

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")

http://oceana.co.za/pdf/Summarised_Consolidated_Results_2020.pdf

AUDITED* GROUP RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

*Extracted financial information from the audited results for the year ended 30 September 2020

SALIENT FEATURES

- Revenue up 9% to R8 308 million
- Operating profit up 21% to R1 399 million
- Operating profit Africa operations up 22% to R975 million
- Profit before tax up 28% to R1 146 million
- Earnings per share up 23% to 650.9 cents
- Headline earnings per share up 15% to 628.4 cents
- Cash generated from operations improved to R2 083 million
- Total dividends 393.0 cents per share

COMMENTS

OVERALL RESULTS

Oceana has delivered an exceptional performance for the year ended 30 September 2020, with after tax profit growth of 26%, amidst challenging economic conditions, logistics and supply constraints compounded by Covid-19 restrictions and protocols. The group and its operations were classified as an essential service provider in all geographies in which it operated during the peak Covid-19 lockdown periods and was accordingly able to continue operating with all employees abiding by stringent procedures and protocols to safeguard their health and well-being.

On an overall basis the strong performance can be attributed primarily to the rallying of our workforce in heeding the call to provide continuous supply of product and aid food security for our consumers, supported by the continued demand and firm pricing for our range of products which are predominately consumed in-home.

REVENUE

Group revenue increased by 9% to R8 308 million (2019: R7 647 million) driven by increased fishmeal sales volumes, consistent supply and sustained demand for canned fish together with favourable pricing across most products which was further enhanced by the benefit of a weaker exchange rate on export revenue.

OPERATING PROFIT

Group operating profit before other operating items increased 18% to R1 382 million (2019: R1 175 million). In addition to the benefit of strong revenue growth, operating costs remained well controlled during the year, supported by production efficiencies in our canneries and fishmeal operations, improved occupancies in the commercial cold storage business and further aided by the closure of underperforming operations in the prior year.

The group remains favourably disposed to a weaker Rand aided by the USD earnings of our Daybrook operations. Our Africa operations offered a natural Rand hedge over the financial period with procurement of raw materials and fuel in foreign currency approximately matched by export revenues, primarily from our fishmeal, horse mackerel and hake businesses.

COVID-19 IMPACT

In order to provide a safe working environment at both our land and sea-based operations the group incurred costs of R50 million in the provision of personal protective equipment, dedicated staff transport, food parcels and staff recognition bonuses for frontline workers. In addition to the fortitude demonstrated by our workforce this resulted mainly in continuous harvesting, processing and supply of product.

Notwithstanding this level of resilience, our fishing operations suffered intermittent disruptions due to Covid-19 infections during the year. This resulted in approximately 10% of harvesting time lost, particularly in our USA and Namibian operations. We estimate earnings lost as a consequence of these disruptions at R75 million.

OTHER ITEMS

The group adopted the IFRS 16: Leases (IFRS 16) standard which was effective for the accounting period commencing 1 October 2019 and replaces IAS 17: Leases. The group implemented the standard using the modified retrospective approach.

Other operating items include profit on the disposal of non-core land and buildings and the Glenryck UK trademark, reduced by an increased loan impairment and related exchange rate losses on the mothballed Angolan operation.

Net interest expense of R254 million (2019: R261 million) includes R24 million in finance charges arising from the adoption of IFRS 16. Net interest expense, excluding the lease related interest charge, reduced by 12% primarily due to the settlement of R278 million of South Africa (SA) debt in the year, strong working capital management over the year and lower interest rates in both SA and the United States (USA). The average interest rate for all debt is currently 5.1% (2019: 6.8%).

TAXATION

The taxation expense of R330 million (2019: R249 million) includes dividend withholding tax of R21.6 million (2019: R9.8 million) accrued on dividends declared by foreign subsidiaries and capital gains tax of R5.8 million (2019: R nil) on capital gains realised.

HEADLINE EARNINGS

Headline earnings after minority interests and headline earnings adjustments improved by 15.4% from R636 million to R734 million. The increase in profit attributable to minority interests to R56 million (2019: R31 million) is primarily driven by the improved performance in the SA fishmeal and hake segments which directly benefited black owned minority shareholders in these segments.

CASH FLOW AND FINANCIAL POSITION

Management adopted a defensive approach in view of the uncertainties brought on by the Covid-19 pandemic, immediately introducing proactive measures to strengthen the balance sheet and optimise cashflow management including a reassessment of planned capital expenditure.

Strong cash generation, close monitoring of working capital utilisation favourably impacted by lower inventory levels and improved supplier terms contributed to significantly improved cash balances of R1 212 million (2019: R588 million).

