

# *Capital Markets Day 2022 – LSG Group Strategy*

*Henning Beltestad*

CEO

SEPTEMBER 22, 2022



# We are looking forward to two exciting days together

## THURSDAY

22.09.2022

12.00 – 13.30	<b>LSG Group Strategy</b> presentation and Q&A	Henning Beltestad
13.30 – 13.45	Break	
13.45 – 15.25	<b>Lerøy Farming</b> presentation and Q&A	Bjarne Reinert
	<b>Breakout sessions</b>	
15.30 – 17.15	VAP S&D Lerøy Aurora Lerøy Midt Lerøy Sjøtroll	Ivar Wulff Kurt Einar Karlsen Harald Larssen Nina Møgster
17.15 – 19.15	Break	
19.15 – 22.00	Dinner	

## FRIDAY

23.09.2022

08.00	Meet at Jøsnøya or Hitra Hurtigbåtterminal
	<b>Jøsnøya</b>
08.15 – 13.00	<b>Belsvik</b>
	<b>Storskogøya</b>
13.00	Departure to Airport



1. **STRONG HISTORICAL PERFORMANCE**
2. Objectives and strategy for profitable growth

# Agenda



HONEST  
OPEN  
RESPONSIBLE

*Creative*

# "Creating the world's most efficient and sustainable value chain for seafood"

**186.600**

tonnes harvest (GWT)

**71.500**

wild catch (HOG)

**23bn**

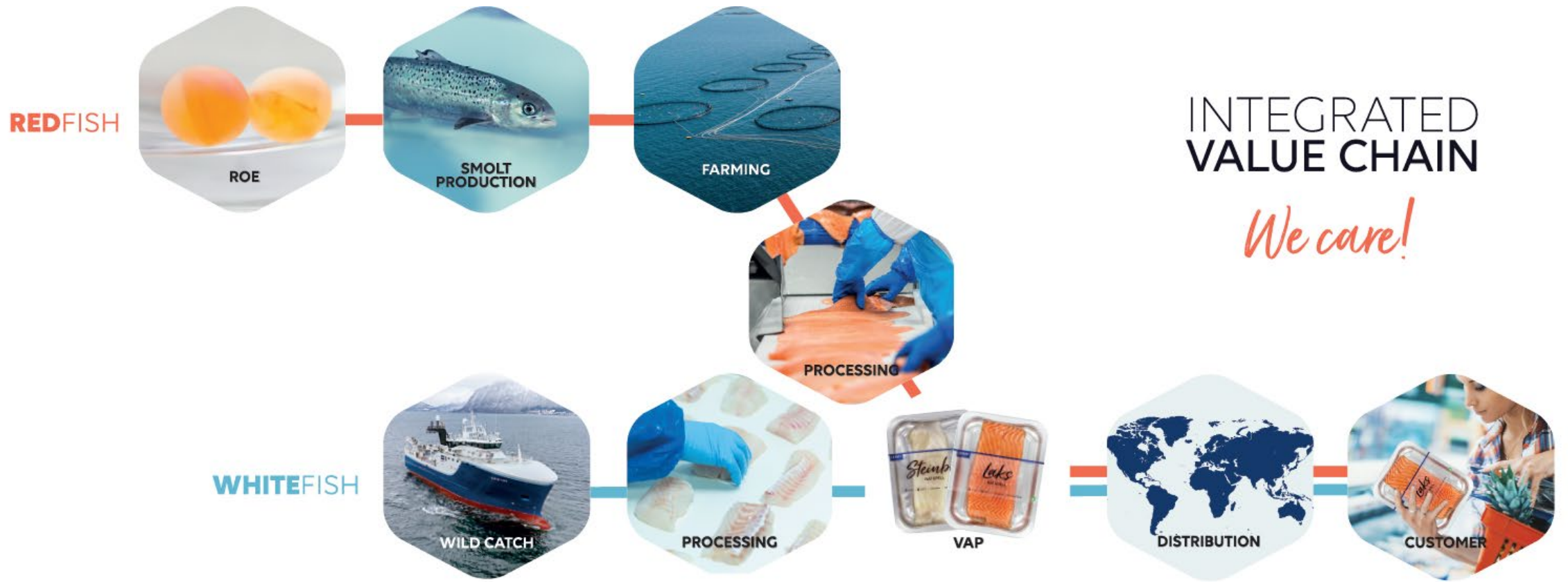
NOK in revenue

**5.500**

employees



# Over the past 20 years we have developed a fully integrated value chain



# Our integrated value chain gives us a distinct competitive advantage with our retail customers

## 4 key market trends...



### Sustainability & health

Strong increase in demand for healthy low-carbon protein alternatives attracts consumers towards sustainable seafood



### Quality & traceability

Zero-tolerance policy for variance in quality due to reputational risk  
– complete traceability and trust are key customer requirements



### Stability & availability

Retailers require product availability to meet consumer expectations  
– stable access to raw material is key



### Convenience

Product innovation has shifted demand from fresh to pre-packed, processed and convenient seafood – easy to cook and consume

