

Oceana Group Limited
Incorporated in the Republic of South Africa
(Registration number 1939/001730/06)
JSE Share Code: OCE
NSX Share Code: OCG
ISIN Number: ZAE 000025284
("Oceana" or "the company" or "the group")

<https://oceana.co.za/pdf/Interim-results-announcement-June-2020.pdf>

UNAUDITED GROUP INTERIM RESULTS FOR THE PERIOD ENDED 31 MARCH 2020

SALIENT FEATURES

- Revenue up 2% to R3 627 million
- Operating profit up 9% to R605 million
- Operating profit Africa operations up 18% to R514 million
- Profit before tax up 10% to R466 million
- Earnings per share up 1% to 250.4 cents
- Headline earnings per share in line with prior year at 249.8 cents
- Cash generated from operations improved to R683 million (March 2019: R194 million)

COMMENTS

COVID-19 PANDEMIC

Oceana is fully committed to the preventative measures implemented by various Governments during March to contain the spread of the novel coronavirus (COVID-19), in the countries in which we operate, with our primary priority being to ensure the health and safety of our employees, customers and suppliers and food security through continuity of production.

The group is classified as an essential service provider in all the countries in which we operate, being involved in the sourcing, manufacturing and distribution of food products, including fishmeal and oil. All our locations continue to operate with continuous monitoring and evaluation of COVID-19 standard operating procedures (SOP's) and protocols to safeguard our employees and ensure business continuity.

Oceana proactively implemented several health and safety SOP's and protocols across the group in February and early March prior to Government announced lockdowns. Our stringent SOP's include the provision of daily transport to workers within the guidelines provided, temperature testing of all employees and visitors, restricting access to facilities, regular sanitisation and cleansing of facilities, provision of the requisite personal protective equipment to all employees and other social distancing measures. In addition, all office-based employees are equipped to work remotely enabling management and administration to function effectively during the lockdown.

In terms of living up to our culture statement of "positively impacting lives", we are working closely with Government and charitable organisations with whom we partner, to donate water, food parcels and essential medical equipment and supplies to help alleviate the impact of COVID-19 on vulnerable communities. In support of the South African Governments call to increase funds available to combat COVID-19 in these communities, Oceana's management and Board members have voluntarily agreed to salary and fee reductions.

FINANCIAL RESULTS

The group delivered a resilient operating performance for the six months ended 31 March 2020 under difficult trading conditions in the latter quarter. Performance of our African operations was strong, driven by sustained demand for canned fish, horse mackerel and hake, supported by firm pricing across all sectors. Operational efficiencies and a solid performance from the cold storage segment following optimisation of capacity has bolstered results. As expected, performance of the fishmeal and fish oil segment in the United States of America (USA) was curtailed on the back of the lower prior season catch.

Group revenue increased by 2% to R3 627 million (March 2019: R3 557 million) primarily due to increased African operations' revenue of 3% mainly attributable to improved canned fish, fish oil and

horse mackerel pricing, increased cold storage occupancy levels and the favourable impact of the weaker Rand on export revenues.

Revenue from Daybrook's operations declined 4% due to lower fish oil sales volumes following lower prior year catches and oil yields, partially negated by firmer global fish oil pricing and the favourable US Dollar exchange rate.

During the period the group extracted operating efficiencies through optimisation of the SA fishmeal fleet and cold storage capacity. Associate and joint venture losses reduced materially following closure of the Angolan fishmeal operations and higher volumes processed through the Namibian canning operation.

Group operating profit increased by 9% to R605 million (March 2019: R554 million) driven by growth of 18% in our African operations offset by a reduction in the USA where Daybrook's operating profit declined by 23%.

Net interest expense increased by 7% to R139 million (March 2019: R130 million). On a comparable basis, adjusting for the financial effects of adopting IFRS 16: Leases, net interest expense decreased by 2% primarily due to the early repayment of debt in South Africa and lower interest rates. The average interest rate for all debt is 5.0% (March 2019: 7.0%).

The strong performance of the Africa operations together with the lower net interest expense, resulted in group profit before tax increasing by 10% to R466 million (March 2019: R423 million).

TAXATION

Taxation expense increased by 26% to R153 million (March 2019: R122 million) due to the higher earnings contribution from the African operations which is subject to a higher tax rate than the USA operations and dividends withholdings tax of R21.8 million (March 2019: R8.8 million) accrued on dividends declared by foreign subsidiaries.

HEADLINE EARNINGS AND DIVIDEND

Group headline earnings per share was in-line with the prior year with the higher taxation expense offsetting the increased profit before tax. On a comparable basis, excluding the effects of the incremental dividends withholding tax, headline earnings increased by 4%.

