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Mattia Pipino is co-founder and managing director of Oceanis Partners, a private-equity firm focused on aquatic resources.

He specializes in managing strategic, operational and organizational change and for the past 12 years has managed multinational teams in Europe and the Middle East.

Previously, Pipino worked for Booz & Co.

He has an MBA from IESE Business School and a master's degree in mechanical engineering.



The Role of Private Equity in Aquaculture

Mattia Pipino

Oceanis Partners

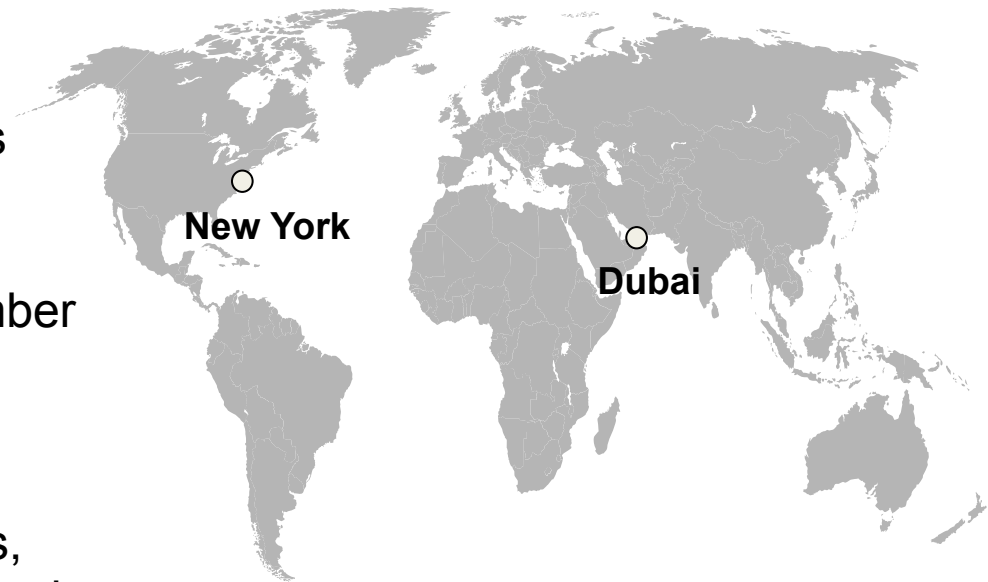


Oceanis is a specialized private equity firm, fully focused on the aquatic resource sector



Oceanis Partners – Key Highlights

- Oceanis is the world's first global private equity player to be dedicated exclusively to the seafood and aquatic resource sector
- Founded in 2010, the company has offices in Dubai and New York
- Oceanis works with a selected number of investors through customized investment structures
- Our team combines capital markets, private equity, strategy consulting and aquatic resources operational / technical expertise



This presentation outlines our views on the supply and demand of private equity capital in aquaculture

Presentation Structure

Capital Supplier

Private Equity Investor

- We will focus on the alternative investments asset class, and private equity (“PE”) in particular
- Growth of ‘Thematic’ PE
- What PE investors look for and what they can bring to aquaculture

Capital Demand

Aquaculture Operation

- Private capital vs. public capital in the seafood sector
- Aquaculture’s macro dynamics are appealing to PE investors