## ...we are uniquely positioned to leverage



Speed & cost efficiency



Reliability & trust



Product & category innovation



End-to-end traceability & quality assurance



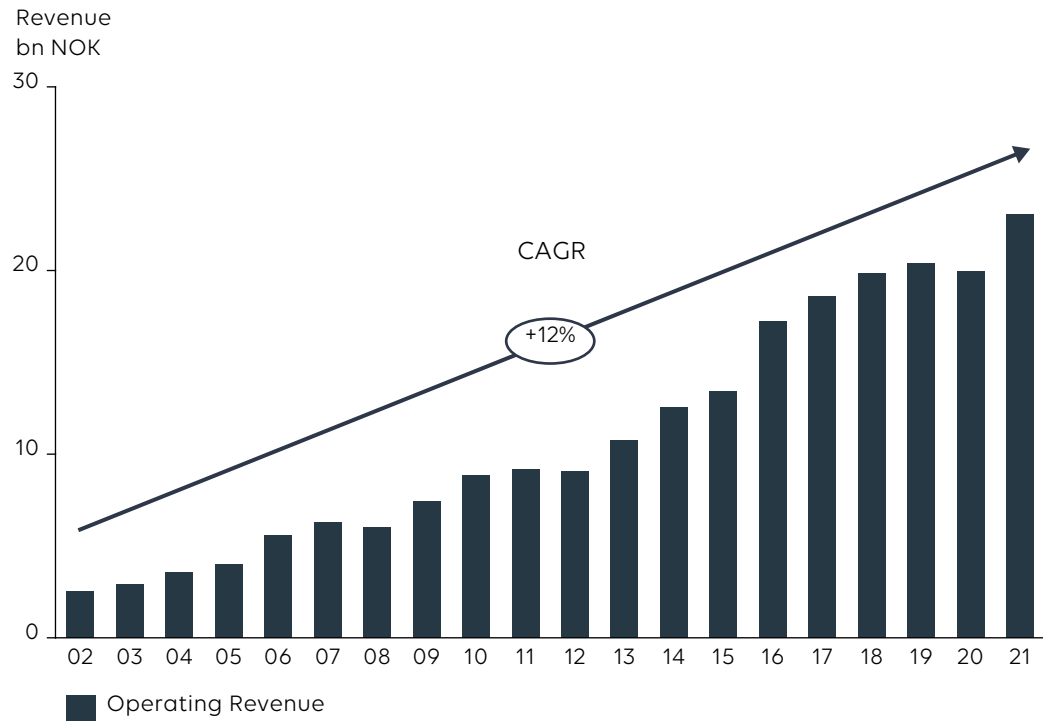
Clear commitments towards social & environmental impact



