Scandi Standard

Q2 2017 presentation

23 August 2017

Nordic market leader in chicken products

Highlights Q2 2017

- 8% sales growth
  - All countries contributed
- Adj. EBIT SEK 70m
  - Improved underlying performance
  - SEK 13m in bird flu effect included in adj. EBIT
- Cash flow impacted by working capital build-up
- EGM approved share issue required to complete Manor Farm acquisition

MSEK	**Q2 2017**	Q2 2016	**Change**
Net sales	1,621.8	1,503.5	**8%**
Adj. EBITDA	123.9	123.4	0%
Adj. EBIT	70.0	74.3	**-6%**
Non comparable items	-7.8	-	**-**
EBIT	62.2	74.3	**-16%**
Income for the period	33.3	38.8	**-14%**
EPS*, SEK	0.56	0.65	**-14%**
Op. cash flow*	-5.3	33.1	**-116%**
NIBD	1,618.8	1,486.6	**9%**
Adj. EBITDA	7.6%	8.2%	
Adj. EBIT	4.3%	4.9%	

Bird flu issues continuing in Sweden

- Reduced impact from bird flu
  - SEK 13m in the quarter compared to SEK 40m (Q4) and SEK 18m (Q1)
- Expecting EBIT effect of SEK 3-5m per month in Q3 2017
  - Diminishing effects thereafter
- Recent events
  - Denmark declared bird flu free at the end of Q1 2017
    - 4 months after last outbreak
    - Trade bans subsequently lifted
  - Set-back in Sweden due to new detection during Q2
    - Trade restriction hence expected to remain for some time
- Background
  - Detected in Sweden, Denmark and Finland from Nov. 2016
    - Corresponding detections in large parts of Europe
    - 10 years since last outbreak
  - No direct impact on Scandi Standard's extended value chain
  - Important export markets mechanically ban import
    - Scandi Standard dependent on these markets for feet and surplus legs/wings

Sweden – Margins under pressure

- Net sales up 3%
  - 2% decline in chilled products
  - 8 % increase in frozen products
- Negative earnings development
  - Bird flu effects estimated to SEK 11m
  - Adverse product mix and high volatility in demand due to campylobacter issue
  - Normal campylobacter levels successfully restored during Q2
- Evaluation expansion alternatives in Sweden

MSEK	**Q2 2017**	Q2 2016	**Change**	**LTM**	2016	**Change**
Net sales	**636.1**	**618.6**	**3%**	**2,492.9**	**2,391.9**	**4%**
Adj EBIT	**34.2**	**51.8**	**-34%**	**147.9**	**174.0**	**-15%**
Non comp. items	-	-		-	-1.1	
EBIT	**34.2**	**51.8**	**-34%**	**147.9**	**172.9**	**0%**
Adj. EBIT margin	*5.4%*	*8.4%*		*5.9%*	*7.3%*	

Note: Negative EBIT effect from Campylobacter issue partly off-set by insurance compensation

Denmark – Strong margin improvement

- Net sales growth of 5%
- Strong margin improvement
  - Mainly driven by increased export prices
- Launch of new premium product range
- Bird flu effects reduced to SEK 2m
- Margins expected to remain impacted by strong competitive environment

MSEK	**Q2 2017**	Q2 2016	**Change**	**LTM**	2016	**Change**
Net sales	**625.3**	**596.3**	**5%**	**2,391.9**	**2,332.0**	**3%**
Adj EBIT	**29.3**	**21.8**	**35%**	**95.4**	**94.5**	**1%**
Non comp. items	-	-		-11.9	-11.9	
EBIT	**29.3**	**21.8**	**35%**	**83.5**	**82.6**	**1%**
Adj. EBIT margin	*4.6%*	*3.7%*		*4.0%*	*4.1%*	

Norway – Strong quarter

- Net sales up 6%
  - Increased positions with NorgesGruppen and Coop during recent quarters
  - Lower top line growth estimated going forward
- 8.8% EBIT margin
- Continued positive contribution from premium products
- Margin contribution from investments in plant specialisation

