Fish Pool

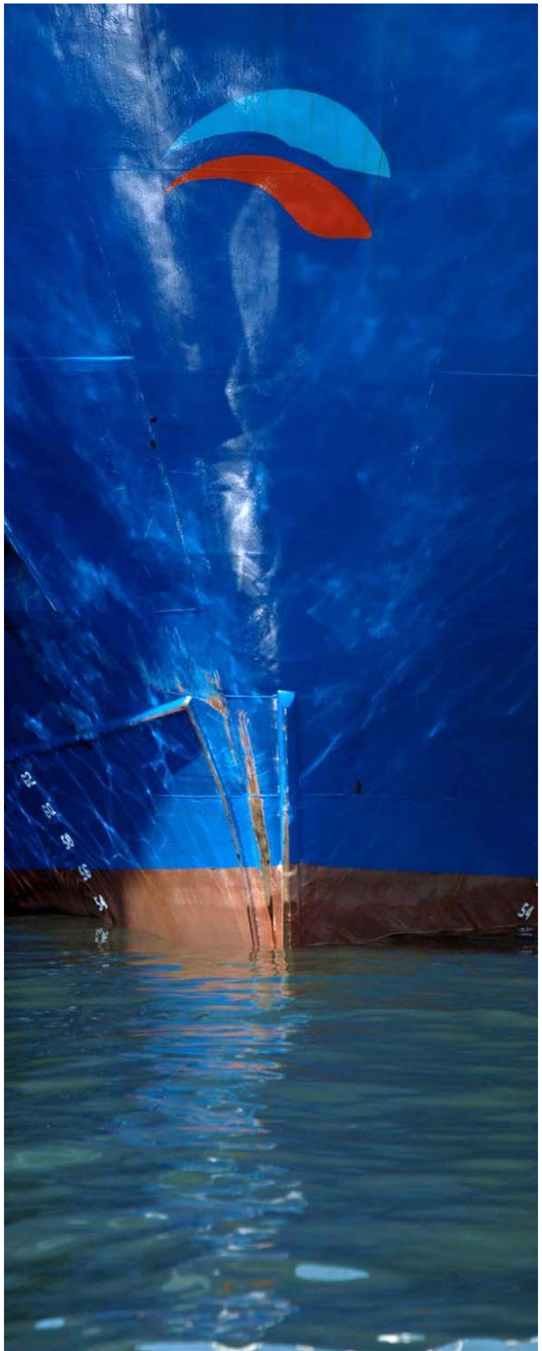
- UB prices still lagging considering Fishpool spot prices
- ¿Is there space for further growth for UB prices?

## Estimated forward prices (NOK)




Fuente: Carnegie

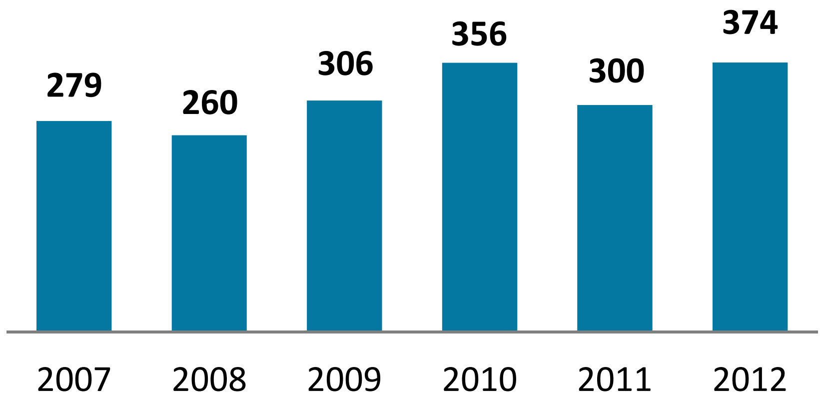
- More optimistic forward prices
- Average price of NOK 34 - 35/kg for the period June-December 2013