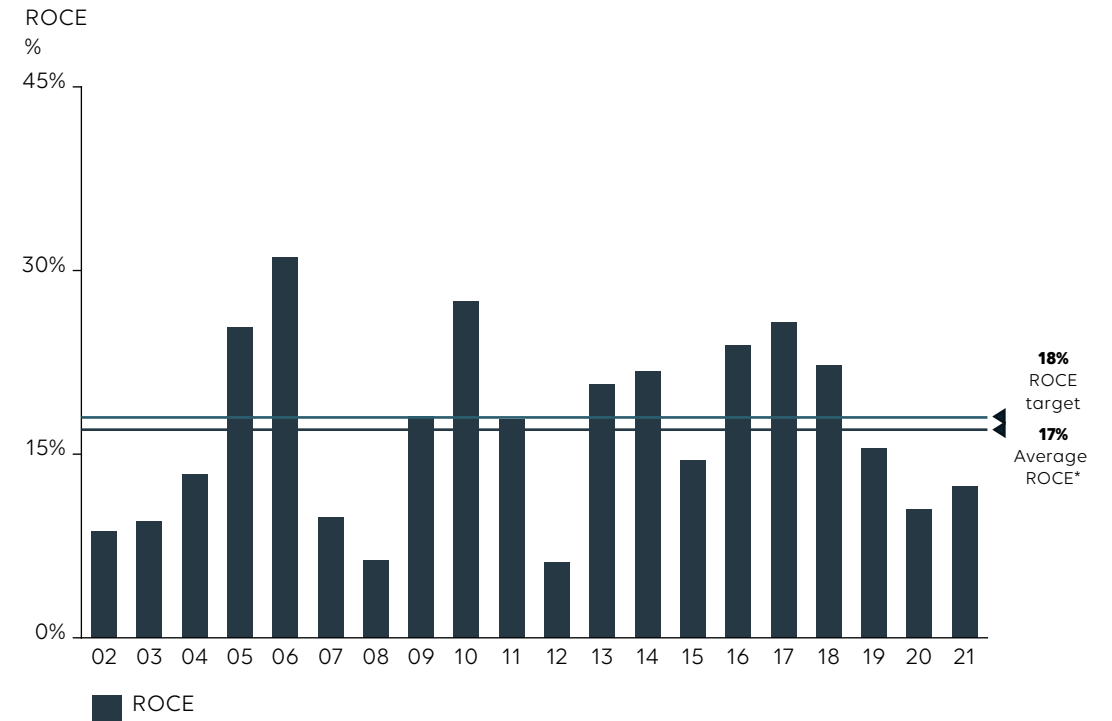


# We have delivered strong revenue growth and high returns

## Revenue



## ROCE



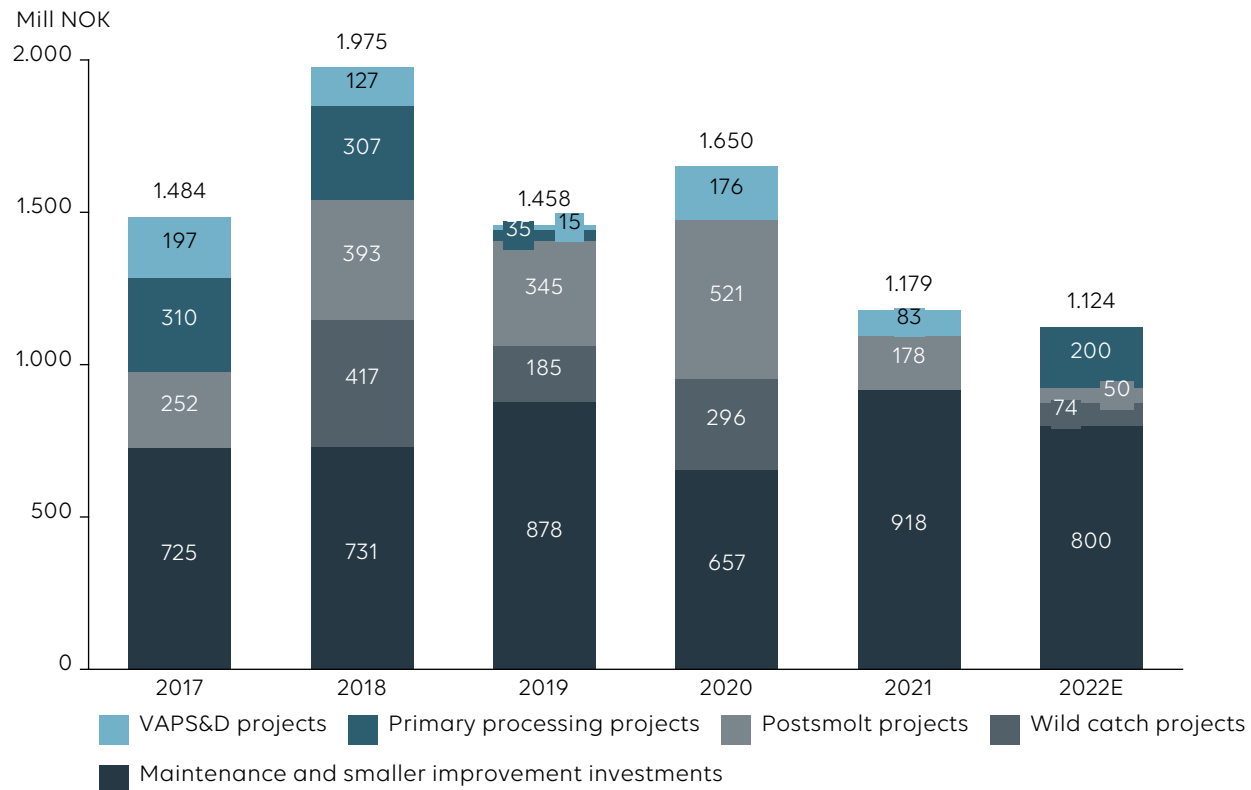
\*) unweighted





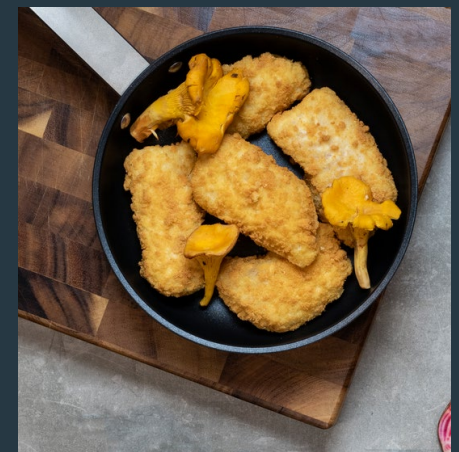
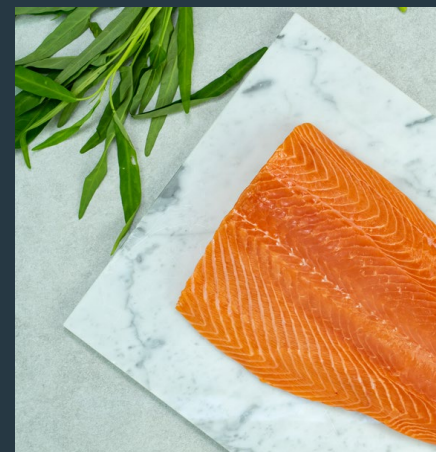
# We will continue to invest in maintaining and developing existing infrastructure – and build new capacity and realize efficiency gains

## ANNUAL CAPEX INVESTMENTS



- Invested significantly in developing our value chain in recent years – the basis for our 2025 targets
- Annual investment in maintenance and smaller improvement projects between NOK 800 – 900 mill. to continue
- Will continue to invest in growth opportunities

