

SalMar

Ticker: SALM

Price: NOK 59,00

May 5, 2010

SalMar

Sector: Consumer staples
Industry: Meat, poultry & fish
Market cap.: 6 077
Last target: NOK 67,00
Last recommendation: BUY
Risk: MEDIUM

NOKm	2009	2010E	2011E
Revenues	2 377	2 792	2 798
EBITDA	663	1 033	947
EBIT	585	918	804
EPS (NOK)	4,62	7,02	6,21

Ratios	2009	2010E	2011E
P/E	10,0	8,4	9,5
EV/NOPLAT	12,4	9,7	10,8
EV/EBITDA	7,9	6,2	6,6
EV/EBIT	9,0	7,0	7,8
P/B	3,2	3,0	2,7
P/Sales	2,0	2,2	2,2

All key figures adjusted for non-recurring items
 Book value does not include goodwill

Analyst

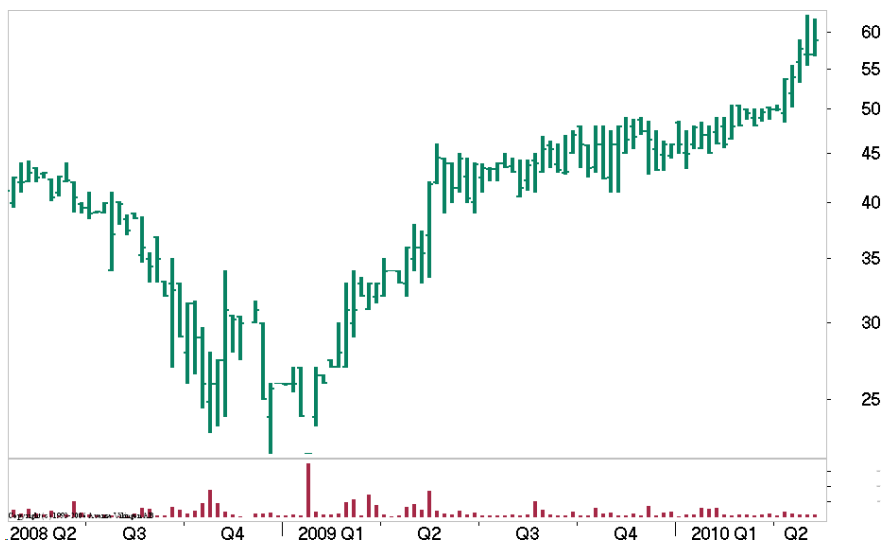
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 at the end of this report


Basically in line with expectations

- SalMar presented its Q1 report today. Sales of NOK 618m were higher than our NOK 553m estimate. Meanwhile, EBIT before fair value adjustment of biomass was NOK 153m, which was only marginally below our NOK 158m estimate.
- The associated company Norskott Havbruk performed very well in the quarter and, all in all, adjusted EPS of NOK 1,34 was basically in line with our NOK 1,29 projection.
- Central Norway and Northern Norway divisions, on the other hand, performed slightly weaker than anticipated mainly due to lower volumes. However, profitability was impressive in both units with EBIT/kg of NOK 13,5 in Central Norway and NOK 11,1 in Northern Norway.
- The volume guidance for the year remained unchanged at 85 000 tones. The comments on the biological conditions were also positive. The sea lice situation in Central Norway is under control, there are no new issues with ISA in Northern Norway and Scottish Sea Farms (Norskott Havbruk) is experiencing better biological performance as well.
- The comments on the market were, as expected – supply/demand imbalances places strong ground for high salmon prices to continue this year.
- All in all, SalMar reported solid Q1 report this morning. Therefore, we do not see major changes to our estimates and our positive stance is also maintained at this share price level.

Q1 results (NOKm)	Reported	Terra
Revenues	617,9	553,3
EBITDA	171,5	180,9
Operating profit*	152,7	157,6
Pretax profit	377,7	175,1
EPS adjusted (NOK)	1,34	1,29

* Before fair value adjustment of biomass.

Conclusion

SalMar reported solid Q1 report this morning and provided positive comments on the market, volumes and biological conditions. Therefore, our estimates are not likely to change substantially and our positive stance towards the stock remains.

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Recommendation history for SALM

Date	Recommendation	Target price (NOK)
29.04.2010	BUY	67,00
12.03.2010	BUY	59,00
22.02.2010	BUY	56,00
02.12.2009	BUY	50,00
03.08.2009	HOLD	47,00

The table above shows current and previous recommendations given in company reports.

Planned updates

Terra Markets plans to update its recommendation on the company: 1) when new accounting figures are released, 2) if any material news on the company or industry is released, 3) in other important instances.

