



OTAQ plc

Introduction & Results Presentation for 12 months ending 31 March 2020

July 2020

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- Joined the main market on 31 March 2020 on completion of reversal into listed cash shell Hertsford Capital Plc (subsequently renamed OTAQ plc)
- Track record of strong trading in niche global growth markets
- Consists of three divisions – Aquaculture, Offshore and Connectors - with the focus on providing innovative marine technology products and solutions
- Core product Sealfence significantly improves yields for the salmon farming industry by reducing the frequency of predator attacks using acoustic deterrent technology
- Sealfence operates in a rapidly growing market and generates strong recurring revenues
- Addition of new products via organic and acquisitive growth will increase market share, client retention and diversify revenue streams
- Focus on Infrastructure as a Service ('IaaS') model with long-term rental contracts

Vision – To become the market leader in the **design** and **provision of technology & data driven solutions** and **services** to improve the effectiveness of the marine aquaculture industry

2005

Founded

36

Employees

4

Offices

3

Divisions

OTAQ Aquaculture

Formerly named OTAQ Limited



Designs & manufactures high technology products and solutions. Market leader in Acoustic Deterrent Devices

Sealfence™, current core aquaculture product

Revenue for year to 31 Mar 2020 £2.09m (FY19: £1.43m)

OTAQ Offshore

Formerly named MarineSense Limited



Specialists in IP imaging cameras, underwater leak & cement detection, laser measurement systems and survey solutions

Acquired in November 2018 to secure additional technology for aquaculture purposes

Revenue for year to 31 Mar 2020 £0.62m (FY19: £0.14m)

OTAQ Connectors

Formerly named Link Subsea Limited



Specialists in connectors, penetrators and underwater communication products

An existing sub-assembler of Sealfence™ acquired in April 2019 to obtain greater control over supply chain

Revenue for 11 months to 31 Mar 2020 £0.70m (acquired April 2019)



Sealfence™ – a system designed to deter seals and sea lions from specific areas using a proven acoustic deterrent method (range of 40m)

Underwater projector creates field of protection

Modular and very easy to install. Each unit is self contained; no cables between cages

- More reliable
- Easy to repair

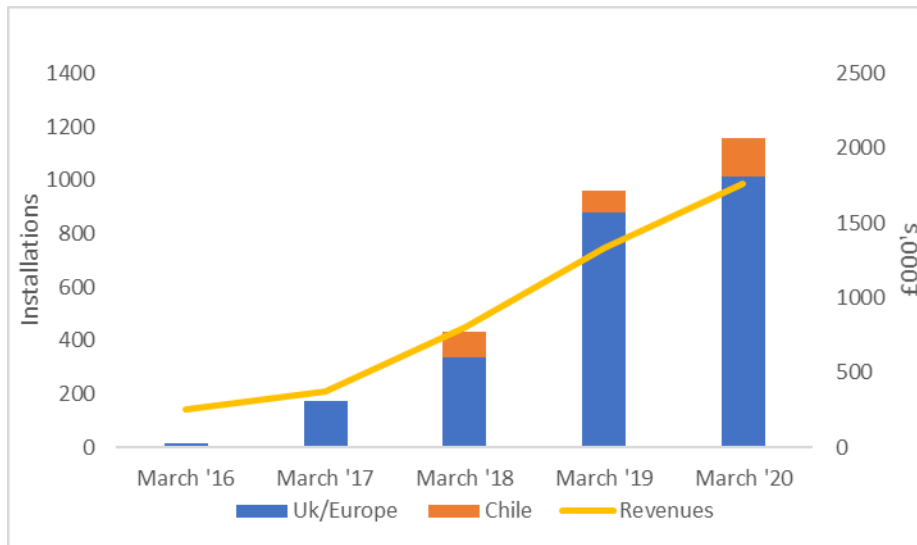
The Sealfence™ System

- Long-term deployment – rental contracts up to 48 months
- System runs for up to 40 hours on battery power