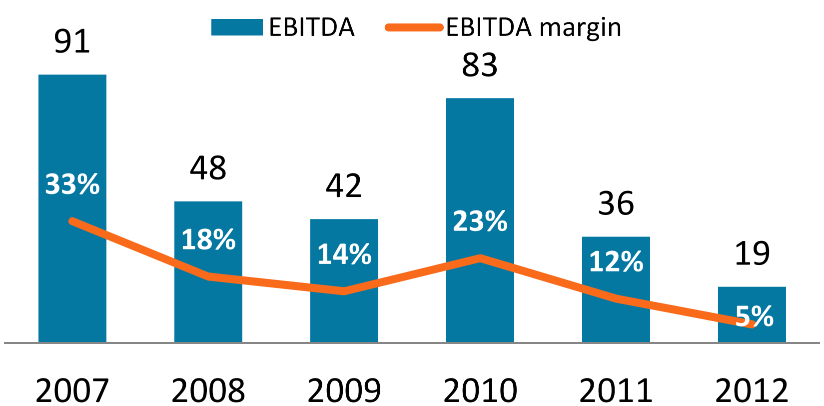
# Agenda

# Financial summary

## Revenues (US$ million)



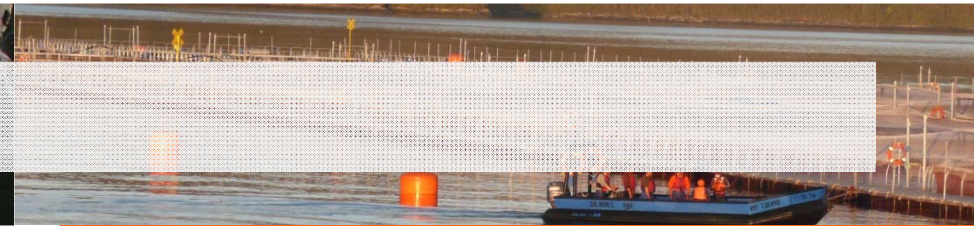

## EBITDA pre fair value (US$ million)




## Balance sheet

| US$ thousands | 2012 | 2011 | ΔYoY |
|---|---|---|---|
| Cash & equivalents | 7,311 | 5,315 | 38% |
| Inventory | 51,945 | 47,657 | 9% |
| Biological assets | 103,569 | 104,391 | -1% |
| PP&E | 264,336 | 266,180 | -1% |
| Other assets | 204,580 | 179,392 | 14% |
| **Total assets** | **631,741** | **602,935** | **5%** |
| | | | |
| Debt | 186,425 | 156,402 | 19% |
| Accounts payables | 69,766 | 47,108 | 48% |
| Other liabilities | 43,880 | 42,759 | 3% |
| Equity | 331,670 | 356,666 | -7% |
| **Total liabilities & equity** | **631,741** | **602,935** | **5%** |
| | | | |
| NIBD | 179,114 | 151,087 | 19% |
| Leverage | 90% | 69% | |
| Net financial leverage | 54% | 42% | |

# Growth strategy



## Fishing

- Focus on human consumption
  - Higher margins than indirect human consumption products
- Improve quality of fishmeal & oil
  - Significantly higher prices for better quality products

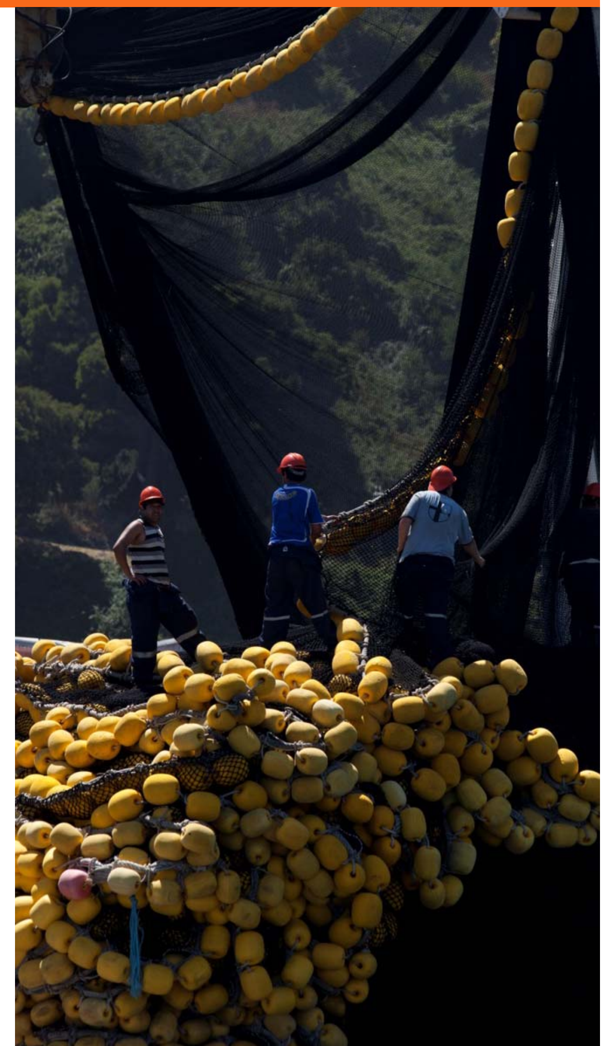
## Salmon farming

- Sustainable organic growth
  - Up to 60,000 ton wfe of production
  - To grow as sanitary conditions improve
  - Growth focused on Atlantic salmon
- Focus on efficiency and profitability
  - Improve fresh water process
  - Cost efficiency

