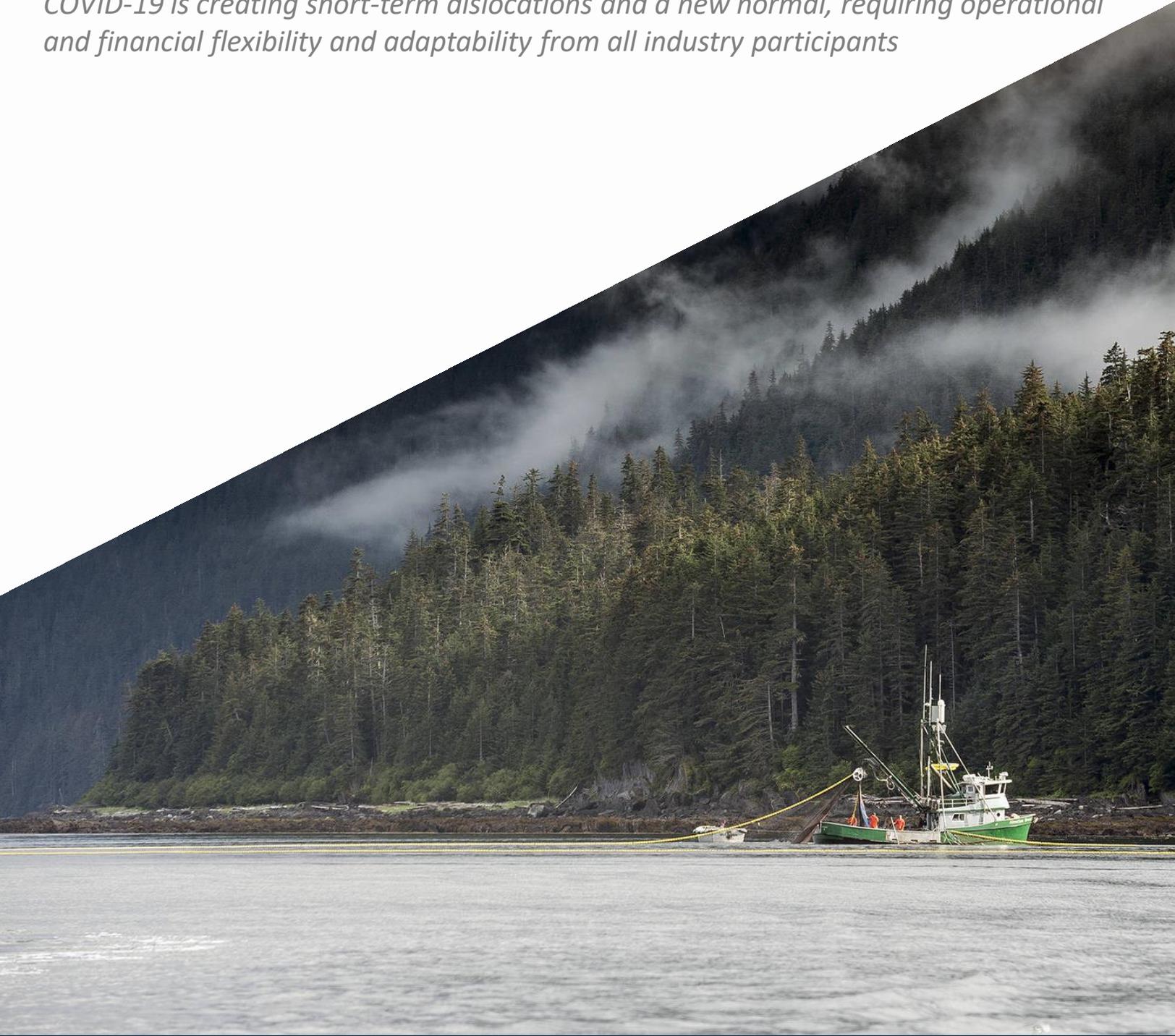


Cascadia Capital Seafood Update

For Quarter Ending 3/31/2020

COVID-19 is creating short-term dislocations and a new normal, requiring operational and financial flexibility and adaptability from all industry participants