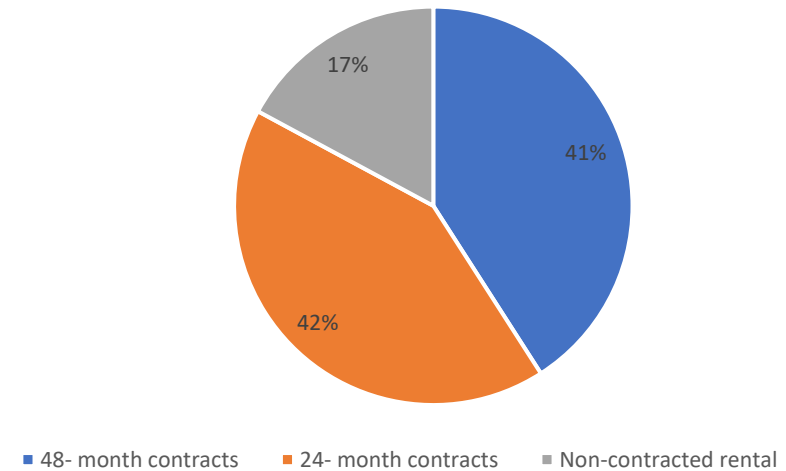
Active Condition Monitoring (ACM) – wireless network from each module provides live and historical performance data

Scotland	<ul style="list-style-type: none">• Estimated over 40% market share – supplier to the largest salmon farming companies in Scotland
Chile	<ul style="list-style-type: none">• Second-largest salmon farming country globally with an estimated 6,000 salmon cages• Presence in Chile since 2016 and currently has 142 units deployed with a number of major farmers including Aquachile (the world's second largest salmon farmer after MOWI)• Growth in use of Sealfence™ in Chile expected to follow a similar pattern to Scotland• Currently in discussions with three large Chilean salmon farming companies about multi-site agreements
Canada	<ul style="list-style-type: none">• A target market, in discussions with a number of salmon farming companies
Australia	<ul style="list-style-type: none">• Currently no acoustic deterrent systems as regulatory approvals are required• In discussions with the regulatory bodies including the Government of Tasmania for a license to trial equipment
Norway	<ul style="list-style-type: none">• The largest producer of farmed salmon in the world• Permits the killing of marine mammals to prevent attacks – so less perceived need for ADDs/ Sealfence™• However USMMPA implementation in January 2022 could change this – Act prevents the deliberate harm of marine mammals in commercial fisheries and could ban the import of salmon from farms where such harm has occurred
Finland	<ul style="list-style-type: none">• A small number of system sales through a distributor, in discussions regarding establishing a rental model

SealFence™ Installations and Rental Revenue



SealFence™ Rental Contracts

**High visibility of revenue streams**

- Scotland 48 & 24-month rental contracts
- <5% Scotland non-contracted rental
- Chile all non-contracted rental