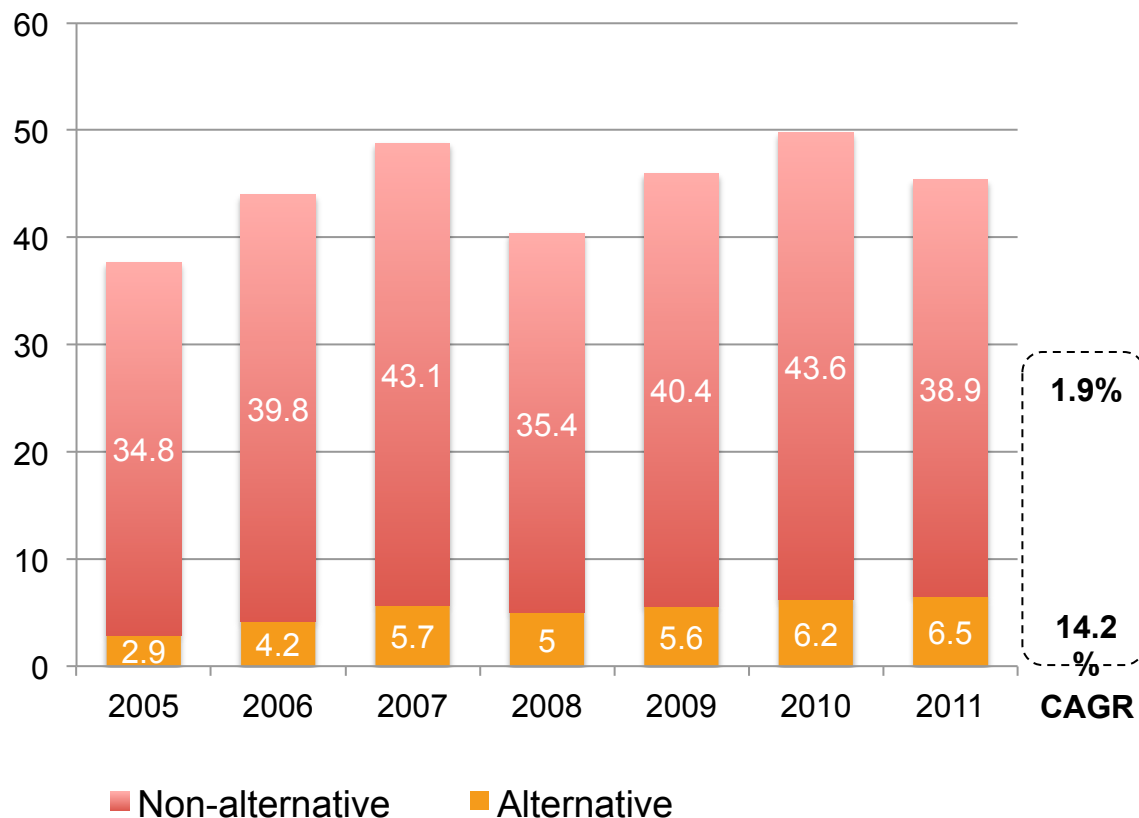
Oceanis View

- Potential mismatches between the aspirations of classic private equity funds and the fundamental dynamics of aquaculture
- An alternative approach
- An investment case study