MSEK	**Q2 2017**	Q2 2016	**Change**	**LTM**	2016	**Change**
Net sales	**373.6**	**353.0**	**6%**	**1,510.5**	**1,433.7**	**5%**
Adj EBIT	**33.0**	**26.1**	**27%**	**112.7**	**94.9**	**19%**
Non comp. items	-	-		-	-	
EBIT	**33.0**	**26.1**	**27%**	**112.7**	**94.9**	**19%**
Adj. EBIT margin	*8.8%*	*7.4%*		*7.5%*	*6.6%*	

Finland – gradual improvements

- Continued growth in net sales
  - 157% vs Q2 2016
- EBIT improvement vs. Q1 2017
- Increased packaging capacity successfully installed
  - Important debottlenecking initiative
- Change in local management, continued strong margin focus
  - Gradual improvements expected

MSEK	Q2 2017	Q2 2016	Change	LTM	2016	Change
Net sales	**87.4**	**34.0**	**157%**	**275.2**	**172.7**	**59%**
Adj EBIT	**-9.8**	**-11.7**	**17%**	**-53.8**	**-52.4**	**-3%**
Non comp. items	-	-		-	-	
EBIT	**-9.8**	**-11.7**	**17%**	**-53.8**	**-52.4**	**-3%**
Adj. EBIT margin	*-11.2%*	*-34.4%*		*-19.5%*	*-30.3%*	

Income statement

MSEK

Group	Q2 2017	Q2 2016	LTM	2016
Net sales	**1,621.8**	1,503.5	**6,293.1**	5,967.4
Adj. EBITDA	**123.9**	123.4	**449.9**	451.6
Depreciation	**-48.6**	-44.6	**-201.2**	-192.2
Amortisation	**-5.3**	-4.4	**-11.0**	-9.2
Income from associates	**0.0**	-0.1	**0.5**	1.3
Adj. EBIT	**70.0**	74.3	**238.3**	251.6
Non comparable items	**-7.8**	-	**-21.3**	-13.4
EBIT	**62.2**	74.3	**217.0**	238.2
Finance costs (net)	**-9.1**	-24.5	**-61.7**	-71.3
Taxes	**-19.9**	-11.1	**-41.9**	-35.5
Income for the period	**33.3**	38.8	**113.5**	131.4

Cash flow

MSEK	**Q2 2017**	Q2 2016	**LTM**	2016
Opening balance NIBD	**-1,520.8**	-1,350.6	**-1,487.7**	-1,313.0
EBITDA	**116.2**	123.4	**428.7**	438.2
Change in working capital	**-68.9**	3.5	**-163.0**	-60.1
Capital expenditure	**-52.6**	-93.8	**-228.3**	-265.4
Operating cashflow	**-5.3**	33.1	**37.4**	112.7
Paid interest	**-14.6**	-18.6	**-59.6**	-59.3
Paid income tax	**-6.0**	-4.6	**-19.2**	-25.1
Dividend	**-80.2**	-107.3	**-80.2**	-107.3
Other	**8.1**	-38.6	**-9.5**	-123.4
Closing balance NIBD	**-1,618.8**	-1,486.6	**-1,618.8**	-1,515.4

- Negative net cash flow in the quarter
  - Working capital increase from inventories largely driven by a higher volatility in demand in Sweden
- Significantly reduced Capex rest of 2017

Working capital and equity

MSEK	30 June 2017	30 June 2016
Inventory	**680.3**	532.0
Receivables	**691.5**	546.3
Payables	**-916.3**	-768.8
NWC	**455.5**	309.5
as % of sales	**7.2%**	5.6%
Equity	**941.3**	907.9
Equity/assets ratio	**25.0%**	27.3%

- Working capital was 7.2% (5.5) of net sales (LTM)
- Working capital measures implemented with expected impact 2H 2017
  - Actions to reduce inventory initiated
  - Improvement of payment terms

Acquisition of Manor Farm

- Largest chicken processor in the Republic of Ireland
  - 2016 Net revenues of EUR 164 million, EBITDA of EUR 13 million (*)
- Enterprise value EUR 94m(**) with settlement in;
  - 6m Scandi Standard shares (9.99% of current share capital) (34%)
  - Earn out mechanism (27%)
  - Cash and settlement of outstanding interest bearing debt (39%)
- Completion of transaction on or about 28 August 2017
  - Approved by Scandi Standard EGM 15 August 2017
- Financing of cash payment and transaction costs
  - Combination of available cash and existing bank facilities