Global market with strong growth characteristics

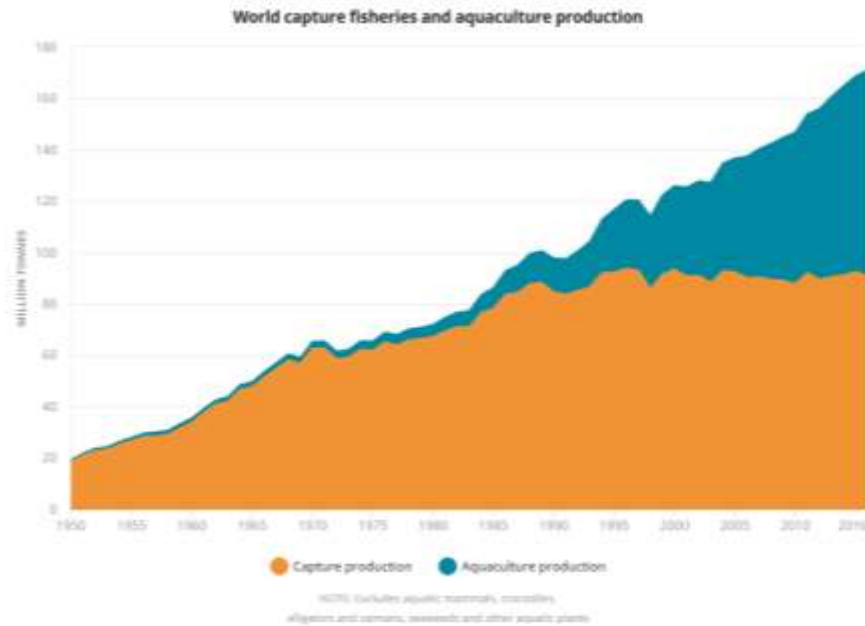
- Finfish farming is a £138.5bn annual turnover industry¹ (2018)
- International Salmon Farms Association 2018 Report states global salmon farming is worth US \$15.4 billion p.a.
- The total supply of all farmed salmonids exceeded 2.36 million tonnes (GWT) in 2018²
- Commercial salmon farming started in Norway and Scotland in the early 1970s and is now in 16 countries around the world. Large market with strong growth characteristics
- Value of global volumes increased 94% from 2012-2017 (CAGR +14%)³
- Aquaculture is expected to be one of the faster growing major food production sectors

¹ Source; United Nations FAO Report THE STATE OF WORLD FISHERIES AND AQUACULTURE 2018

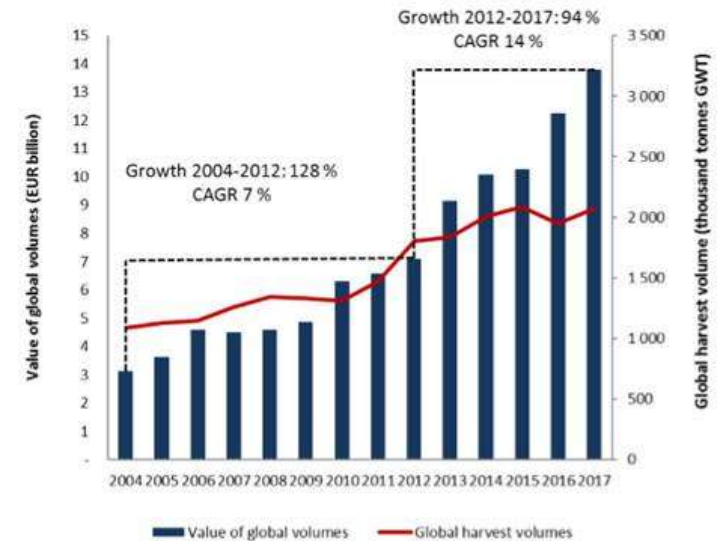
² Source; Salmon Farming Industry Handbook 2019

³ Source; 2018 Marine Harvest Salmon Industry Handbook

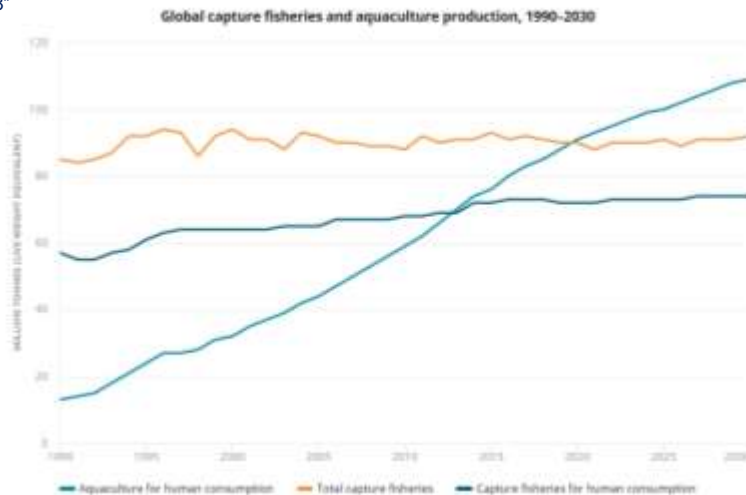
Salmon Farming – a growing global industry



