

Salmones Camanchaca – Q2 2023 results

Highlights

- Due to a scheduled reduction in the Company's harvesting plan, Atlantic harvest and sales volume were down 48% and 42% in Q2 to 6,423 MT WFE and 6,793 MT WFE respectively.
- Despite salmon prices falling towards the end of the second quarter, the average selling price of Atlantic salmon was USD 7.83/kg WFE, in line with Q2 2022, mainly due to Salmones Camanchaca's ability to capture short term market opportunities through swift switch in formats and markets.
- Q2 sales volume of Coho Salmon were 1,254 MT, up 148% from Q2 2022. Total volume for 2022-2023 season were 5,856 MT, more than doubling from the previous season. Smolt stocking to date is expected to double harvest volumes for the 2023-2024 season.
- Cost of harvested Atlantic salmon (ex-cage live weight) increased 23% to USD 4.98/kg, influenced by higher costs related to SRS outbreaks, sea lice presence, in addition to sea lion attacks. High price levels for salmon feed ingredients in late 2022 and early 2023, also affected costs.
- Atlantic salmon EBIT/kg WFE was negative USD 0.05 during Q2 2023, which compares to positive USD 1.75/kg WFE in Q2 2022. Coho salmon EBIT/kg WFE was positive USD 0.04, down from USD 1.56 in Q2 2022, due to increases in feed costs, diseases, maladaptation incidents, inflationary pressures and a drop in prices.
- EBITDA came in at USD 4.3 million in Q2 2023. EBITDA for the first half year was USD 29.7 million, in line with H1 2022, with an EBITDA margin of 16.7%.
- A result of the scheduled volume reduction and higher costs, EBIT was down USD 21.5 million to USD -0.3 million in Q2 2023.
- Net cash amounted to USD 7.5 million as of June 30, 2023. In addition to unused lines of credit of USD 46.6 million, the Company has USD 54.1 million of available liquidity.
- Net Debt over EBITDA ratio for the last 12 months was 1.27, well below the limit required by lending contracts with banks of 4, and the ratio last year of 1.78.
- Atlantic salmon harvest volumes for 2023 are expected to be between 45,000 and 47,000 MT WFE, while Coho salmon harvest volumes are expected to be 11,000 to 13,000 MT WFE

Santiago, 16 August 2023: Salmones Camanchaca harvested 6,423 MT WFE of Atlantic salmon in Q2 2023, which was 48% less than the harvest volume in Q2 2022 at 12,446 MT WFE, a scheduled reduction in the Company's harvesting plan following its risk mitigation strategy previously communicated. Sales volumes were 6,793 MT WFE, which were 42% lower than the same period in 2022. Sales volumes of Coho salmon during the second quarter of 2023 were 1,254 MT WFE, which were 148% higher than Q2 2022 at 506 MT WFE.

Despite salmon prices falling towards the end of the second quarter, the average selling price of Atlantic salmon was USD 7.83/kg WFE, in line with Q2 2022, mainly due to Salmones Camanchaca's ability to capture short term market opportunities through swift switch in formats and markets.

The biological conversion ratio for Atlantic salmon continues to improve and reached 1.08 in LTM 2023. As did the FIFO indicator, which was lower than its long-term target and lower than the targets set by the Sustainability Linked Loan. Smolt productivity is measured as biomass harvested/number of smolts stocked and it improved to 4.6 kg WFE/smolt in 2023, which was 28% higher than in 2022 and 5% higher than in 2021. Average closed-cycle harvest weight was 5.1 kg WFE, which was 16% higher than in 2022, but 5% lower than the previous cycle in 2021.

Atlantic salmon ex-cage costs were USD 4.98/kg for the quarter, an increase of 23% compared to Q2 2022, influenced by the costs associated with SRS outbreaks that affected two farming sites during harvest, sea lice presence, sea lion attacks and feed costs.

With lower harvest volumes expected for the quarter, total processing cost were USD 1.49/kg WFE, which were higher than the USD 0.99/kg WFE of Q2 2022, mainly explained by inflation and an extraordinary compensation for collective negotiations.

Extraordinary mortalities for the quarter were USD 0.8 million, compared to USD 0.6 million in Q2 2022, and were caused mainly due to freshwater alevin elimination related to one less site to be stocked in the plan.

Quarterly expenses on fallow assets, such as non-biomass farming sites, were USD 5.5 million, compared to USD 2.1 million in Q2 2022. This increase was partially explained by the scheduled 5-week shutdown of the value-added processing plant in Tomé for major maintenance and planned improvements, which accounted for about half of that cost.

EBIT before fair value adjustments for Q2 2023 was negative USD 0.3 million, compared to positive USD 21.2 million in Q2 2022, which was due to lower sales volumes for Atlantic salmon and higher costs. Thus, EBIT/kg WFE for Atlantic salmon was negative USD 0.05/kg WFE for Q2 2023, compared to positive USD 1.75/kg WFE for Q2 2022. For Coho salmon, EBIT/kg WFE ended at USD 0.04, down from USD 1.56 in Q2 2022, due to increases in feed costs, diseases, maladaptation incidents, inflationary pressures and a drop in prices.

Commenting on the performance of Salmones Camanchaca, vice chairman Ricardo García, said:

“The results obtained in the second quarter are clearly weak, but they are partially a reflection of strategic decisions taken to reduce environmental risks in the X region fjords, increasing smolt stocking further south, and improvements and maintenance in the processing plant that was closed for half of the quarter. All this led to an extraordinary and non-recurring decrease in the volume harvested, processed, and sold. For the second half of the year, we expect to harvest more than two thirds of the annual volume, which we estimate will be slightly higher in a range of 56 to 60 thousand MT, with close to 80% being Atlantic salmon. In the first half of the year, we have an underlying pressure of higher costs due to risk mitigation strategies, which is added to inflationary pressures on input materials, to which is added in a particular way this quarter, the lower volumes harvested and processed, and two specific health situations that we trust will not be repeated in the rest of the year. And on the price side, we had somewhat better prices than the previous year, and we see that the low situation at the end of the second quarter has been recovered”.

Salmones Camanchaca will present the second quarter 2023 results on Thursday, 17 August 2023 at 15:00 Central European Summer Time (CEST). The presentation will be held on-line by Vice Chairman Ricardo García and CEO Manuel Arrigada.

To join the webcast, use the following link:

<https://ubiqq.com/camanchaca/live>

The presentation and subsequent Q&A session will be held in English. It will be possible to ask questions online. A recording of the webcast will be made available on the Investors section of the company's webpage.

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About Salmones Camanchaca

Salmones Camanchaca S.A. is a vertically integrated salmon producer engaged in breeding, egg production, recirculating hatcheries for Atlantic salmon and pass-through or lake hatcheries for Coho salmon, fish farming sites in estuary, fjord and oceanic waters used mainly for Atlantic salmon, primary and secondary processing, and marketing and sales of Atlantic and Coho salmon through five sales offices in its main markets.

The Company's Atlantic and Coho salmon production target for 2023 is between 56,000 and 60,000 MT WFE and for 2024 between 60,000 and 65,000 MT WFE. Salmones Camanchaca participates in trout farming through a one third share of a joint venture, which uses Salmones Camanchaca farming sites in coastal-estuarine waters, and currently plans to harvest an average of 9,000 MT WFE per year until 2028.

Salmones Camanchaca has 1,800 employees on average, 60% of whom work in its value-added plant. The main Atlantic salmon sales markets are currently the USA and Mexico.