In addition to planned debt reduction, this contributed to a material improvement of 27% in net debt levels to R2 240 million (2019: 3 062 million) reducing the group's Net Debt to EBITDA ratio to 1.4 times (2019: 2.2 times).

DIVIDENDS

After due consideration and evaluation of our prospects and liquidity for the immediate future, the Board declared a final dividend of 293.0 cents (2019: 240.0 cents) per share which together with the interim dividend brings the total dividend for the year to 393.0 cents (2019: 363.0 cents) per share.

REVIEW OF OPERATIONS

<u>Segmental results</u>	<u>Revenue</u>			<u>Operating profit before other operating items</u>		
	<u>2020</u> <u>R'000</u>	<u>2019</u> <u>R'000</u>	<u>%</u> <u>Change</u>	<u>2020</u> <u>R'000</u>	<u>2019</u> <u>R'000</u>	<u>%</u> <u>Change</u>
Canned fish and fishmeal (Africa)	4 471 836	4 038 540	11	522 077	450 591	16
Fishmeal and fish oil (USA)	1 905 553	1 721 044	11	424 796	359 102	18
Horse mackerel, hake, lobster and squid	1 545 989	1 514 436	2	353 749	303 172	17
Commercial cold storage and logistics	384 963	373 395	3	81 657	62 460	31
Total	8 308 341	7 647 415	9	1 382 279	1 175 325	18

Canned fish and fishmeal (Africa)

Canned fish demand remained resilient in an environment where the disposable income of consumers was under considerable pressure. Canned pilchard sales volumes increased by 1% to 9.1 million cartons (2019: 9.0 million cartons) largely driven by increased in-home consumption of the 400g (talls) canned pilchard category and feeding scheme volumes. Revenue growth was attributable to a 4% price increase implemented in November 2019 aligned with our affordable protein strategy.

Our canneries in both SA and Namibia continued to deliver production and supply chain efficiencies along with increased throughputs, driven by strong workforce attendance ensuring continued cost containment and consistent availability of product on shelf.

In light of the continued slow recovery of the local pilchard resource in both SA and Namibia, supply of raw material for our canned fish product is predominantly from frozen fish imported from other geographies. During the year overall procurement levels and pricing of raw materials improved but was insufficient to offset the negative impact of a weaker Rand. Production efficiencies and improved throughputs have enabled this segment to maintain operating margins at attractive levels.

The group's African fishmeal and oil segment has delivered a stellar performance supported by a healthy anchovy biomass in SA and strong adherence to Covid-19 protocols which ensured harvesting and processing continuity during peak periods of the fishing season. A 20% increase in landings and consistent demand for fishmeal in our key geographies contributed to strong revenue growth for the year. The rightsizing of our SA fleet and elimination of operating losses following the closure of our Angolan factory have further enhanced financial performance for the year.

Fishmeal and fish oil (USA)

Our USA business delivered a solid set of results with an improvement in operating profit in both local currency and SA Rands in addition to strong cash generation and reduction of debt.

Operating conditions this season were severely hampered by a combination of Covid-19 disruptions and an abnormally active hurricane season which contributed to a reduction in overall fishing days for the season. Covid-19 disruptions were experienced primarily at the commencement of the season due to staffing capacity and availability and further exacerbated by additional virus exposure subsequent to national holidays in June and July.

Notwithstanding this impediment, which led to approximately 25% downtime, strong catch rates supported by a healthy biomass resulted in a 17% reduction in landings to 567 million fish (2019: 685 million fish) and an improvement in the fish oil yield to 10.0% (2019: 8.2%). This season also enjoyed the successful trials of a run-boat concept and experimental weekend fishing.

Revenue for the year was supported by strong demand for menhaden fishmeal in the US pet food sector due to increased lockdown related consumption by American households with pets. Steady fishmeal demand in other sectors and increased fish oil pricing in European markets further contributed to positive earnings growth.

The business has embarked upon extensive procurement efficiencies during the year which will continue to benefit operating margins going forward.

Horse mackerel, hake, lobster and squid

This segment delivered 17% growth in operating profit before other operating items, driven by strong performances from both the horse mackerel and hake businesses.

Horse mackerel operations remained resilient during the year with quota levels in both SA and Namibia materially unchanged. Demand for fresh fish protein, particularly in Southern Africa, contributed to strong pricing during the second half of the year. Lower fuel prices and the effect of the weaker Rand contributed further to an improvement in performance. Notwithstanding a 10% reduction in fishing days due to Covid-19 disruptions which impacted volumes negatively, this segment delivered a significant increase in operating profit for the year.

The 2020 Hake offshore TAC remained in line with the prior year. A strong improvement in revenue and operating profit for this business resulted from continued European demand for products consumed in-home, supported by a weaker exchange rate and lower fuel prices, but marginally curtailed by Covid-19 disruptions to fishing days.