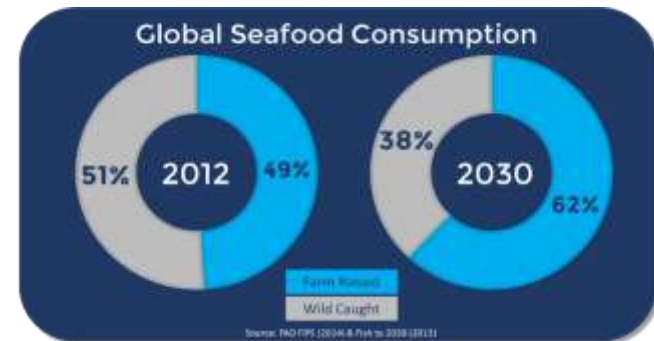
Source: Food and Agriculture Organisation of the United Nation "The State of World Fisheries & Aquaculture 2018"



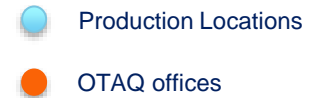
Source: 2018 Marine Harvest Salmon Industry Handbook



Source: Food and Agriculture Organisation of the United Nation "The State of World Fisheries & Aquaculture 2018"



Source: FAO FIPS (2014) & Fish to 2030 (2013)



Salmon	2017/18	2022/23
UK	1,600	1,855
Europe	12,000	13,911
Chile	6,000	10,433
Oceania	650	754
North America	1,500	1,739
Total Salmon	21,750	25,692
All other marine finfish	37,125	43,038
Total cages (all marine finfish)	58,875	68,730



OTAQ.COM

1. Selling more seal deterrent units to customers in main existing established geographies (Scotland)

- Units on contract increased from 12 to 1,156 between March 2015 and March 2020

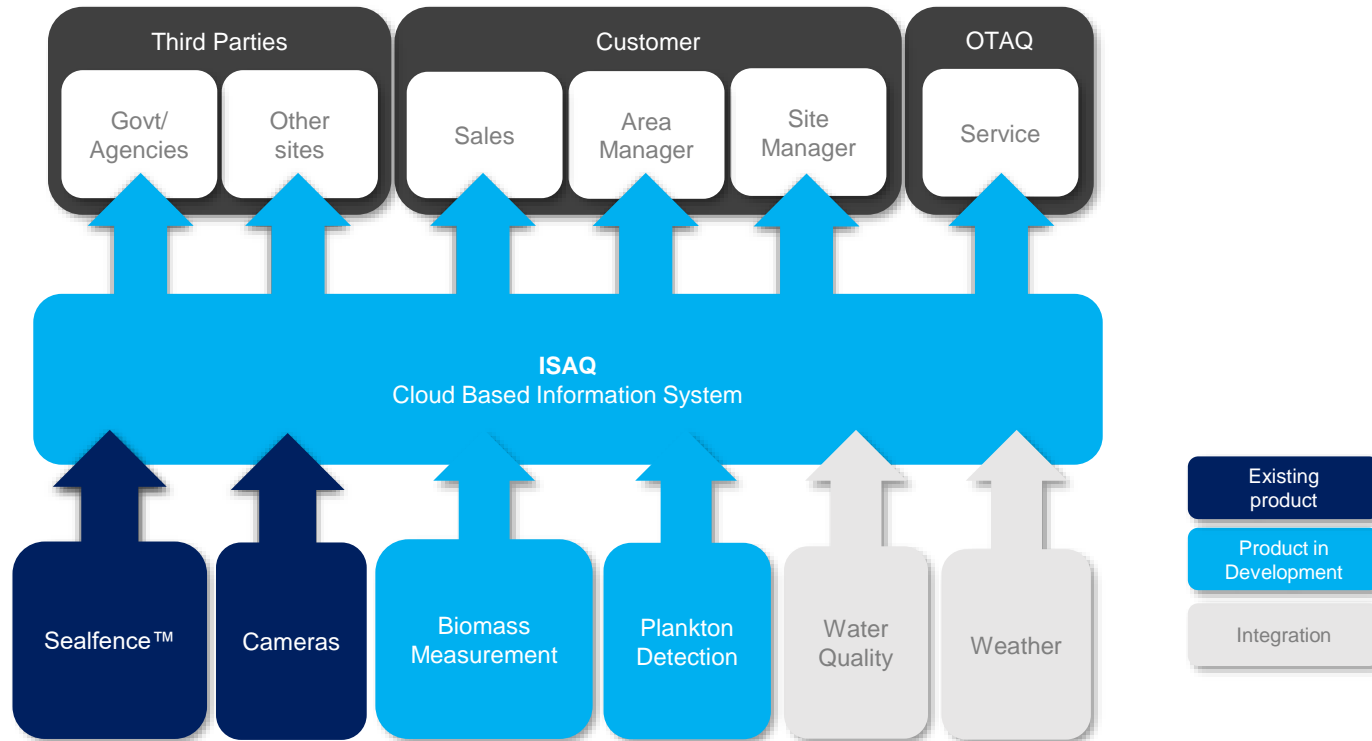
2. Selling more seal deterrent units into recent and new geographies