During the past six years, alternative investments have more than doubled

Global Assets Under Management – Institutional and Retail

2005-2011, USD Trillions



Source: McKinsey – Financial Investment Practice

SUPPLY

Comments

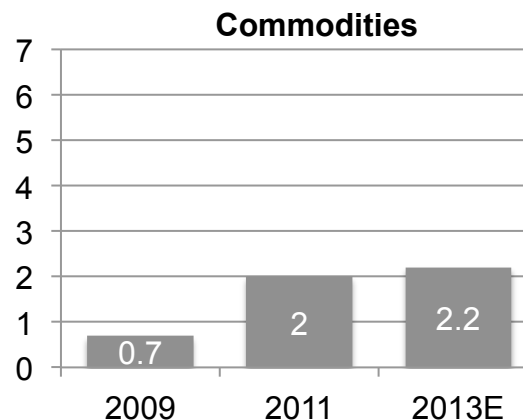
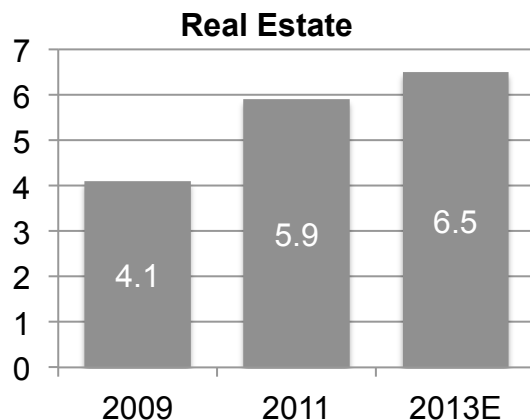
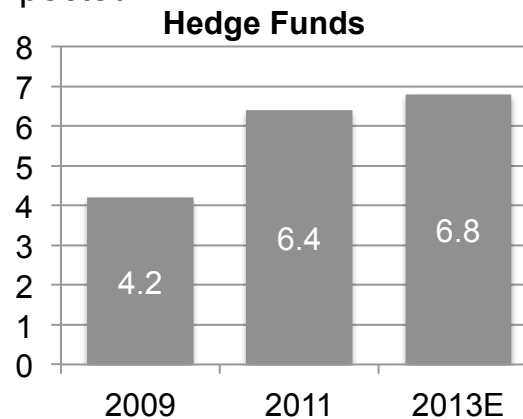
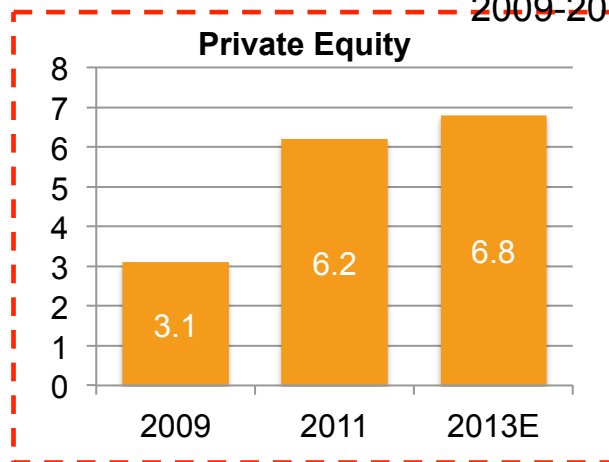
- Despite a very public flame-out during the financial crisis, alternative investments grew up to USD 6.5 TN in 2011, around 15% of the global institutional and retail investment market
- This represents a compounded annual growth rate of 14.2% over 6-year period, outperforming traditional asset class' growth
- 'Alternative' includes Private Equity, Hedge Funds, Real Estate, Infrastructure and Commodities

Private equity allocation in particular is expected to double by 2013, compared to 2009

SUPPLY

Average Percentage of Total Portfolio AUM (simple average)

2009-2013 Expected



Comments

- Private Equity's percentage allocation will more than double from 2009 to 2013, particularly in the US market where it will reach 7.3% (5.1% expected in Europe)

Source: McKinsey – Financial Investment Practice, Global Survey on Institutional Investing, 2011

We also observe increasing specialization in the PE industry, with more focused and thematic funds

SUPPLY

- Thematic investing is about capitalising on future macro trends, as opposed to allocating to incumbent sectors, based on the assumptions that past 'winners' will continue to win
- Increase of thematic PE and venture capital funds observed in the last decade
- Examples of popular thematic funds:
 - ✓ Clean-tech
 - ✓ Agriculture
 - ✓ Timberland
 - ✓ Biotech
 - ✓ Healthcare
 - ✓ Energy & Natural resources

“At our recent London Ideas Exchange conference, the majority of the audience believed that thematic investing is an under-exploited way to capture value”

Towers Watson (firm), March 2011

“In our view, investors should focus on thematic private equity investment”

Credit Suisse Research Monthly, Swiss edition June 2010

PE investors typically seek excellent risk-adjusted returns, as well as strong downside capital protection

SUPPLY

Typical PE Investor's Core Goals

Visibility

- Empirical support for the strategic plan and financial forecast
- Exit options after 4-6 years