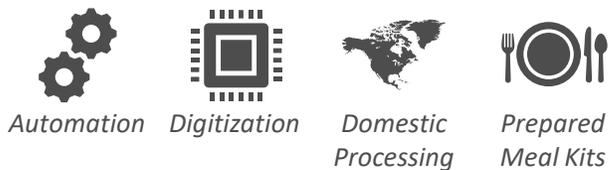


Q1 2020 Industry Update

The COVID-19 pandemic is impacting all aspects of the seafood value chain, including harvesting, processing and consumer demand

Foodservice closures have reduced the primary consumption channel, softening downstream demand for seafood and shifting focus to retail products. It remains to be seen what trends are short-term dislocations, and what trends will define the new normal

With the closure of restaurants and travel significantly reducing foodservice sales channels, food sales have been absorbed by retail grocery. Given seafood products' relative overweighting in on-premise sales, the industry is seeing an outsized slow down in demand, causing a steady decline in price and rise in inventories. This disruption is exacerbating supply chain questions on harvest quota, trade, and processing, which will need to be addressed in the near term across the seafood value chain.



The market environment may act a forcing function, accelerating trends already present in the industry

The current environment may serve as a forcing function to modernize certain components of the industry, and participants should consider what changes are short-term dislocations expected to revert post-crisis, and what trends and shifts will endure coming out of the COVID-19 crisis, defining the new normal. Identifying these shifts and adjusting business models to (1) survive the near-term and (2) excel in the long-term need to be in the focus of business leaders.

Demand shocks and COVID operational challenges are driving unprecedented market disruptions and uncertainty, no clearer than in the 2020 Alaskan salmon fishery. Stakeholders should prepare for multiple potential scenarios and move quickly to maximize operating and business flexibility

The Alaskan salmon supply chain is an example of the drastic effects COVID-19 is having on the industry. Demand continues to soften due to the species' reliance upon foodservice channels, while aquaculture and wild harvest continue to produce. Norwegian fish farms have stated intent to continue to produce despite the contraction of demand, and the upcoming 2020 fishing season is almost underway. The result is building salmon inventories, and 2020 pricing that is 40% off from year-end 2019 levels (see following page), with expectations for an extended, 24-month recovery.

Meanwhile catchers and processors are in limbo while governments seek to manage public health risk. Notably, the Mayor of Dillingham and Chief of the Curyung Tribe calling on Alaska state Governor Mike Dunleavy for a complete closure of Alaska's Bristol Bay salmon season. Dillingham and Kodiak, heartbeat towns for the fishery, have refused to let non-locals enter, and companies are currently submitting individual plans to the Bristol Bay Borough for how to manage stakeholder concerns.

Seafood Coverage Overview

Cascadia Capital's Food, Beverage, and Agribusiness team has 15 dedicated members with extensive transaction and advisory experience across the entire food beverage, and seafood supply chain.

Seafood Sub-Sector Coverage

Cascadia's seafood coverage team uses extensive knowledge of the industry, including trends, buyer landscape and strategy, as well as deep transaction and advisory experience to best position our clients and maximize outcomes. Seafood sub-sector coverage includes:



Harvesters



Processors



Distributors and Wholesalers



Branded Seafood

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Q1 2020 Industry Update (continued)



Prices have fallen 44% from peak to bottom in Q1 2020 as salmon inventories build

With multiple, high-stakes factors creating significant uncertainty and the season upon the doorstep, it is critical for industry stakeholders to monitor developments real-time and prepare how to react in a range of scenarios. Large industry players such as Trident have already announced revised operating procedures to adhere to Alaska COVID related guidelines. This will enable operations to move forward, albeit at some expected hit to productivity.