* Normalised EBITDA

** Based on closing price 26 June 2017

Irish poultry market

- Dynamics very similar to those in the Nordic markets
- Well consolidated with three domestic players of scale
- Market share of about 50%
  - Fresh chicken products sold through retail in Ireland.
- Fresh segment is well developed
  - Similarities to existing Nordic markets
  - Strong preference for domestic produce in the retail channel
  - Importers distribute mainly to food service, butchers and industrial segments
  - The consumer market in Ireland is similar to the Nordic markets in terms of size, population and GDP

About Manor Farm

- Sources and processes approximately
  - 50% of all fresh chicken sold in the Irish retail market
  - 25% of all chicken consumed in Ireland
  - Employs approximately 850 people
- Diversified customer base
- Processing plant in Shercock in County Cavan
  - ~130 farmers contracted as growers
  - ~43 farmers contracted as breeders
- Owns and operates a feed mill
  - Revenues of approximately EUR 80 million
  - Produces solely for its contracted growers
  - Feed revenues are eliminated from Manor Farm's net revenues

Manor Farm - Strong management

- Very experienced management team with a strong track record
- Five members of the management team currently own 100% of Manor Farm
- Will continue to lead and develop the business in alignment with the rest of the Group
- Vincent Carton and Justin Carton currently hold 85%
  - Intend to remain as Scandi Standard shareholders over the longer term
  - Vincent Carton has agreed to join the Board of Directors of Scandi Standard if proposed by the Nomination Committee and elected by the General Meeting

Manor Farm - Transaction rationale

- Profitable and well-run operations
- Clear leader in a market with strong preference for local produce
- Capable and experienced management team with a strong track record
- Tangible best practice opportunities identified
- Significant EPS accretion
- Attractive EV/EBITDA acquisition multiple
- Post transaction leverage ratio unchanged
- Risk diversification through new geographic presence

Q2 2017 Summary

- Improved underlying EBIT performance
- Expected bird flu effects during Q3 SEK 3-5m/month
- Swedish demand expected to gradually recover during 2H 2017
- Successive improvements in Finland expected to continue
- Improved cash flow anticipated during 2H
- Manor Farm to be consolidated from ~28 August 2017
  - Proforma figures to be published in Q3 2017 report

Q & A

Appendix 1:
Segment information by quarter and non comparable items

Segment information by quarter

Group (MSEK)	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Sales	1,302.9	1,358.9	1,252.0	1,309.6	1,341.3	1,396.1	1,376.0	1,386.3	1,503.5	1,569.9	1,507.6	1,593.8
Sales growth	1%	3%	-4%	-3%	3%	3%	10%	6%	12%	12.0%	10%	15%
EBIT (Adj)	76.3	66.5	79.6	67.6	77.0	71.7	68.1	68.3	74.3	76.1	32.9	59.3
EBIT margin	5.9%	4.9%	6.4%	5.2%	5.7%	5.1%	5.0%	4.9%	4.9%	4.8%	2.2%	4.9%
Sweden (MSEK)												
Sales	524.9	543.8	488.0	530.9	564.4	572.5	571.5	563.9	618.6	625.4	583.9	647.5
Sales growth	17%	15%	3%	6%	8%	5%	17%	6%	11%	9.0%	2%	3%
EBIT (Adj)	30.6	29.8	33.9	33.0	43.3	39.2	37.5	43.7	51.8	51.0	27.5	35.2
EBIT margin	5.8%	5.5%	6.9%	6.2%	7.7%	6.9%	6.6%	7.7%	8.4%	8.2%	4.7%	5.4%
Denmark (MSEK)												
Sales	523.0	584.9	554.3	584.8	570.5	589.1	539.2	548.8	596.3	636.7%	550.2	579.7
Sales growth	1%	9%	8%	7%	9%	1%	-3%	-6%	5%	8%	2%	6%
EBIT (Adj)	23.7	24.4	32.3	32.8	35.3	38.0	34.2	28.7	21.8	30.4	13.6	22.1
EBIT margin	4.5%	4.2%	5.8%	5.6%	6.2%	6.5%	6.3%	5.2%	3.7	4.8%	2.5%	3.7%
Norway (MSEK)												
Sales	307.0	309.3	278.8	275.7	280.4	200.5	321.8	331.9	353.0	360.7	388.4	388.1
Sales growth	-22%	-18%	-28%	-26%	-9%	-3%	15%	20%	26%	20.0%	21%	17%
EBIT (Adj)	28.1	24.3	25.0	13.2	9.6	16.0	21.6	20.1	26.1	20.9%	27.8	31.0
EBIT margin	9.2%	7.9%	9.0%	4.8%	3.4%	5.3%	6.7%	6.1%	7.0%	5.8%	7.2%	8.0%
Finland (MSEK)												
Sales	-	-	-	-	-	19.6	15.9	20.7	34.0	47.2	70.8	69.8
Sales growth	-	-	-	-	-	-	-	-	-	141%	345.0%	237%
EBIT (Adj)	-	-	-	-	-	-8.9	-11.7	-9.2	-11.7	-11.1	-20.4	-12.5
EBIT margin	-	-	-	-	-	-45.4%	-73.6%	-44.4%	-34.4%	-23.5%	-28.8%	-17.9%