Risk-adjusted returns

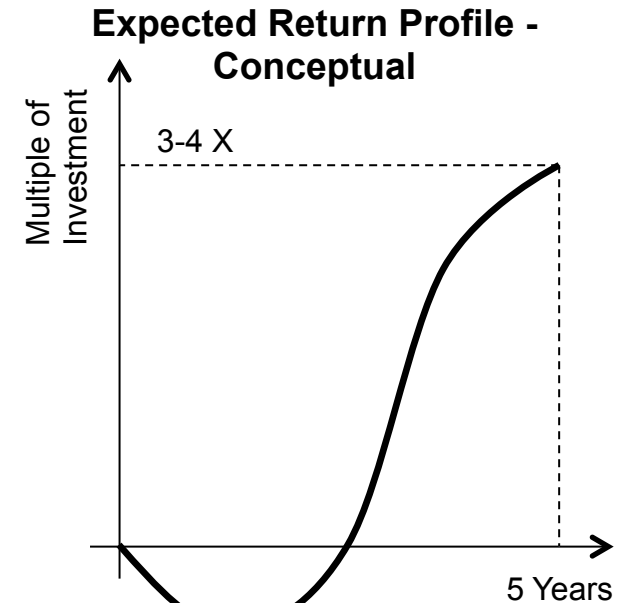
- Substantial capital gains
- Dividends

Downside protection

- Avoid losses in any possible scenario
- Have a clear Plan B

Control

- Ability to steer key strategic decisions, and protect their interests
- Minority positions with negative control are acceptable to some funds



PE investors can offer private companies meaningful value over and above just financial capital

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PE Investor Typical Value Add

Skillset Complementary to Management

- Strategic thinking capabilities to support long term plans
- Assistance and support in executing a strategy, with global connections
- Corporate finance and capital markets expertise and relationships

Long Term Commitment

- Follow-on investments
- Catalysis of third party PE capital flow
- Key role in shaping and executing the exit process

Synergies

- Synergies with other portfolio companies, particularly in the case of a thematic PE player (e.g. downstream sales and distribution, logistics, technology)
- Access to customers and JV partners

Seafood and aquaculture is a large economic sector, yet largely privately owned – suggesting strong PE potential

Seafood & Aquaculture – Market Size Comparison

DEMAND

Total Market
Size
USD 500 BN

USD 30 BN

Estimates

Bubbles to Scale

Comments

- Total seafood and aquaculture market (yearly revenue) is estimated at USD 500 BN¹
- Yet the aggregate market capitalization of public companies accounts for less than USD 30 BN (June 2012)²
- Private owners control more than 90% of the sector
- In comparison, private owners only control 25% of the total US economy
- Marine Harvest, the largest public company is only USD 3 BN market cap

Total market capitalization of publicly traded companies²

1) Estimate based on annual production of 150MM MT of fish (2012), at an average retail selling value of around 3 USD/Kg

2) Estimate based on observing 65 of the largest seafood / aqua companies by market capitalization as of June 2012

Furthermore, from a macro-perspective, aquaculture offers the kind of fundamentals that PE investors like

Seafood & Aquaculture – Key Points of Appeal

DEMAND

Growing Demand

- Increasing population trend
- Correlation with GDP/Capita growth
- Healthy and highly efficient source of protein
- Compelling non-food opportunities