# Our sales and processing operations now span 14 countries



**The focus today is LSG group strategy and our Farming segment**

## LERØY SEAFOOD GROUP



Wild catch and VAP S&D will be on the agenda on our next Capital Markets Day

1. Strong historical performance
2. **OBJECTIVES AND STRATEGY FOR PROFITABLE GROWTH**

# Agenda





# We have set ambitious targets for 2025 to accelerate profitable growth

*LSG*

**>50**

bn NOK in revenue by 2030

*LSG*

**46%**

reduction in total GHG emissions by 2030 (baseline 2019)

*Farming & VAP S&D*

**#1**

EBIT/kg for farming and VAP S&D by 2025

*Wild Catch*

**500**

mill NOK in EBIT for Wild catch by 2025

*VAP S&D*

**1,25**

bn NOK in EBIT for VAP S&D by 2025

*Farming*

**205.000**

tonnes harvested in 2025 (Norway)



# Growth levers



## STRENGTHEN CORE

- Volume to strategic customers
- Sales- and production planning
- Raw material through our own value chain
- Biological production and catch
- Sustainability



## DEVELOP CORE

- Digital transformation and automation
- Coastal farming technology
- New strategic customers
- Volume growth



## NEW GROWTH PLATFORMS

- New species
- New farming technologies
- New markets
- Lerøy Ocean Harvest

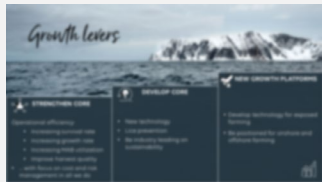




# We have clarified our direction and added more structure to our operating model

## Strategic direction

### LSG



### Farming



### Wild Catch

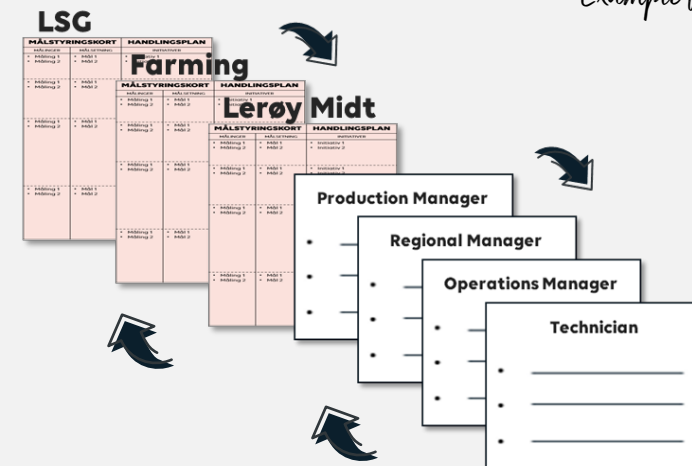


### VAP S&D

Growth levers have been developed for LSG – and for each segment: Farming, Wild catch and VAP S&D

## Targets & KPIs

*Example from farming*



Targets are set on all levels from LSG down to technicians on every farm and in every factory

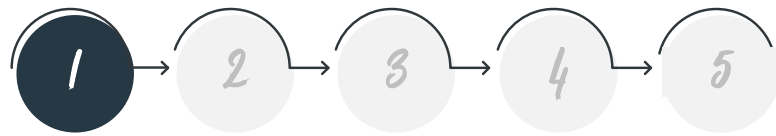
# Strategic priorities

- 1 Understand and meet customer and market opportunities
- 2 Increase operational efficiency
- 3 Reduce footprint across our value chain
- 4 Create a learning and innovative organization
- 5 Develop our people & our communities



Clear mandates, projects and follow-up regime defined for each strategic priority – to drive progress and realize financial effect





# Our strategic long term collaboration with customers has yielded strong results

## CUSTOMER PAIN

Highly fragmented and ineffective seafood value chain – issues related to:

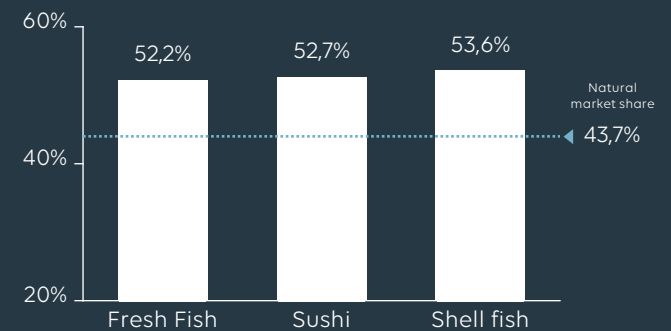
- Quality
- Traceability
- Taste and convenience
- Profitability

## OUR SOLUTION

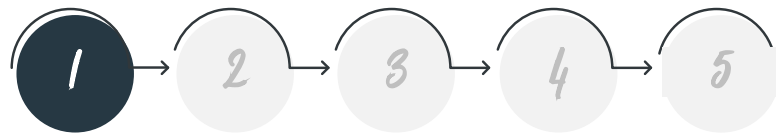
- Partnership, from >40 to 1 supplier
- From 7 to 2,2 days average delivery time (fresh fish)
- Controlled logistics
- Traceability
- Category development

