

## Marine Harvest, Aquachile deal can stem boom, bust salmon cycles

The proposed merger between the Chilean business of Norway's Marine Harvest and Aquachile, the largest player in the South American country, can stem the boom and bust cycles traditionally seen in farmed salmon, sources said.

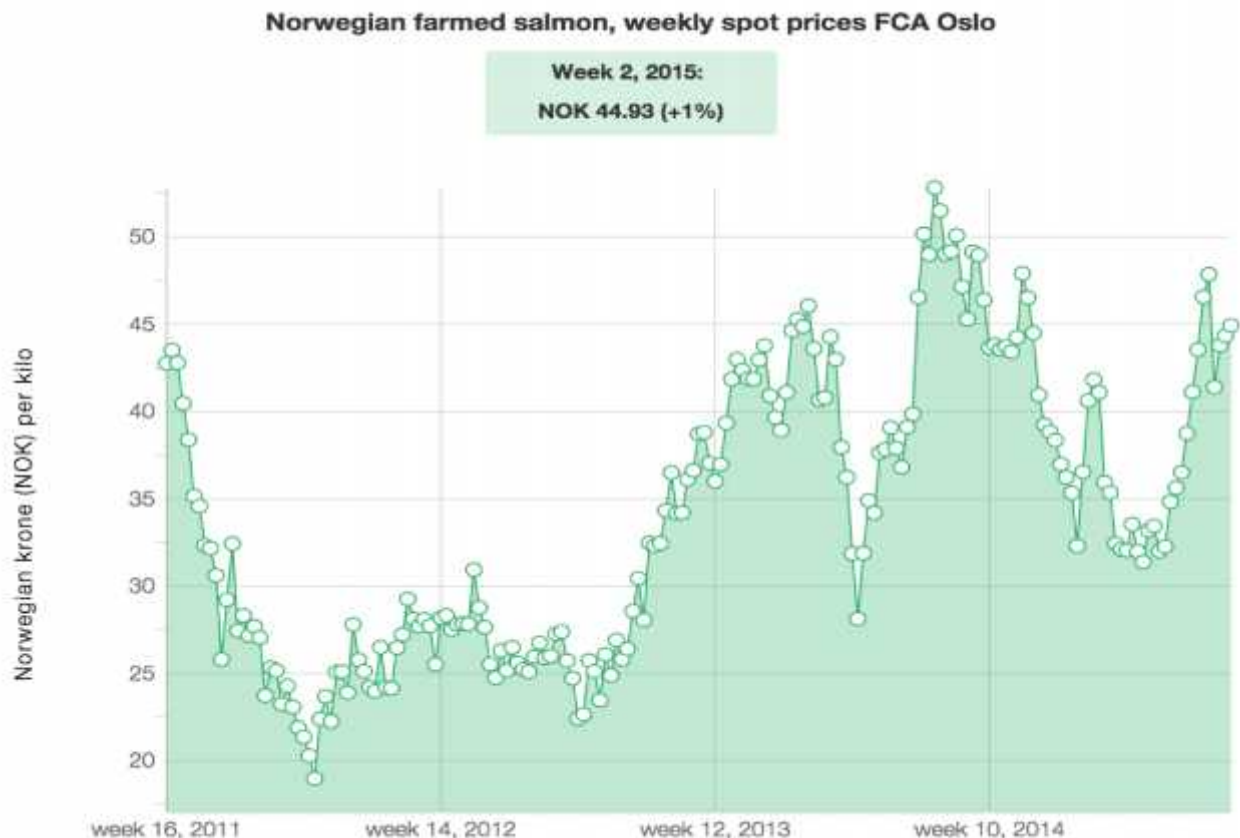
Share prices of both companies shoot up after deal was announced Monday, seen as transformational for salmon sector. Shares in Oslo listed Marine Harvest rose 5.76%, to NOK 110, with Aquachile, listed in Chile's capital Santiago, surged 13.76% to CLP 425.010.

The deal, which, if approved, will see Marine Harvest own 42.8% of Aquachile, also would unite two of the sector's most respected executives, Marine Harvest chairman Ole Eirik Leroy and Victor Hugo Puchi, chairman of Aquachile.

Widely commended by financial analysts covering the salmon sector for its industrial benefits, but this misses the point of the human factor, said Philippe Barbe, co-owner of French salmon supplier Direct Ocean and a sector veteran.