Profitability in the lobster segment was negatively impacted by 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. Lower industry wide catches resulted in a reduction of sales volumes and lower profitability in the squid segment.

Commercial cold storage and logistics (CCS)

The CCS business delivered a significantly improved performance with operating profit before other operating items increasing 31%. Occupancy levels at most stores improved as a direct result of Covid-19 resulting in longer storage periods and contracting with new customers. Increased fixed reservation contracts in the Western Cape and Gauteng regions contributed further to revenue and operating profit growth. The CCS business continued to play a critical role in enabling the supply of frozen fish to Lucky Star resulting in stable occupancies in the Western Cape region.

The strong performance was further driven by reduced operational costs following right sizing of cold storage capacity and the non-recurrence of once-off costs incurred in the prior year. Operating profit was, however, negatively impacted by higher staff expenditure directly related to Covid-19 precautionary measures.

DIRECTORATE CHANGES

Hajra Karrim was appointed as the group's Chief Financial Officer effective from 1 November 2020. Hajra takes over the role from Trevor Giles who was appointed as Interim Chief Financial Officer from 11 February 2020. The Board extends its gratitude to Trevor for the exemplary manner in which he fulfilled the responsibilities of the role and furthermore wishes Hajra well and much success in her new role.

PROSPECTS

Covid-19 continues to bring uncertainty in all the geographies in which we operate. Our performance in 2020 was underpinned by in-home consumption of most of our products, matched with consistent supply brought about by the adoption of strong safety protocols across our workforce. We believe that this will continue to drive our activity and performance in the short term.

Over the medium term we anticipate that our diverse operations will continue to offer risk mitigation. Our product offerings remain attractive despite the continued effects of the pandemic and we will look to drive volume growth particularly in the canned fish and fishmeal segments.

We remain cautious, however, about the evolving impact of the Covid-19 pandemic on the global macroeconomic environment, the effect on consumer spending and the impact on the pace of economic recovery. We will continue to evaluate the group's prospects against this backdrop, and in particular the possible emergence of a vaccine when evaluating future capital allocation and dividend decisions.

In SA, updated timelines for the 2021 Fishing Rights Allocation Process have been published. It is currently anticipated that applications and allocations will be concluded during November 2021. We remain confident of an objective and transparent policy setting, application and adjudication process. As a level-1 B-BBEE contributor with over 70% black ownership and the honour of being the

most empowered food producer on the JSE, Oceana believes it is well placed to strongly contest for the renewal of its fishing rights. The group intends to replace its current staff empowerment scheme, which vests in January 2021, subject to shareholder approval. An announcement in this regard will follow in due course.

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

NOTE OF APPRECIATION

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. Our ability to heed the call to deliver food security for our consumers is testament to our strong desire to play a meaningful role in the betterment of society.

We are particularly grateful to the regulators in all the geographies in which we operate for their support during the peak of the pandemic. In SA, Minister Barbara Creecy and her team, through engagement with industry associations, were instrumental in providing much needed clarity and guidance which in turn enabled us to provide continuity of job and food security.

The consolidated Annual Financial Statements (AFS) were audited by Deloitte & Touche who issued an unmodified audit opinion on the consolidated AFS. The consolidated AFS, which includes the auditor's report (with Key Audit Matters) issued on the consolidated AFS, are available on the Company's website: <http://oceana.co.za/pdf/Audited-annual-financial-statements-2020.pdf>.

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/FY_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

03 December 2020

I Soomra

Chief executive officer

CASH DIVIDEND DECLARATION

Notice is hereby given of dividend number 153. A gross final dividend amounting to 293.0 cents per share, in respect of the year ended 30 September 2020, was declared on Thursday, 3 December 2020, out of current earnings. Where applicable the deduction of dividends withholding tax at a rate of 20% will result in a net dividend amounting to 234.4 cents per share.

The number of ordinary shares in issue at the date of this declaration is 130 431 804. The company's tax reference number is 9675/139/71/2. Relevant dates are as follows:

Last day to trade *cum* dividend Monday, 28 December 2020

Commence trading *ex* dividend Tuesday, 29 December 2020

Record date Thursday, 31 December 2020

Dividend payable Monday, 4 January 2021

Share certificates may not be dematerialised or rematerialised between Tuesday, 29 December 2020 and Thursday, 31 December 2020, both dates inclusive.

By order of the Board

A Fortune

Company secretary

3 December 2020

END

Directorate and statutory information

Directors: MA Brey (chairman), I Soomra* (chief executive officer), E Bosch* (resigned 31 January 2020), H Karrim* (chief financial officer - appointed 1 November 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
(Private Bag X9000, Saxonwold, 2132)

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
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