## RESULT

Our customer is the market leader in all fresh fish segments – performing above their relative market share<sup>1</sup>



1) Numbers based on market shares as of August 2022



## Our future growth builds on continued long-term strategic cooperation with our customers



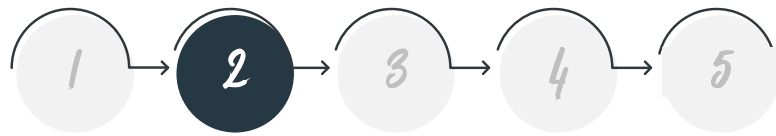
### *Our ambition*

- ➔ Strengthen our strategic customers' competitiveness
- ➔ Increase product range and depth with existing strategic customers
- ➔ Establish downstream units in target markets
- ➔ Increase value creation per kg

### Share of revenue from strategic customers

*From* **49%**  
(2021)

*To* **70%**  
(2025)



# Lerøy Way – our approach to operational excellence and continuous improvement

*Lerøy Way provides...*

- ➔ Clear understanding of our situation and improvement areas
- ➔ Clear targets and objectives
- ➔ Clear roles and responsibilities
- ➔ Best practice, risk management and continuous improvement

*...with implementation underway in*

**5 of 14**

VAP & Distribution companies

**3 of 3**

Farming regions

**7 of 8**

White fish units



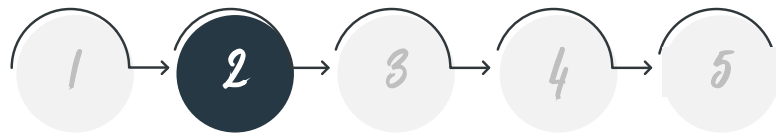
## BETTER FLOW AND PROFITABILITY THROUGHOUT OUR VALUE CHAIN



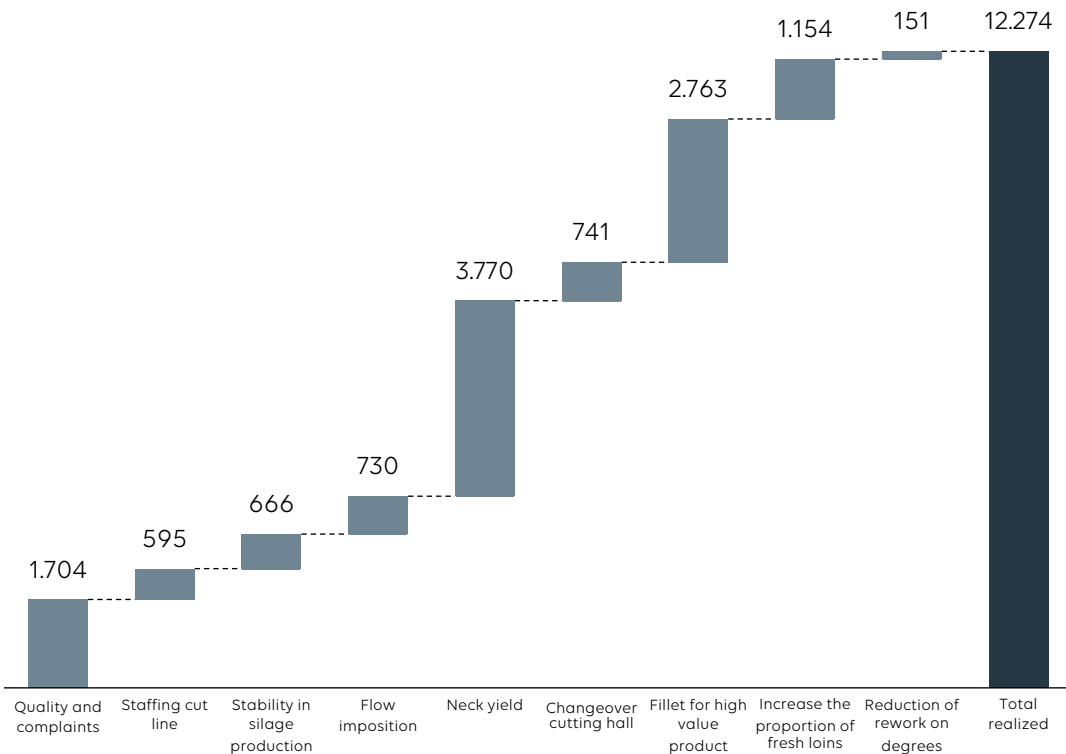
Lerøy Way implemented in 100% of our companies by 2025



250 improvement initiatives identified and implemented by 2025



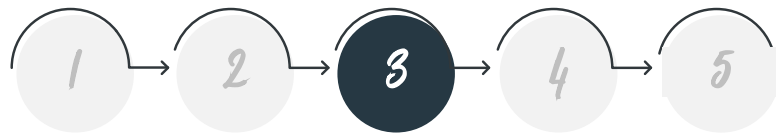
# Lerøy Way implementation in white fish processing facility – >12 mill. NOK in annual cost savings