# New industry legal framework

## Fishing

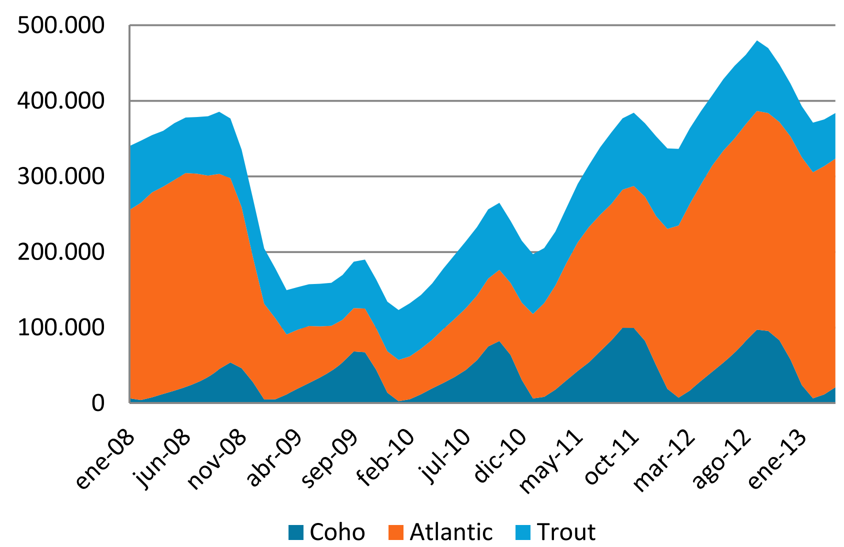
- A new Chilean fishing law has been issued in Feb 2013 which establishes a management system based on preservation and sustainable use of marine resources
  - Establishment of fishing licenses for 20 years, renewable, providing a stable legal framework for the industry
  - Establishment of an individual transferable quota system (ITQs)
  - Fishing quotas determined by fishing authority with advise from a technical-scientific experts’ committee
  - Auction system introduced, but only when biomass is above a sustainable level, limited up to a 15% maximum of the ITQs
  - Stricter sanction system for non-compliance



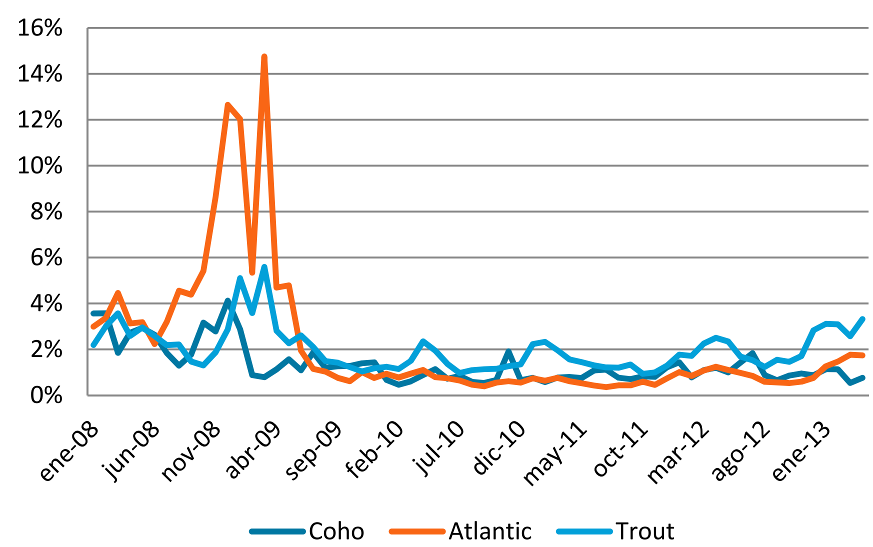
# Sanitary situation

- After the ISA crisis in Chile, the industry took only 2 years to recover the same production level than previous to the crisis, with an immediate result in deterioration of sanitary conditions (Sea Lice and SRS), which has started to affect mortality rates and lower harvesting weight.

## Biomass (Ton)




## Monthly mortality rate by specie (%)



# New industry framework

## Salmon farming

- The Chilean Aquaculture Authority will publish in the coming days a new regulation, oriented to restrict production in farms and areas where production performance in the previous cycle was poor

### Salmon farm performance

| Mortality in T0 | Smolt Stocking in T1 |
|---|---|
| 0 to 15% | 0% |
| 15 to 18% | - 10% |
| 18 to 22% | - 20% |
| 22 to 26% | -40% |
| > 26% | -60% |

### Neighborhood Performance

A) Environmental condition (f1)

B) Neighborhood mortality in previous cycle (f2)

C) Smolt stocking projection in next cycle (f3)

**Biological Score:** (A)*f1 + (B)*f2 + (C)*f3

- The stocking density in fish cages will be increased or reduced depending on the Biological Score

*The effect of this new regulation in production is still not known, but for sure it will restrict growth and improve biology*

# Investment opportunity

- Chile has favorable market dynamics
- Solid industry fundamentals in fishing and salmon
  - New regulation framework
  - Fishmeal and fish oil price momentum
- Blumar is a recognized leader in fishing and salmon farming industry
- Strong growth potential
- Experienced management team
- Sales force with global reach
- Healthy and solid financial position

BLUMAR SEAFOODS

# Seafood Investment Forum

## Gerardo Balbontín - CEO

New York, May 22nd, 2013