Was the company report presented to the issuer?

The company report was not presented to the issuer before dissemination.

Price target methodology and risks

We use a combined DCF, peer and justified P/E valuations in arriving to our target price for the company's share. The main risks lie in the materialization of our estimates for the company. Sharp drop in the market prices of salmon, increase in production costs and additional biological issues would have a direct negative impact on our estimates and the target price.

Critical assumptions

Critical assumptions in our model are harvested volumes and achieved production price, as well as the cost/kg estimate.

Information sources

Sources of information used in this report: The Company, its reports and presentations, Vikingen Børs and Online Trader.

Potential conflict of interests

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Share positions in the Company:

Responsible analyst(s)	0
Employees of Terra Markets AS	0
Terra Markets AS	0
Affiliated agents of Terra Markets AS	0

Analysts never hold any shares in companies they analyze. Positions of employees are based on lists updated each week. Holdings as a part of Terra Markets' investment services activities such as market making are not included.

Recommendation structure

Company reports

Terra Markets' recommendations are based on a six-month time horizon and on absolute performance adjusted for risk. Near term dividends are included into return. The table below shows our general guidelines for determining our recommendations:

Risk	Buy / Strong Buy	Hold	Reduce / Sell
Low	> 10%	2% - 10%	< 2%
Medium	> 15%	3% - 15%	< 3%
High	> 30%	5% - 30%	< 5%

The percentages are defined as an upside to our price target plus eventual dividends within six months. Whether a Buy or Strong Buy / Reduce or Sell recommendation is given, depends on analyst's conviction in the case. Our risk assessments range from high risk to medium risk and low risk and are based on a subjective assessment of the following factors: 1) volatility in the share price, 2) liquidity in the share, 3) strength of the balance sheet, 4) absolute earnings level and trend and 5) estimate risk.

Recommendation distribution as of April 8, 2010

Company reports	Strong Buy	Buy	Hold	Reduce	Sell
Total	5	75	27	9	4
% of total	4%	63%	23%	8%	3%
Corporate clients	1	20	4	0	0
% of total	4%	80%	16%	0%	0%

The table above shows recommendation distribution for all company reports issued during the last three months.

Weekly Casebook

Terra Markets provides an updated assessments for all the companies in its research universe on a weekly basis in the Weekly Casebook product. Recommendations in Weekly Casebook are based on a 2 to 8-week time horizon and an expected absolute share price performance. In Weekly Casebook, Terra-rating of +2 is defined as Strong Buy, +1 as Buy, 0 as Hold, -1 as Reduce and -2 as Sell. Buy or Strong Buy recommendation is given when the analyst believes the stock price will appreciate in the coming 2 to 8 weeks, Hold recommendation is given when the analyst believes the share price will be flat in the coming 2 to 8 weeks, Reduce or Sell recommendation is given when the analyst believes the share price will depreciate in the coming 2 to 8 weeks. Whether a Buy or Strong Buy / Reduce or Sell recommendation is given, depends on the analyst's conviction in the case. The recommendations in the Weekly Casebook may differ from the recommendations in the company reports due to different time horizons.

Recommendation distribution as of April 8, 2010

Weekly Casebook	Strong Buy	Buy	Hold	Reduce	Sell
Total	8	70	42	15	1
% of total	6%	51%	31%	11%	1%
Corporate clients	2	16	5	2	0
% of total	8%	64%	20%	8%	0%

The recommendation distribution above is based on Terra-rating in Weekly Casebook. Terra-rating of +2 is defined as Strong Buy, +1 as Buy, 0 as Hold. Terra-rating of -1 is defined as Reduce and -2 as Sell.

Trading recommendations

Terra Markets issues trading recommendations, Trading Buy and Trading Sell, which are based on a 1 to 5-day horizon. Trading Buy (Trading Sell) recommendation is given when the analyst believes the stock will rise (fall) on an absolute basis during a 1 to 5-day period. Trading Buy and Trading Sell recommendations may not coincide with our Buy and Sell recommendations given in the company reports on a six-month basis. There will not necessarily be any updates to the trading recommendations.

The selection of trading recommendations is based on the evaluation of short-term market fundamentals, performance of the peer stock prices, expected news flow as well as the companies' fundamental valuation. The comments given with the trading recommendations show the reasoning for them.

Historic and future returns

Please note that historic returns do not guarantee future positive returns from suggested trades. The client may not be able to achieve the same entry and exit prices for his positions. The client return will then deviate from the reported results of the trading. The commission and clearing cost will further reduce the return achieved by the client. Any trade can give a substantial negative result.

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