- Chile - First multi-site programme launched (Blumar) in February 2019, second multi-site agreement reached in October 2019 with Salmenes Antarctica
- Australia - Application submitted to UTAS AEC for first trial of ADDs since 2006, decision expected 2020
- Finland - Conversations started regarding establishing a rental model (Sales of 25 units in FY 2019-20)
- Canada - Conversations started on East coast trial

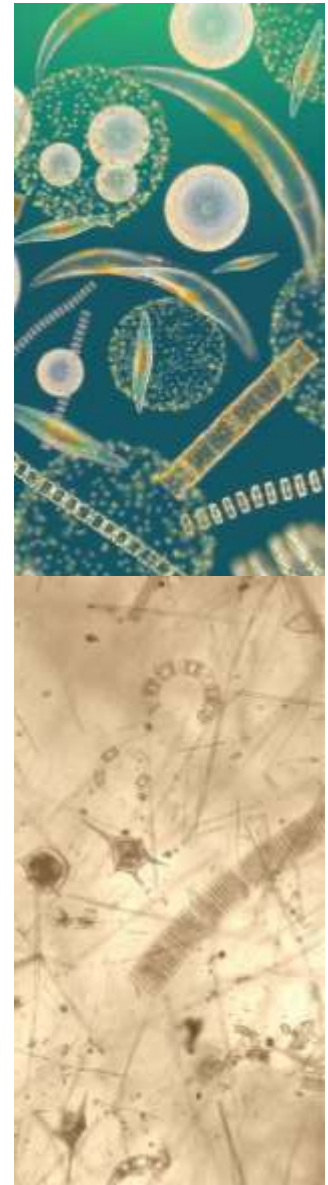
3. Designing, developing and launching innovative new products e.g. active measurement of salmon weight and biomass measurement, algae bloom detection, plankton detection as well as improved ADDs – using existing global commercial platform

4. Consolidating aquaculture data and services niche

5. Funds from reverse and placing provides capital for growth and acquisition currency



- **Phytoplankton are a major health risk to salmon**
 - Best case: fish unable to eat/digest so farmers need to stop feeding
 - Worst case: large scale mortality
- Farmers currently analyse water samples manually once a day. If they detect plankton they can;
 - Stop feeding
 - Activate bubble curtains to break up plankton
- Currently no accurate, automatic and cost effective method of detecting plankton by type and volume
- LPAS will take continuous water samples and analyse them throughout the day
- Only one system per farm and in strategic locations / hotspots approaching farm areas
- Ultimate goal for all sensors in each area to work together to build up cloud based database eventually providing prediction/ modelling system through our ISAQ system
- Development work on project underway now, 18 – 24 months to complete, grant from SAIC & CENSIS to fund University of Aberdeen's Floe Cytometry Department's involvement
- First area of focus is completion and testing of water sampler