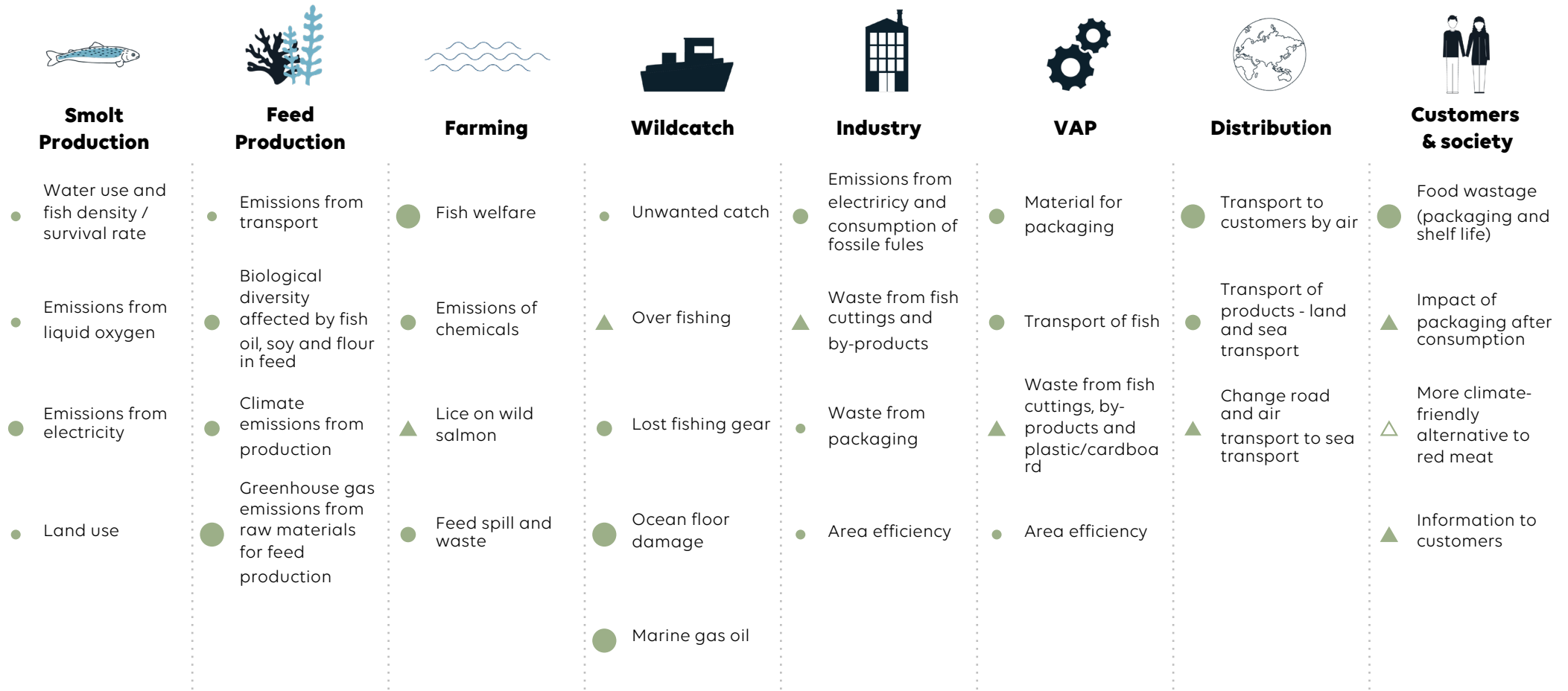
## Impact

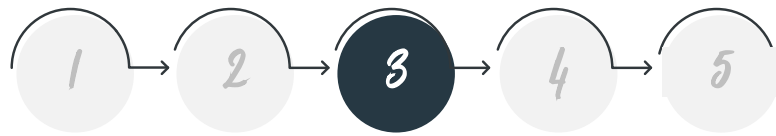
- Lerøy Way implemented from April 2020 to July 2022
- Operations management score increased from 17% to 57%
- Data-driven decision making score increased from 26% to 60%
- 19 improvement initiatives completed – 12 still ongoing
- Annual cost savings of >12 mill. NOK
- Increased employee satisfaction (GPTW score)





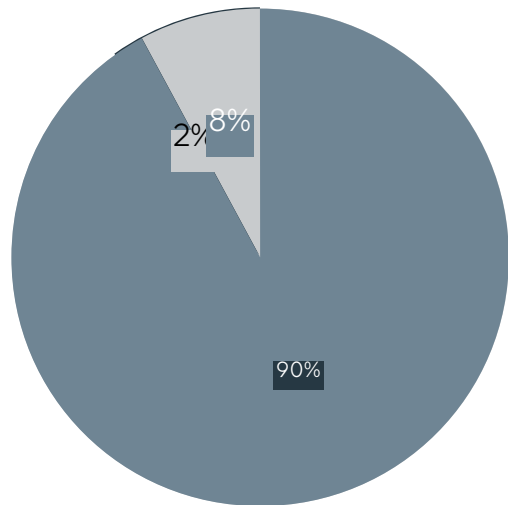
# We are working on reducing our environmental impact in daily operations – across our value chain...