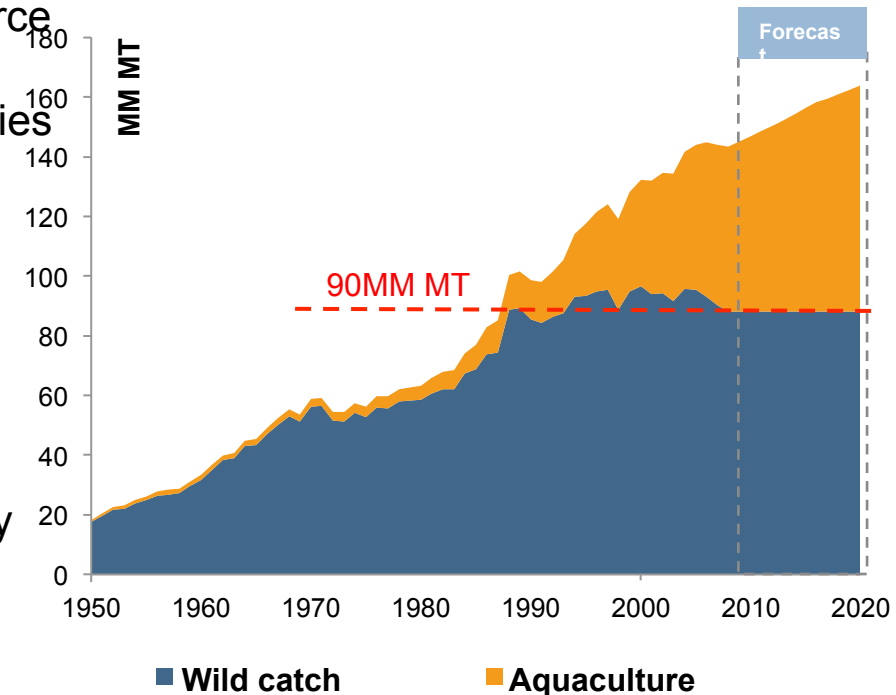
Constrained Supply

- Resource depletion
- Increasing limitations of other sources of proteins (e.g. land and freshwater use, high FCRs etc.)
- Good growth expectations over the long run, albeit tempered by the emergence of sustainable fisheries

Long Term Outlook

- Expectation of decoupling from economic cycles (efficient source of protein)

Total Global Aquatic Organism Production

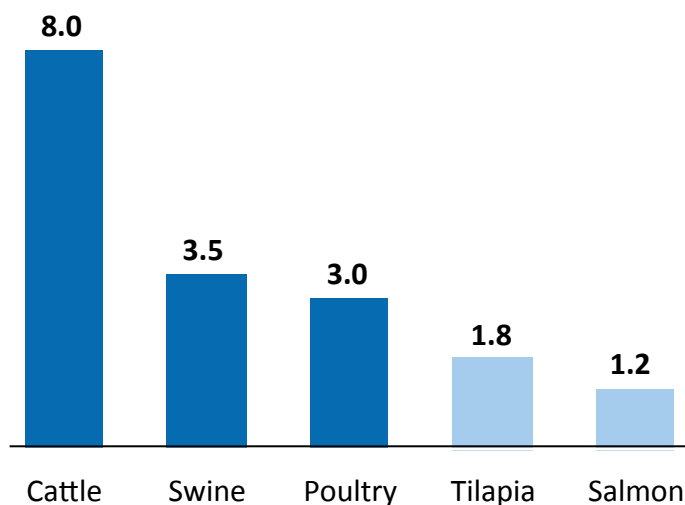


And finally, aquaculture appears to be the most efficient source of protein with a low requirement for fresh water

DEMAND

- Aquaculture is one of the most efficient ways to produce animal protein, when considering feed
- Furthermore, marine based aquaculture uses very limited fresh water, as opposed to land based animal production which actually consumes huge volumes