Non-comparable items

Non-comparable items

Non-comparable items in EBITDA and operating income	Q2 2017	Q2 2016	LTM	2016
Staff reduction cost *	-	-	-4.5	-4.5
Write down of inventory **	-	-	-6.7	-6.7
Transaction costs ***	-7.8	-	-10.1	-2.2
Total	-7.8	-	-21.3	-13.4
Non-comparable items in finance net and tax effects				
Tax effect on adjustments	1.7	-	4.7	2.9
Non-comparable items in income for the period	-6.1	-	-16.6	-10.5

* Staff reduction costs in Denmark

** Write down of inventory in Denmark due to the Bird Flu

*** Deal fees related to acquisitions

Appendix 2:
Acquisition of Manor Farm

Note: Appendix includes slides made public in relation to the announcement of the Manor Farm transaction 27 June 2017

The transaction

- The deal values Manor Farm at EUR 94 million(*) (Enterprise Value)
- Settlement is agreed to consist of
  - the Consideration Shares, equivalent to 9.99% of the current share capital of Scandi Standard;
  - four earn-out tranches which have a nominal aggregate base amount of EUR 25.4 million;
  - The balance, EUR 36.3 million, in the form of cash payments and settlement of outstanding interest-bearing debt.
- Completion of the transaction is subject to customary conditions
  - Including approval of the Consideration Shares at an Extraordinary General Meeting of shareholders of Scandi Standard.
- The transaction is expected to close during the second half of Q3
- The vendors of Manor Farm have agreed to a 12-month lock-up on the Consideration Shares commencing from their first day of trading

** Based on closing price 26 June 2017

Earn-out mechanism

- The first earn-out tranche of EUR 0.4 million will be paid if 2017 EBITDA exceeds EUR 13 million
- The three later earn-out tranches
  - Nominal aggregate base amount of EUR 25 million
  - Subject to adjustment based on the actual EBITDA performance in each of the earn-out years 2018, 2019 and 2020 as compared to the 2016 EBITDA
  - For the calculation of each earn-out payment, a sliding EV/EBITDA multiple scale is applied, ranging from a minimum multiple of zero to a maximum multiple of 9
  - The earn-out tranches will be paid upon availability of audited accounts for the relevant year, verifying EBITDA
- The agreement includes a provision whereby the vendors would be eligible for a minimum of the base earn-out amount at maturity of each of the remaining earn-out tranches if there is a change of control in Scandi Standard.