- Marine farming demands a real-time, accurate, method of measuring average weight and total in-cage biomass
- No current system or method fulfils specific market requirements
- Farmers have several issues facing them which can be solved with AI and machine vision;
 - **Fish Size / Biomass** – essential for farmers to understand how big their fish are, size distribution and total biomass within each cage.
 - **Sea Lice detection** – farmers have to check and report on sea lice levels daily which takes a huge amount of time and effort.
 - **Feed pellet detection** – there is a desire to automate the detection of feed pellets so that feeding becomes more automated and precise and less manual
- Biomass system requires a high resolution stereo camera and AI machine learning, but all three of these problems can be solved with this technology
- OTAQ solution would offer accurate measurement in robust, cost-effective package
- System to be deployed permanently in every cage and supplied on service model
- Stereo camera test module now complete
- Collection of imagery from the field starting to be compiled
- Major task will be refinement and training of AI system
- Considering addition of pellet counter if technically feasible
- MOWI and SSC keen to assist in testing



- Achieved strong revenue and gross margin growth across the business
- 117% increase in revenue to £3.42m
- 118% increase in gross profit to £1.96m
- Eight-fold increase in EBITDA to £451,000
- Net Cash at period end of £2.86m

The result for the year has been driven by 47% growth in the Aquaculture division supplemented by revenue and profits from acquisitions.

The long-term Aquaculture model remains secure and underpins future growth prospects.

Profit & Loss	Year to 31-Mar-18 £' 000	Year to 31-Mar-19 £' 000	Year to 31-Mar-20 £' 000
Revenue			
Aquaculture rental revenue	803	1,331	1,763
Other aquaculture revenue	116	104	346
Revenue from acquisitions	0	142	1,311
	919	1,577	3,420
	No.	No.	No.
Units on rental	486	962	1,156
	£' 000	£' 000	£' 000
EBITDA	-361	50	451
Share option charge			-559
Depreciation	-119	-337	-579
IFRS16 depreciation	-	-	-20
Amortisation	-39	-56	-191
EBIT	-519	-343	-898

32% growth

20% growth

- Aquaculture Revenue continues to grow based the number of units on rental
- Acquisition revenue accounts for 38% of total (2019: 9%)

Cashflows	Year to 31-Mar-18 £' 000	Year to 31-Mar-19 £' 000	Year to 31-Mar-20 £' 000
Operating cashflow	-318	414	865
Net capex	-551	-1,416	-908
Hertsford cash on takeover			2,601
Acquisition	0	-229	-288
	- 869 -	1,231	2,270
Net proceeds of share issues	835	1,292	1,359
Shareholder loans	260	51	175
Net borrowings	- 19 -	45 -	85
Cash movement	207	67	3,719

25% cash
conversion

Inc £0.4m
new projects

- Cash flow benefits from £2.6m of Hertsford Capital cash
- £1.4m raised through share issues in the year
- £0.3m for acquisition of Link Subsea

Balance sheet	Net assets	Net assets	Net assets
	OTAQ	OTAQ	OTAQ
	31-Mar-19	30-Sep-19	31-Mar-20
	£' 000	£' 000	£' 000
<u>Fixed assets</u>			
- property plant and equipment	52	263	439
- rental assets	1472	1,405	1,295
- goodwill	612	1,031	1,031
- intangible assets	903	992	1,123
	<u>3,039</u>	<u>3,691</u>	<u>3,888</u>
<u>Current assets</u>			
- inventories	537	590	972
- tax asset	54		56
- receivables	462	733	757
- cash	368	1,152	4,087
	<u>1,421</u>	<u>2,475</u>	<u>5,872</u>
<u>Current liabilities</u>			
- payables	-1,316	-1,731	-2,206
- IFRS16 leases	-	-	-78
- deferred payments for acquisitions	-	-	-273
- corporation tax	-17		
- shareholder and other loans	-321	-489	-487
	<u>-1,654</u>	<u>-2,220</u>	<u>-3,044</u>
<u>Non current liabilities</u>			
- deferred payments for acquisitions	-418	-542	-232
- IFRS16 leases / other lease	-1		-214
- deferred tax	-90	-90	-90
	<u>-509</u>	<u>-632</u>	<u>-536</u>
Net assets	2,297	3,314	6,180