Average⁽¹⁾ FCR Values

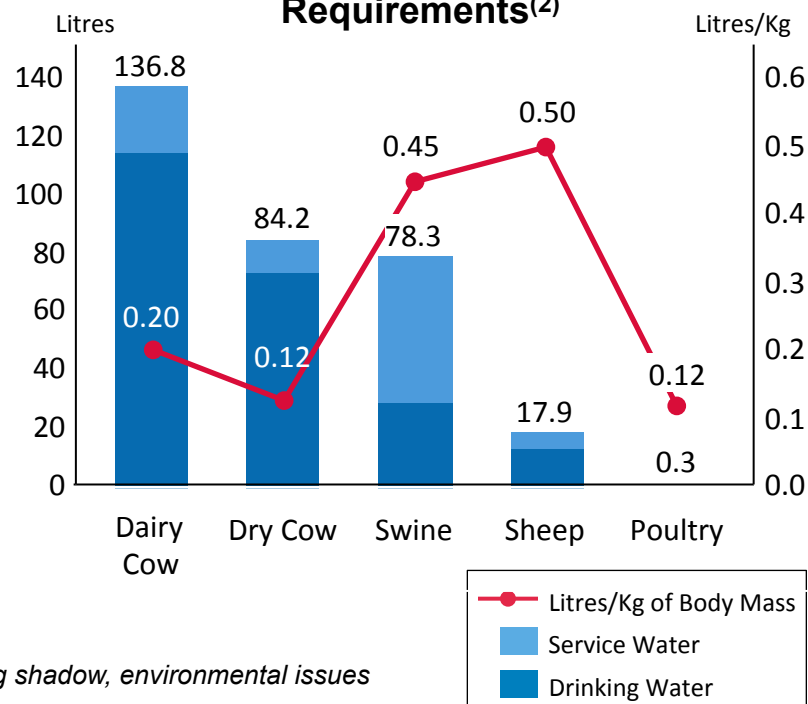


1) Cattle's FCR values vary from 7 to 10, Poultry's from 2 to 4.

2) The analysis does not include water requirements for feed production.

Source: FAO Fishery and Aquaculture Statistics, FAO report – "Livestock's long shadow, environmental issues and options."

Livestock Average Daily Water Requirements⁽²⁾



So, why don't we see many more PE aquaculture transactions?



Aquaculture projects are typically capital intensive, often unproven or historically loss-making...

Aquaculture Project - Typical Proposition

PE Investors' Concerns

Maturity Stage

- Many business plans for greenfield projects
- Often, unproven technology or pilot scale testing that is too small to extrapolate

- Deep industry knowledge and dedicated resources / time required to assess the opportunity

Track Record

- Often, track record is flimsy
- Limited profits generated, or volatile performance
- Often, track record just shows mistakes and bad decisions

- PE investors want to see proven ability to execute plans and generate sustained cash flows with high ROEs

Capital at Risk

- Most of the business plans are highly capital intensive
- Residual value of CAPEX is minimal if the business does not work

- Difficult to protect the downside
- Risk of total write off in a worst case scenario

...and often present challenging governance issues with longer than expected timelines to success

Aquaculture Project - Typical Proposition

PE Investors' Concerns

Governance

- Projects are often in jurisdictions with high perceived or real political / legal risk
- Founder frequently wishes to retain control

- Governance and regulatory issues
- Can they gain control, or at least negative control?

Investment Size

- Many investment opportunities fall below a minimum threshold ticket size for institutional investors

- Aquaculture investments may be perceived to have a low “return-on-effort”

Timing

- Track records often show that it always takes longer than expected
- Break-even for start ups sometimes requires more than 5 years

- Typical PE investors require visibility on a **credible** exit within 4-6 years

At Oceanis, we believe that aquatic resources are not for every PE investor

Required Characteristics for a PE investor in Aqua

- Patient capital provider
- Long term focus
- Thematic investment mindset
- Commitment to fundamentals
- Desire for inflation protection
- Belief in the “efficient protein” story