"I read the analyst's comments on the merger. I think they forgot to mention the vital gain for the salmon world industry, the two best men in this industry, one in the northern hemisphere and one in the southern are joining forces," he told *Undercurrent News*.

"Believe me, once they get things in place, there will never be any wild growth causing market turbulence anymore. The salmon industry will be, as we say in French, 'un long fleuve tranquille', a long calm river," said Barbe.



The boom and bust seen in Norwegian farmed salmon prices, going back to 2011.

“This is just enormous and we must realize that this is not an evolution but a revolution. Both (Puchi and Leroy) have had and have a real vision for the industry on top on their respective huge success so far, he said.

Puchi created Aquachile and Leroy built up his family firm, Leroy Seafood Group, before leaving when the company was taken over by Austevoll Seafood.

“Then, he is now smartly building this huge Marine Harvest group,” said Barbe.

“Puchi has always fought for a reasonable industry with reasonable geographical concentration and growth in Chile. Leroy had foreseen in 2007 the ISA [infectious salmon anemia] crisis that arose a year later. I remember him that year, coming back from a trip to Chile, saying that Chile was going towards “big trouble,” he told *Undercurrent*.

Under the terms of the deal, Marine Harvest Chile, including the recently acquired Acuinova, formerly owned by Pescanova, will be merged into Aquachile with a net

interest bearing debt of \$65 million. Upon completion of the merger, Marine Harvest will own 42.8% of Aquachile.

Several analysts canvassed by *Undercurrent* agreed the deal would be very positive for Chile, furthering the wave of consolidation that has been seen for the past 12-18 months.

"I think Marine Harvest may now be reaching the size at which it could potentially start to dampen the salmon cycle that tends to see prices increase and then crash every two or three years," Rabobank analyst Gorjan Nikolik told *Undercurrent*, taking a wider view of the sector as a whole.

"It's common within a fragmented industry, but when there's one or two large players with a significant share, they can get a better overview and plan ahead much better."

Reducing the fragmentation of the Chilean industry has been a key aim of Marine Harvest, the firm's chairman Leroy told *Undercurrent*. "It has been an important concern of ours, and regarded as the best possible move."

This also has massive benefits for biosecurity, said Nikolik.

"A greater control of the sector means better coordination of transport, fallowing sites, treating for sea lice," Nikolik told *Undercurrent*. "If you control whole areas then there is no risk of a neighboring company affecting your biosecurity plans."

The tentative closing date for the deal is in Q3 2015.

In conjunction with the merger, Marine Harvest has agreed on a standstill position of its ownership in AquaChile until June 15, 2016.

From June 15, 2016 until June 15, 2017, Marine Harvest will have the option to acquire further shares in Aquachile through a tender offer that at a minimum will give Marine Harvest an ownership interest of 55%.

The price in such a tender offer will be the higher of \$0.8856 per share and the prevailing stock market price at that time.

Inversiones Patagonia (controlled by the Puchi family) and Holding Salmones (controlled by the Fischer family), each controlling approximately 33% of AquaChile prior to the merger, have agreed to tender a number of shares that will secure Marine Harvest an ownership interest of a minimum of 55% if the aforementioned tender offer is launched.

After June 15, 2017, the respective standstill and tender offer obligations of Marine Harvest, Inversiones Patagonia and Holding Salmones expire entirely.

The parties have agreed that the business combination will be executed in a way such as to maximize both companies' competitive advantages and expertise, in order to run sustainable salmonids farming operations with a focus on enhancing complementary areas of competence and experience,

The combined entity will be the sole vehicle through which Aquachile and Marine Harvest will develop their aquaculture business in the Americas, with the exception of Canada, reads the statement.

Aquachile and Marine Harvest Chile had a combined production of 165,000 metric tons of salmon (gross weight) and 19,000t (whole fish equivalent, WFE) of tilapia in 2014.

The merged entity is expected to have a production capacity of approximately 260,000t gross weight of salmon and 25,000t WFE of tilapia.

LarrainVial is acting as financial advisor for Marine Harvest and Claro & Cia and Advokatfirma Wiersholm are acting as legal advisors.

Source : [http://www.undercurrentnews.com/2015/01/20/marine-harvest-aquachile-deal-can-stem-boom-bust-salmon-cycles/\(20/01/15\)](http://www.undercurrentnews.com/2015/01/20/marine-harvest-aquachile-deal-can-stem-boom-bust-salmon-cycles/(20/01/15))