# ...and have set clear targets and defined key improvement initiatives

## Our emissions



■ Scope 1   ■ Scope 2 (marketbased\*)   ■ Scope 3

## Our ambition

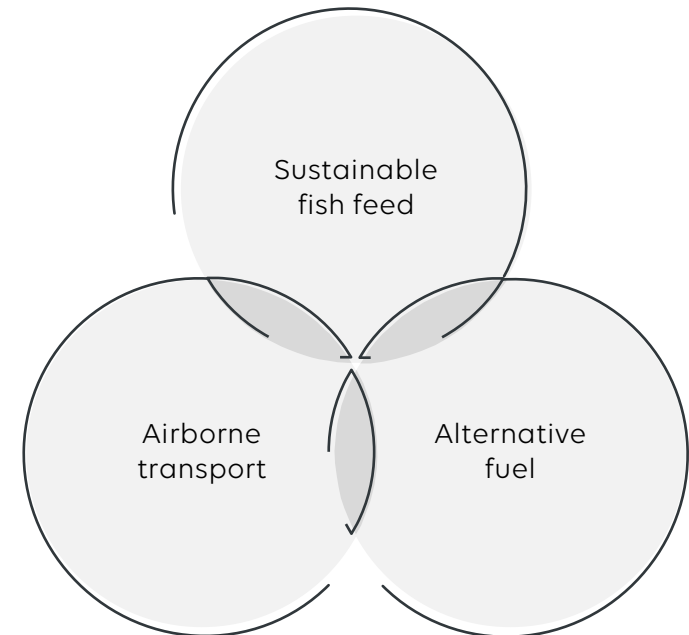
We have set ambitious targets based on the Paris agreement, committing to...



# 46%

reduction in greenhouse gas emissions by 2030 (baseline 2019)

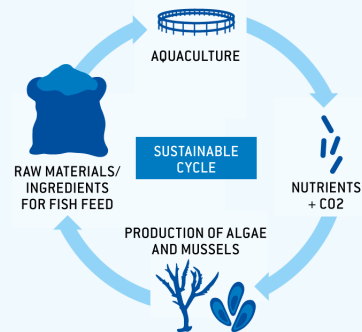
## Focus areas



By focusing on feed and transport we will make a significant impact in line with our 2030 target

## Sustainable fish feed

Production of seaweed and blue mussel protein



- Nitrogen, phosphorus and CO<sub>2</sub> produced in farming is absorbed in seaweed and blue mussel production – creating a circular value chain
- Use of blue mussel protein in fish feed increases flexibility and reduces dependence on existing marine feed raw materials
- **Ambition for 2030: 100.000 tonnes harvest volume of seaweed**

## Airborne transport

Minimizing weight and finding alternatives



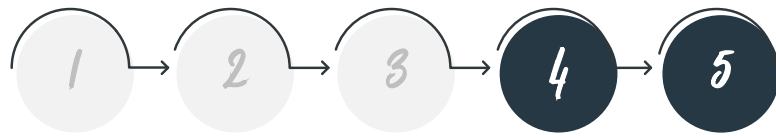
- CO<sub>2</sub> transportation calculator – identifying the most sustainable and efficient routing for our goods
- Substituting ice with dry-ice to minimize weight
- Substituting whole fish with filets

## Alternative fuel

R&D and electrification



- Green Shipping Programme – feasibility study on dual-fuel ammonium trawler
- Electrifying docks to use electricity instead of fuel when docked



# Our 5500 employees are crucial for our success

## ATTRACTIVE EMPLOYER



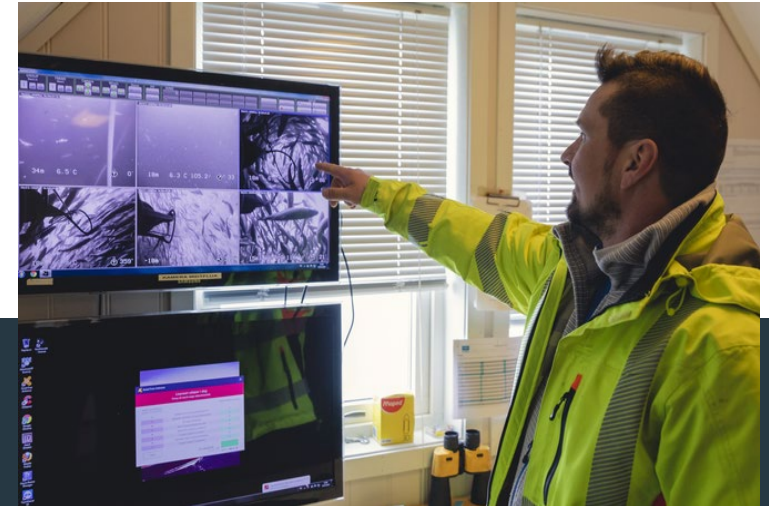
- 98 trainees and 355 apprentices (2019-2021)
- Internships and student collaboration

## LEADERSHIP DEVELOPMENT



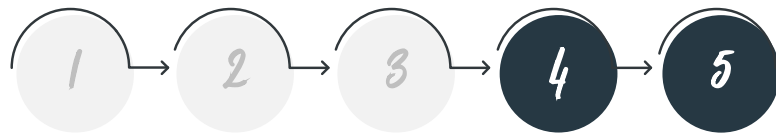
- 162 leaders completed training – 110 leaders across our value chain currently enrolled
- 100% of leaders will be trained – across all countries

