

Decent Q3 result, 2020 volume guiding on the weak side

SALM just reported a Q3 EBIT adj. of NOK 614m, which was in line with consensus but 13% above our estimates. The result from Central Norway was strong, with very low cost and high achieved prices. Also Arnarlax reported good result due to high price achievement. The result in Northern Norway was however even weaker than expected, as cost was high and price achievement poor. SALM reiterate its volume guiding for 2019 but guiding for 2020 of 162k tonnes (incl. Arnarlax) is 4%/7% below consensus/PAS estimates. Despite a stronger Q3 result (vs our numbers) we expect limited changes to Q4 19e as the company guides on higher cost in Central. For 2020 we expect to reduce estimates with 5-6% due to the lower volume guidance. We currently have a Buy recommendation, TP NOK 480 on SALM.

Deviation table

	NOKm	Q3'18	Actual Q3'19	Q3'19e Cons.	Pareto	Deviation (%) Cons.	Pareto	Pareto estimate (pre Q3)		
								2019e	2020e	2021e
P&L										
Revenues	"	2,766	2,791	2,594	2,405	8%	16%	11,767	12,904	13,953
EBITDA adj.	"	1,062	798	783	704	2%	13%	3,959	5,256	5,762
EBIT adj.	"	939	614	617	544	(1)%	13%	3,311	4,603	5,106
Net profit (reported)	"	936	203	487	421	(58)%	(52)%	2,607	3,571	3,741
Net profit (adjusted)	"	740	466	487	421	(4)%	11%	2,803	3,571	3,741
EPS (adjusted)	NOK	6.5	4.1	4.3	3.7	(5)%	11%	23.4	31.5	33.0
CAPEX	NOKm	(215)	(417)		(250)		67%	1,215	1,420	1,420
NIBD	"	1,327	2,727	2,571	2,727	6%	(0)%	2,299	2,644	3,144
Segments/Other key items										
EBIT Central	NOKm	871	544		478		14%	2,343	3,078	3,302
EBIT North	"	51	6		49		(88)%	1,012	1,431	1,546
EBIT Sales & Processing	"	73	102		66		54%	110	120	126
Arnarlax	"		22		7		218%	86	195	352
Farming Volumes	ktonnes	36.1	35.8	35.8	35.8	0%	0%	157	174	187
All-inclusive margin	NOK	26.0	17.1	17.2	15.2	(1)%	13%	21.1	26.4	27.3

Source: Pareto Securities Equity Research, Inquiry Financial

Highlights from the report

- ▶ **North:** EBIT/kg of NOK 1.1/ was significantly weaker than our NOK 9/kg estimate. This is driven by higher cost (partly due to the low volumes) but also weak price achievement. Cost is expected significantly down in Q4 due to higher volumes and harvesting from better sites.
- ▶ **Central:** Margin of NOK 19.4/kg was very impressive and stronger than our already high expectations of NOK 17/kg. Even lower cost and better price achievements is the reason for the outperformance. Cost is however expected to increase in Q4 as harvesting of autumn 2018 generation (with higher cost) will be the main contributor to volumes.
- ▶ **Arnarlax:** EBIT/kg of NOK 9.5 was stronger than our NOK 3/kg estimate. This is mostly driven by very good price achievements. The 2020 guiding of 10k tonnes (in line with 2019e) was below our 14k tonnes estimate.
- ▶ **Sales and processing:** Reports a strong Q3 result, with strong gains on fixed price contracts but also better underlying operations.
- ▶ **Norskott (ass. comp):** EBIT/kg of NOK 2.7 was far below our NOK 10/kg estimate. This is due to biological challenges leading to high cost/kg. This also leads to a reduced volume guidance for the year (27k tonnes vs 30k tonnes prev.).

Carl-Emil Kjølås Johannessen

+47 24 13 39 41, cekj@paretosec.com

Gard Aarvik

+47 24 13 21 72, gard.aarvik@paretosec.com