Investor Type

*“Early”
Stage*

- Family Offices
- Sovereign Wealth Funds
- Endowments

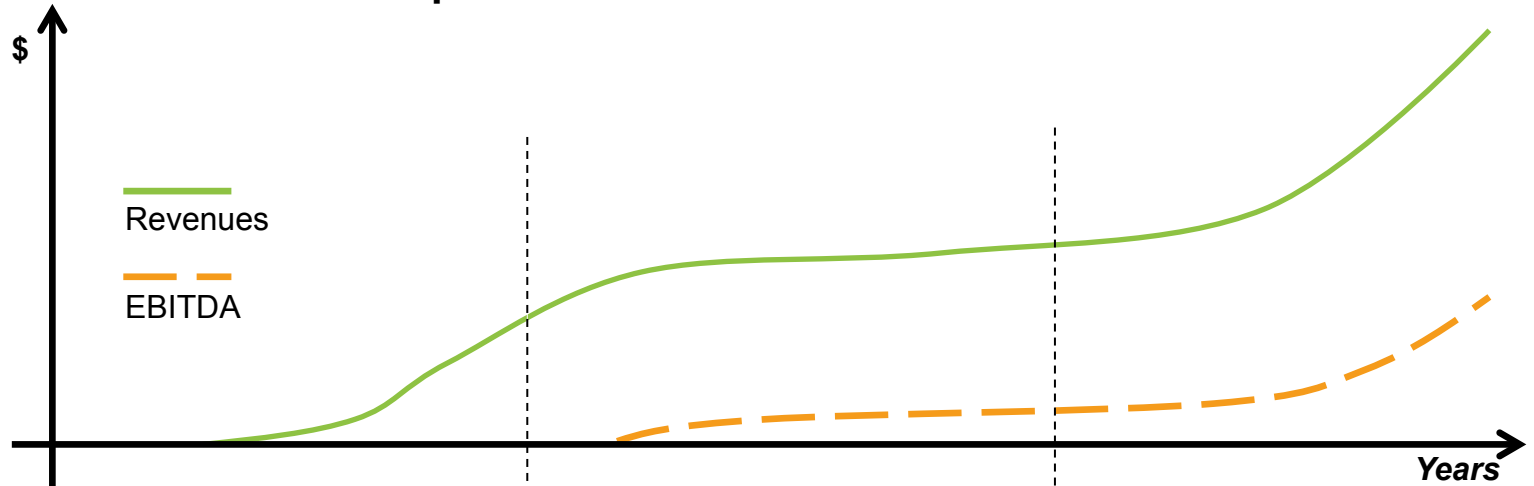
Later Stage

- Pension funds
- Life insurance companies

The aquaculture sector still needs more nurturing and development before it will be seriously interesting to a large number of classic PE funds. Oceanis therefore works with more patient pools of capital to catalyse such development

An ideal path for the aquaculture entrepreneur seeking professional PE capital

Ideal Aquaculture Venture Evolution



Phase

- Prove the concept on semi-commercial scale
- Generate consistent revenue stream

- Generate some profit
- Build a solid scale-up plan

- Reach full vertical integration
- Diversification into various markets and species

Source of Funds

- **Focus on the market**
- Development banks
- Founder capital
- Angel investors

- Private equity capital (thematic players)
- Reinvested profits

- Private equity capital (generalists)
- Public markets / banks
- Reinvested profits

An Oceanis case study: MENA/Med vehicle targeting strategic assets and greenfield projects

Emerging Trends

Food and resource security

- Food security in certain regions as strategic move for governments and investors
- Food production for export as a means to improve balance of trade

Regional play as opposed to globalisation

- Long term negative outlook on transportation costs (both air and shipping are very much oil dependent)
- Counter-globalisation trend to produce and consume locally
- Strong natural resources
- Local capital employed for local development
- Greater potential for synergies across the portfolio

Strategic Investment Vehicle – Key Features

Geographic focus

- The SIV will invest in Middle East countries as well as North Africa, and parts of the Mediterranean