Aid available to seafood businesses includes the \$350 billion Paycheck Protection Program for all small businesses, as well as \$300 million set aside for seafood businesses

The Paycheck Protection Program (“PPP”), the principal source of aid for small businesses included in the \$2.2 trillion CARES act, has been quickly tapped, with \$248 billion approved as of April 13th and the remainder expected to be allocated within a week. Some members of Congress are pushing to expand this program. However, if not already approved, this tranche of aid has been fully allocated, and businesses need to make alternative plans. Additionally, there is the availability of the \$300 million in aid earmarked for the U.S. seafood industry. The process and agency for distributing this aid is still being held up with minimal details available at this point. However, the bill stipulates this aid will be reserved for businesses that can evidence a 35% or greater loss of economic revenue to its prior five-year average.

Monitoring developments in real-time to seek any possible relief available is critical as operating and financial uncertainty persists. However, given the uncertainty of availability, distribution, qualifications, and timing, business leaders should not assume aid will be available, and should prepare for contingency plans using other sources of capital if needed.

Amidst industry challenges, traditional sources of capital have tightened, and cash constrained businesses will have to consider alternative capital sources

Industry, capital markets, and overall economic uncertainty have led to a constraint of traditional sources of capital. Currently, commercial banks have limited pursuit of new client relationships in favor of supporting current clients and human resource limits due to the frenzied PPP rollout. Despite interest rate cuts, spreads are widening to account for additional risk, resulting in a steady if not increasing cost of capital.

As the industry faces challenging operating conditions, it is likely that many businesses will face covenant defaults in 2020 and will require an influx of alternative capital to de-lever balance sheets, including capital in the form of subordinated debt and minority equity. In seeking these capital sources, a properly run financing process can position challenges and avoid rescue financing situations at haircut valuations.

Industry transaction volumes will bifurcate in the near-term; expect to see a number of distressed sales completed throughout the year, and re-financings or investments to better position balance sheets to take advantage of opportunity going forward.

A number of rumored transactions are currently underway, most of which are due to necessity rather than value maximization. This will continue as difficult industry operating conditions persist. In contrast, we are seeing the acquiror community shift to a position of strength, bolstering balance sheets and preparing to make targeted investments or acquisitions to better position themselves going forward.

Capital Markets Update

Notable Transaction Activity

Target	Acquiror	Status	Synopsis
	NA	Pending / Rumored	Potential sale of a significant amount of TAC, with a consortium of pollock fishing and processing businesses rumored to be lead potential buyer
	NA	Pending / Rumored	Clearwater, a large player in the Canadian and global shellfish sector, is reportedly reviewing acquisition offers
	NA	Pending / Rumored	Maruha Nichiro seeking bids for the Alaska salmon processing giant, the first major move towards a needed industry consolidation after industry underperformance
	 	Pending / Rumored	Reports have stated that Cooke is exploring, which would add significant depth and breadth in the Alaskan processing market after its 2016 acquisition of Icicle
	 	Closed (Mar-20)	Rich's Products acquired Morey's, a value-added processor of fresh and frozen seafood products, to add scale and product offerings to its existing seafood business in SeaPak
		Closed (Jan-20)	Bumble Bee's assets were acquired out of bankruptcy by FCF Fishery, a Taiwan-based integrated supply chain service provider with significant tuna operations
 		Closed (Nov-19)	Combination of two industry leaders with 11 total cod freezer longline vessels, creating the clear leader in the space under a single management team
		Closed (Jul-19)	Bolton, an Italian consumer goods conglomerate, was one of Tri Marine's largest customers and further vertically integrated its seafood business through the acquisition

Public Market Valuation Detail (as of March 31, 2020)