- Current assets of £5.9m with £4.1m of cash
- Net assets position of £6.2m
- Shareholder loans of £0.5m paid in April 2020
- IFRS16 adds £0.29m to liabilities

- OTAQ is building a business of significance within the aquaculture industry
 - focussed on helping salmon producers and farmers of other aquatic species to become more productive through innovation
 - helping customers overcome environmental challenges in their operations through technology
- Aiming to have a range of products based on a common infrastructure and a cloud-based information system
- Ability to further strengthen portfolio via acquisition
- Long-term fundamentals supporting demand for aquaculture products remain positive
- Established product and client base in place with highly visible revenue streams
- Growing geographic reach and product portfolio to underpin exponential growth in the medium to long term
- Aquaculture and Connectors are currently trading in line with management's expectations. The Offshore division, which accounts for approximately 18%¹ of group turnover, has had a more challenging Q1, primarily due to the subdued global oil & gas sector and the effects of the covid-19 pandemic.

Note: ¹ Based on audited revenues, FY2019-20



Alex Hambro – Non-executive Chairman (age 58) Alex has been engaged in the private equity industry both in the UK and the USA for over 28 years during which time he has acted as a principal investor, manager and sponsor of private equity and venture capital management teams and adviser to high net worth families on their private equity investment strategies. Alex managed Hambros PLC's proprietary venture capital and private equity investment portfolio prior to its sale to Societe' Generale in 1998. Alex is a founder director of Crescent Capital, a venture capital fund based in Belfast, and Judges Scientific plc, a scientific instrumentation manufacturing group. In addition to his Chairmanship responsibilities at these two companies, Alex is a non-executive Chairman or director of Falanx Group plc, Izon Science Ltd, Octopus Apollo VCT PLC and Time Partners Ltd.



Phil Newby – CEO (age 59) Phil joined OTAQ in June 2014 as commercial director and was appointed chief executive in March 2016. From 1993 to 1997 he was general manager of Unique Systems LLC an offshore equipment rental business operating in the Middle East and India. From 1997 to 2011 Phil was chief executive of Trelleborg Offshore a business that supplied flowline and cable protection to the offshore oil and gas industry.



Matt Enright CFO and Company Secretary (age 41) Matt qualified as a chartered accountant in 2003 with Baker Tilly (now RSM). He has experience of working with internationally focussed growth businesses across a range of industries. Matt moved into the private sector in 2006 where he worked with owner-led and private equity-owned businesses. Matt joined TRM Packaging as Finance Director in 2013, a specialist cardboard box manufacturer, helping to grow the business before playing a prominent role in the sale of the business to DS Smith plc.

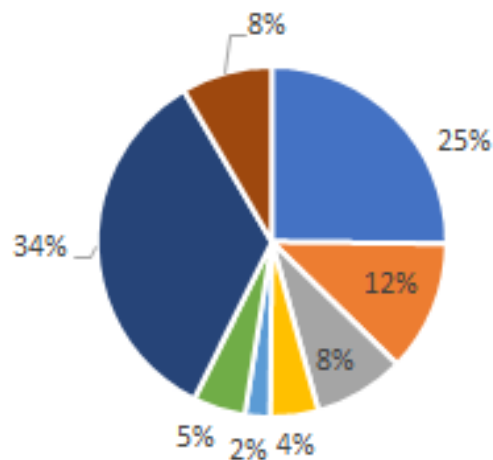


George Watt CA – NED (age 52) George started his career in practice with KPMG where he qualified and worked for 10 years in the UK and the US. He then joined STV Group plc in 1999 where he spent 20 years as Chief Financial Officer before retiring from the Board in 2019. George is currently non-executive Chairman of Spaceandpeople plc, an AIM-quoted destination media and retail solutions specialist operating in the UK and Germany and has held other non-executive director positions in the technology sector.