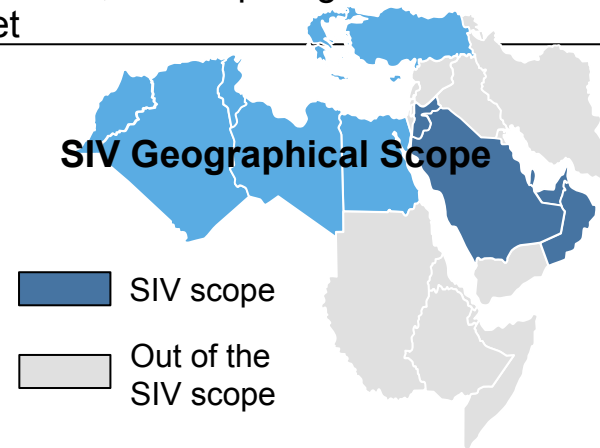


Investment Types

- Greenfield projects, Strategic JVs and Acquisitions

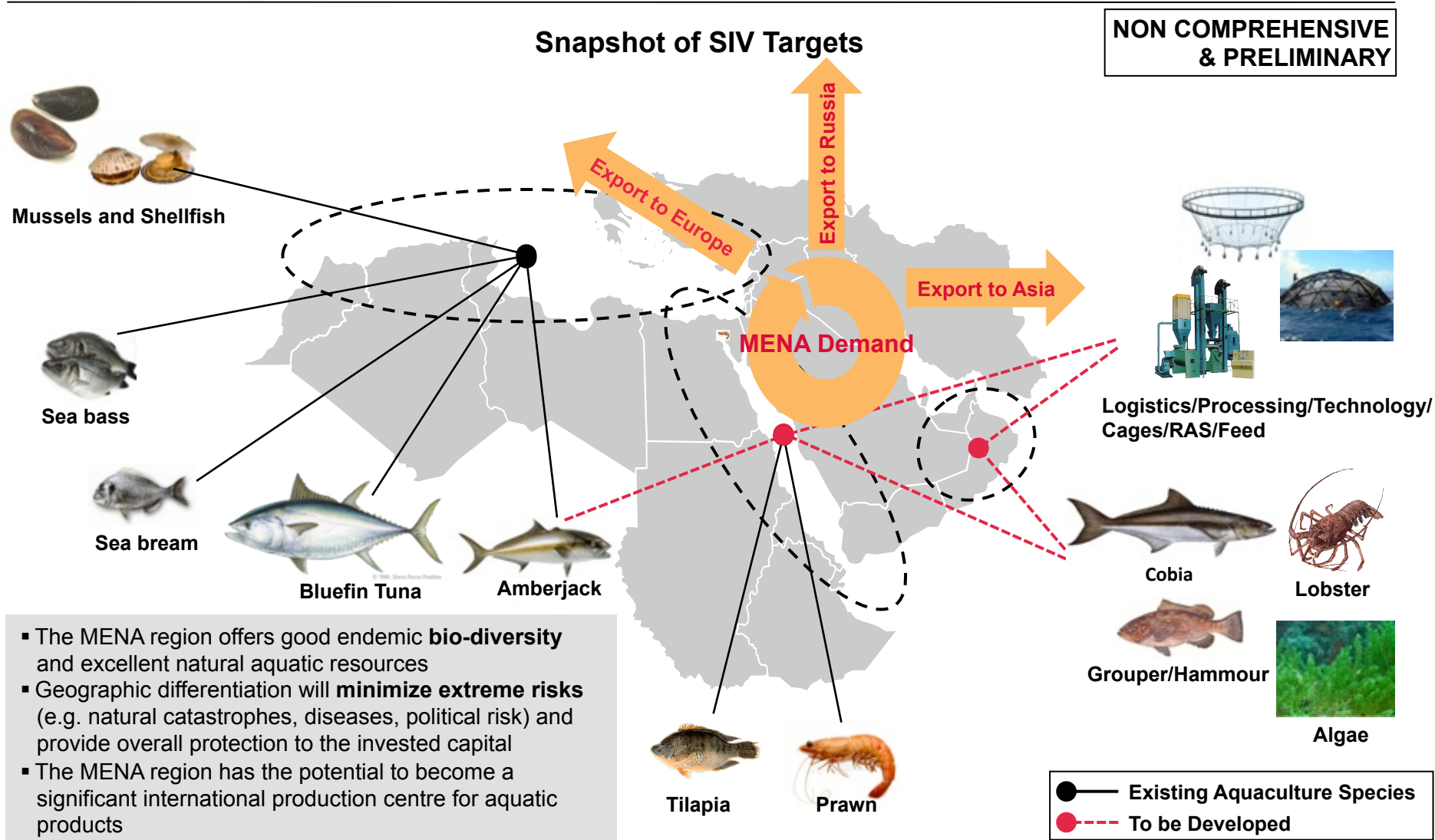
Timeline and financial objectives

- Evergreen investment vehicle
- Long term value creation through dividend yield generation, with capital gains as a secondary target

SIV Geographical Scope

- 
-  SIV scope
 -  Out of the SIV scope

The SIV will invest in different species and at various stages of the value chain





Thank You

Mattia Pipino – Oceanis Partners
Bangkok 2012