Notwithstanding the pleasing performance of the business for the six months ended 31 March 2020, the Board considered it prudent to defer its decision on an interim dividend in light of the evolving impact of COVID-19 on the macro-economic environment and the group's operations. This precautionary measure preserves cash and provides greater balance sheet flexibility in these uncertain times. The board will continue to evaluate the group's operational performance and financial prospects during the year before concluding on an interim dividend. The dividend per share declared for the prior period to March 2019 was 123 cents per share.

FINANCIAL POSITION AND CASH FLOW

Working capital continues to be efficiently managed and the group's cash generated from operations increased significantly to R683 million (March 2019: R194 million) following improved inventory levels and extended payment terms secured with international frozen fish suppliers. As a result, cash balances increased to R325 million (March 2019: R194 million).

Group long term debt is R3 617 million (March 2019: R3 589 million) of which R2 049 million (March 2019: R1 581 million) is US Dollar denominated. The increase in US Dollar denominated debt is attributable to the higher closing exchange rate of R17.9/US Dollar (March 2019: R14.6/US Dollar) and the refinance of the US term facility on improved terms.

REVIEW OF OPERATIONS

Canned fish and fishmeal (Africa)

This segment has delivered strong growth in operating profit of 19% due to improvements in both the canned fish and fishmeal (Africa) divisions.

With canned pilchard volumes at 4.5 million cartons (March 2019: 4.4 million cartons) the canned fish business delivered further growth in an environment where the disposable income of consumers is under considerable pressure, off the back of an 11% volume growth in the prior period. This was enabled by a strategy of maintaining relative affordability and promoting the versatility of our Lucky Star brand. Including the effect of a price increase in November overall revenue growth for this segment is 4%.

Canned fish production has been largely supplied by imported frozen fish given that the SA Pilchard Total Allowable Catch (TAC) remains at a cyclical low. Consistent supply of frozen fish for Lucky Star's canned pilchard products continued to benefit our canneries in South Africa and Namibia from both a production and labour efficiency perspective.

The canned fish sales price increase in November together with the lower cost of local production offset the impact of the weaker Rand on imported frozen fish. This resulted in the canned fish business delivering an improved performance for the period.

Profitability of the African fishmeal and fish oil business improved as a result of improved fish oil pricing, the weaker Rand, cost savings from SA fleet optimisation and elimination of operational losses following closure of the Angolan operation.

Fishmeal and fish oil (USA)

As previously reported, landings in October 2019 were below historical averages. This together with the lower oil yields experienced in the prior season, reduced fish oil stock available for sale during the closed season period to March 2020 resulting in lower revenue for the reporting period.

Positively, fishmeal sales volumes have performed better than expected and remained strong with continued demand from the USA pet food manufacturers. Pleasingly, overall pricing for both meal and oil has increased by 3% over the prior period.

Operating profit for the period reduced to R91.4 million (March 2019: R118.2 million) due primarily to lower fish oil sales volumes. US Dollar earnings have been converted at an average exchange rate of R15.3/US Dollar compared to R14.3/US Dollar for the comparative period.

The 2020 fishing season commenced on 20 April 2020 with all vessels fully deployed and plant operations functional and will run until the end of October 2020. Early season indicators are positive with landings to the end of May approximately 30% higher than 2019 and oil yields of 10.3% (2019: 8.3%).

Horse mackerel, hake, lobster and squid

The segment has delivered 9% growth in operating profit, driven by a strong performance from the horse mackerel and hake businesses.

Demand for Namibian and South African horse mackerel remained positive resulting in increased sales volumes and improved US Dollar pricing. In Namibia, the ministry of fisheries announced a 5% decline in the TAC in relation to the prior period. In South Africa, quota available to Oceana through own and joint venture allocations remained in line with the prior period.

Improved vessel utilisation, lower fuel prices and the weaker Rand have contributed to an improved performance for this business.

In Namibia, long-term fishing rights were announced with our joint venture partners successfully securing seven-year rights in the horse mackerel fishery, in line with our current license conditions. We will continue to explore additional partnership opportunities with new rightsholders while continuing to play a positive role in the development of the Namibian fishing sector.

The 2020 Hake offshore TAC remained in line with the prior period. A strong improvement in revenue and operating profit for this business is the result of continued European demand for products consumed in-home, the weaker Rand and lower fuel prices.

The West Coast Rock Lobster TAC remained unchanged. Profitability was negatively impacted by poor catch rates and the closure of the Chinese market for live lobster following the COVID-19 outbreak. In response, fishing was slowed down and product frozen for sale into other geographies at lower margins.