Sarah Gills BSc – NED (age 31) Sarah is a graduate in Marine Biology and Oceanography from the National Oceanography Centre at the University of Southampton. She is an entrepreneur whose experience includes the management of yacht racing around the world, property development and litigation support. She is an active investor and is currently assisting in the corporate development of AIM-quoted company, Franchise Brands plc.

Shareholder Split



- Individuals & Private Clients
- Euroblue Investments Limited
- Dr Harald Rotsch
- D Evans
- R Sargent
- David & Vivien Poutney
- Others
- Future issues



Shares in issue

'000

30,548

OTAQ share options

1,482

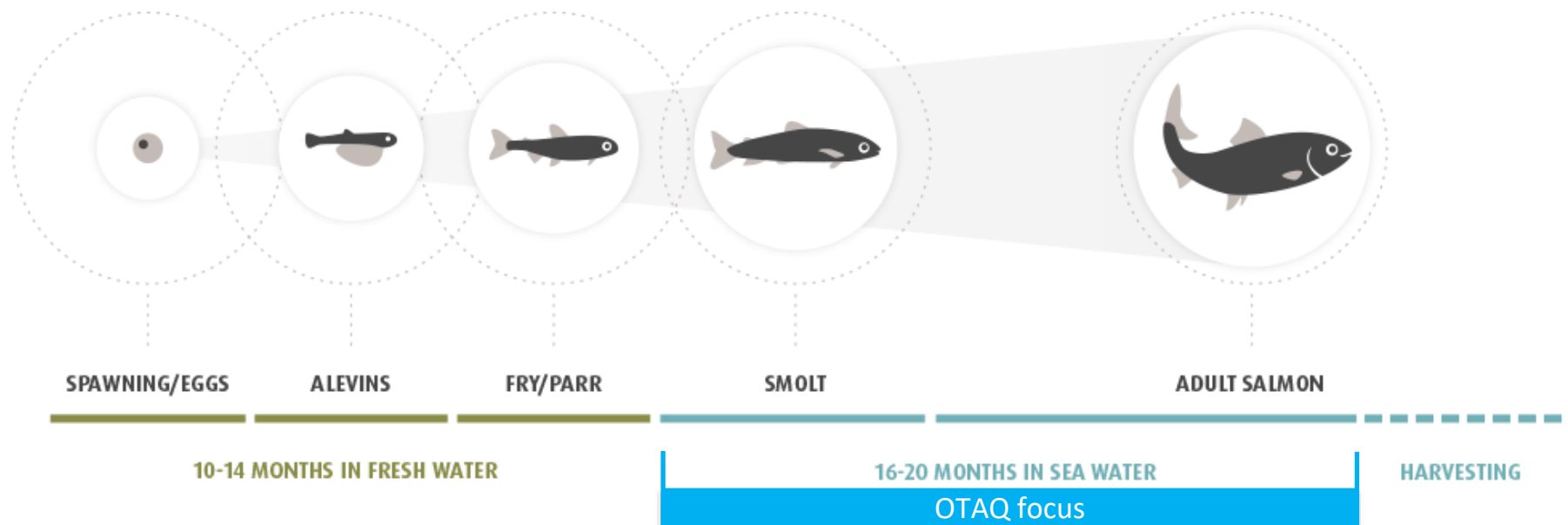
OTAQ warrants


320

32,350

*OTAQ deferred consideration – number of shares to be issued dependent on share price prior to issue date

Farmed salmon live in fresh water tanks for the first three stages of their life cycles (egg, alevin and fry or parr) and are then transferred to sea water cages as a smolt where they grow to adult salmon.





Thank you **OT**
AQ