Proforma figures

INDICATIVE PROFORMA FIGURES

(SEK million)	2016			2015		
	Scandi Standard	Manor Farm	Proforma	Scandi Standard	Manor Farm	Proforma
Feed revenues	-	829	829	-	765	765
Processing revenues	5,967	1,558	7,526	5,423	1,430	6,853
Net sales	5,967	1,558	7,526	5,423	1,430	6,853
Adjusted EBITDA (2)	452	122	574	477	109	587
Adjusted EBIT (2)	252	100	352	292	92	383
Adjusted EBITDA margin (3)	*7.6%*	*7.8%*	*7.6%*	*8.8%*	*7.6%*	*8.6%*
Adjusted EBIT margin (3)	*4.2%*	*6.4%*	*4.7%*	*5.4%*	*6.4%*	*5.6%*

Notes:

(1) Feed revenues eliminated in net sales

(2) Adjusted EBITDA/EBIT for Scandi Standard and normalised EBITDA/EBIT for Manor Farm
Includes margin from both feed and processing operations

(3) Adjusted margin calculated from net sales

(4) The indicative pro-forma income statement extract has been prepared based on the following assumptions:

(a)The Scandi income statement extract is based on the available twelve month financial results to 31 December 2015 & 31st December 2016 from the 2016 Annual Report, which are prepared under IFRS.

(b) Manor Farm income statement extract is based on the twelve month period ended 30th November 2015 and 30th November 2016 (converted to SEK using the exchange rates Euro/SEK 9.36 and 9.49 for FY15 and FY16 respectively), which are prepared in accordance with Irish GAAP.

(c) The entities have non-concurrent financial year ends and apply different accounting frameworks. As a result the indicative proforma consolidated income statement extract will be different from the consolidated group income statement post acquisition.

(d) We have not assessed the impact of IFRS in preparing the indicative pro-forma income statement.

(e) This proforma consolidated income statement extract is for illustrative purposes only, therefore the average foreign exchange rates has been applied to all balances in the income statement.

Proforma figures

INDICATIVE PROFORMA FIGURES

(SEK million)	2016	
	Scandi Standard	**Proforma**
Non current assets	2,310	3,116
Current assets	1,187	1,593
Total assets	**3,497**	**4,709**

Note

(1) The indicative pro-forma balance sheet has been prepared based on the following assumptions:

(a) The Scandi balance sheet is based on the available twelve month financial results to 31 December 2016 from the Annual Report for 2016, which are prepared under IFRS.

(b) Manor Farm balance sheet is based on the pro-forma post restructuring twelve month period ended 30th November 2016, converted to SEK using the exchange rate of Euro/SEK of 9.49 which are prepared in accordance with Irish GAAP. The final acquired balance sheet will be based on completion accounts and there may be differences with the indicative pro-forma, some of which may be material.

(c) We have not assessed the impact of IFRS in preparing the indicative pro-forma balance sheet.

(d) For the purposes of our analysis the book value of Manor Farm assets and liabilities are assumed to equal fair value and excess consideration over the fair value of net assets acquired is treated as goodwill. There has been no attempt to separately identify any specific intangible assets that may form part of the goodwill.

Accounting issues

- Transaction costs are estimated to a little over 2% of EV
  - Including 1% stamp duty
- Identified improvement potential is partly reliant on
  - Capital expenditures
  - Certain measures to align operations with industry best practice
- The phasing of such investments and measures will be resolved on a case by case basis within the general planning framework of the Scandi Standard Group, and be communicated and accounted for accordingly

Manor Farm history

- Manor Farm is one of the oldest family businesses in Ireland
  - Tracing its origin to 1775
  - Carton family have continued the business since the inception
  - Moved their business from Dublin to a new custom-built processing plant in 1970
    - Expanded and upgraded continually since then.
- Vincent Carton and Justin Carton eighth generation of family in the business.
  - They succeeded their father, Thomas P. Carton, who was involved in the business for 69 years.
- Vincent and Justin and their management team have
  - Worked closely with Irish retailers and farmers to create a stable and sustainable supply of Irish produced chicken that meets an increasingly discerning consumer demand.

Divestment rationale

- Next generation of Cartons have chosen to pursue other business interests
- Vendors determined to find partner able to Build on the strong relationships
  - Customers
  - Employees
  - Suppliers
  - The broader communities in which Manor Farm operate
- Set out to find a partner with high standards, a culture similar to our own and the capability to develop the business to its fullest potential.

"We believe that Scandi Standard is the ideal partner, and we are delighted to have agreed a transaction structure that allows the current management to remain fully in place and that also allows the Carton family to become shareholders in Scandi Standard. We believe that this arrangement will serve our customers, employees, and suppliers well, and we look forward very much to the next chapter in the history of Manor Farm."

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