There was no change to fishing rights allocated to the squid business. Poor industry catches and lower opening inventory levels resulted in a reduction of sales volumes and lower profitability.

Commercial cold storage and logistics (CCS)

The CCS business delivered a significantly improved performance more reflective of its full potential. The strong performance was driven by higher occupancy levels, reduced operational costs following right sizing of cold storage capacity and the non-recurrence of once-off costs incurred in the prior period. The Western Cape facilities continued to benefit from the high levels of frozen fish procured by Lucky Star whilst the inland facilities benefitted from new customer intake and a reduced cost base.

PROSPECTS

The positive trading of all our products has continued into April and May, aided by signs of recovery in the SA pilchard resource and improved landings of industrial fish in South Africa and Gulf Menhaden in the USA. Live lobster processing and sales into China have resumed.

Canned pilchard demand has remained resilient into April and May, demonstrating volume growth against the prior period, and our ability to continue servicing this demand is strong given our well-stocked inventory levels. Canned fish margins will however be challenged by the increased cost of imported fish given the weaker Rand. Our strategy of driving volume through relative affordability and product versatility remains intact with continued focus on operational efficiencies and supply chain improvements.

Global demand for fish meal and fish oil remains firm supported by increased Chinese production levels and positive shifts in in-home farmed fish consumption. Global supply will be impacted by Peruvian ability to manage COVID-19 disruption risk and bolstered by good landings in South Africa and the USA, which are currently tracking materially above the prior period.

Rand weakness is anticipated to continue for the remainder of the financial year benefitting our export businesses and the translation of Daybrook's earnings both of which are weighted to the second half given the seasonality of the peak fishing periods.

Interest on unhedged South African debt in the second half will benefit from the 275-basis point reduction in the SA Reserve Bank repo rate.

In South Africa, Cabinet has approved the extension of fishing rights to December 2021 with exemptions granted to existing rights holders to continue fishing based on current allocations.

We expect our operations in the Western Cape to be negatively impacted by COVID-19 as the number of infections peak, with a higher risk of business interruption in our hake and horse mackerel segment. The risk of a large-scale impact in the immediate future is however mitigated by the diverse and wide footprint of our operations, the geographic spread of our customer base and the high levels of in-home consumption of our various product offerings. We continue to closely monitor the health of our front-line employees and to adapt SOP's implemented to mitigate the risk of high infection rates at any one of our locations.

Although the outcomes of COVID-19 on the macro environment and our operations remains unpredictable, at this stage we believe that Oceana has sufficient headroom in terms of its debt covenants and liquidity requirements to cover adverse cashflow effects. Stringent and proactive measures have been implemented across the group to manage costs, and optimise working capital and capital expenditure, with a strong focus on cash flow management during these uncertain times.

Oceana is exceptionally proud of all its employees for their committed diligence, care and professionalism in continuing to deliver excellence and essential products during this most trying of times.

Any forward-looking statements set out in this announcement have not been reviewed or reported on by the company's external auditors

This short-form announcement is the responsibility of the company's board of directors and is only a summary of the information in the full announcement and therefore does not contain full or complete details. Any investment decisions by investors and/or shareholders should be based on

consideration of the full announcement published on the group's website www.oceana.co.za and on the JSE website using https://senspdf.jse.co.za/documents/2020/jse/isse/oce/HY_20.pdf.

Copies of the full announcement may be requested from the Company Secretary at adela.fortune@oceana.co.za or from the company's Sponsor Natalie.Di-Sante@standardbank.co.za. Given lock-down regulations, these will be sent electronically upon request.

On behalf of the board

MA Brey
Chairman (non-executive)
Cape Town

I Soomra
Chief executive officer

04 June 2020

END

Directorate and statutory information

Directors: MA Brey (chairman), I Soomra* (chief executive officer), E Bosch (resigned 31 January 2020), ZBM Bassa, PG de Beyer, A Jakoet (appointed 14 November 2019), S Pather, NA Pangarker, L Sennelo, NV Simamane.
(*Executive)

Prescribed Officer: T Giles (Interim chief financial officer)

Registered Office: 9th Floor, Oceana House, 25 Jan Smuts Street, Foreshore, Cape Town, 8001

Transfer Secretaries: Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196
(PO Box 62053, Marshalltown, 2107)

Sponsor - South Africa: The Standard Bank of South Africa Limited

Sponsor - Namibia: Old Mutual Investment Services (Namibia) Proprietary Limited

Auditors: Deloitte & Touche

Company Secretary: A Fortune

JSE share code: OCE

NSX share code: OCG

ISIN: ZAE000025284