## COMPETENCY PROGRAMMES



- Motivate e-learning
- Promote internal mobility
- Seafood Next education





## We are actively working together with our local communities to create positive impact



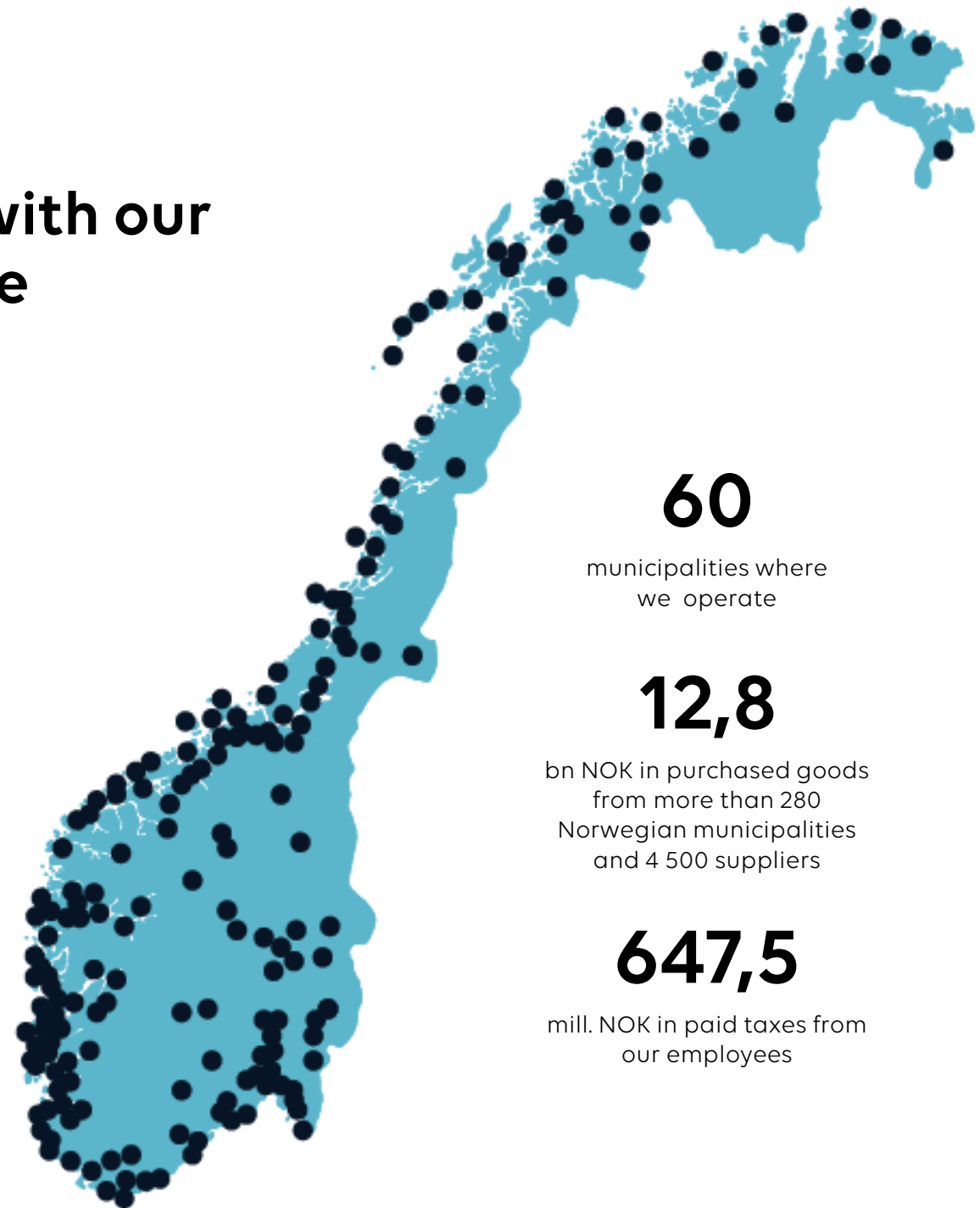
Transparency on working conditions in all steps of the value chain, including our suppliers



Lerøy Norway Seafood department Melbu was awarded Diversity Business of the year 2021 – approximately 70% of 120 employees have an immigrant background



Diversity and equal opportunities - 100 employees received Norwegian language lessons in 2021



**60**

municipalities where we operate

**12,8**

bn NOK in purchased goods from more than 280 Norwegian municipalities and 4 500 suppliers

**647,5**

mill. NOK in paid taxes from our employees



# We look forward to updating you regularly on our strategy and plan towards profitable growth

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bn NOK in revenue by 2030

*Farming & VAP S&D*

**#1**

EBIT/kg for farming and  
VAP S&D by 2025

*VAP S&D*

**1,25**

bn NOK in EBIT for  
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catch by 2025

*Farming*

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tonnes harvested in 2025  
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Q & A

LERØY

The Norwegian  
Seafood Pioneer