Company	Enterprise Value	LTM Revenue	LTM EBITDA	3-Year CAGR	Gross Margin	EBITDA Margin	EV/Revenue		EV/EBITDA	
							LTM	NTM	LTM	NTM
Mowi ASA	\$9,555	3,920	878	5.6%	44.4%	22.4%	2.4x	2.3x	10.9x	10.6x
SalMar ASA	\$4,179	1,176	360	10.8%	51.6%	30.7%	3.6x	3.9x	11.6x	12.5x
Maruha Nichiro Corporation	\$3,865	8,417	313	1.1%	13.2%	3.7%	0.5x	0.5x	12.3x	NA
Thai Union Group Public Company Limited	\$3,817	3,860	261	(2.1%)	15.9%	6.8%	1.0x	1.0x	14.6x	11.7x
Lerøy Seafood Group ASA	\$3,386	1,963	343	5.8%	43.6%	17.5%	1.7x	1.7x	9.9x	9.0x
Austevoll Seafood ASA	\$3,009	2,243	423	7.3%	44.9%	18.9%	1.3x	1.3x	7.1x	6.6x
P/F Bakkafrost	\$3,001	572	169	12.1%	61.5%	29.5%	5.2x	4.5x	17.8x	12.2x
Dongwon Industries Co., Ltd.	\$1,436	2,207	272	19.4%	15.2%	12.3%	0.7x	0.6x	5.3x	5.3x
Grieg Seafood ASA	\$1,260	798	123	8.1%	43.5%	15.4%	1.6x	1.6x	10.3x	8.2x
Norway Royal Salmon AS	\$885	537	62	9.8%	17.9%	11.6%	1.6x	1.7x	14.3x	13.2x
Kyokuyo Co., Ltd.	\$838	2,452	49	5.0%	9.2%	2.0%	0.3x	0.3x	17.1x	NA
Oceana Group Limited	\$542	431	75	(2.5%)	34.3%	17.4%	1.3x	1.3x	7.2x	7.1x
Clearwater Seafoods Incorporated	\$534	435	77	0.3%	19.8%	17.7%	1.2x	1.2x	6.9x	6.8x
High Liner Foods Incorporated	\$474	870	66	(0.4%)	19.7%	7.6%	0.5x	0.5x	7.2x	5.7x
Salmones Camanchaca S.A.	\$402	300	73	14.5%	25.3%	24.3%	1.3x	1.1x	5.5x	4.7x
Mean	\$2,479	\$2,012	\$236	6.3%	30.7%	15.8%	1.6x	1.6x	10.5x	8.7x
Median	\$1,436	\$1,176	\$169	5.8%	25.3%	17.4%	1.3x	1.3x	10.3x	8.2x

Cascadia Capital - Leading Diversified Investment Bank

Founded in 1999, Cascadia has a successful 20-year history
 Specialized in M&A, private placements, and advisory services
 In-depth expertise across multiple industry verticals

55+ Banking Professionals **360+** Completed Transactions **\$12.5B** Transactional Value



Mergers & Acquisitions



Debt & Equity Capital Raises



Strategic Advisory Services



Private Capital

Dedicated Food, Beverage, and Agribusiness Team

Cascadia Capital's Food, Beverage, and Agribusiness team has 15 dedicated members with extensive transaction and advisory experience across the entire food and beverage supply chain, and maintains deep relationships with domestic and international strategic and financial buyers.

Target Client Situations

Family Owned Business Succession Planning
 Growth Capital Management Buyout
 Privately Held Looking to Acquire
 Refinancing Recapitalization

Principal Industry Focus

Agriculture Inputs & Production Food Processing & Manufacturing
 Ingredients and Flavors Food & Ag Distribution
 Seafood Products & Services Branded Food & Beverage

Recent Food, Beverage, and Agribusiness Transactions

 has sold GreenVenus to February 2020	 has been acquired by January 2020	 a portfolio company of has been acquired by December 2019	 has sold stake in to TS Aquaculture, LLC managed by October 2019	 has received an equity investment from September 2019	 has been acquired by September 2019	 has sold a majority interest to August 2019
 has been acquired by February 2019	 has completed a new debt financing September 2018	 has been recapitalized by July 2018	 has been acquired by May 2018	 has been acquired by March 2018	 a portfolio company of has been acquired by a portfolio company of May 2018	 has been acquired by a portfolio company of January 2018