

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_2021.pdf

UNAUDITED GROUP INTERIM RESULTS FOR THE PERIOD ENDED 31 MARCH 2021

SALIENT FEATURES

- Revenue down 2% to R3 568 million
- Operating profit down 4% to R583 million
- Profit before tax up 5% to R489 million
- Earnings per share up 13% to 284.0 cents
- Headline earnings per share up 4% to 260.5 cents
- Cash generated from operations R674 million
- Dividends 110.0 cents per share

COMMENTS

GROUP OVERVIEW

The business environment for the first half of the 2021 financial year continued to be shaped by the on-going uncertainties brought on by the Covid-19 pandemic on economies across the globe, impacting both the pace of economic recoveries as well as consumer spending patterns. As a designated essential service provider, all Oceana locations across countries in which we are present, continue to operate with rigorous monitoring and evaluation of Covid-19 protocols to safeguard our employees, customers and suppliers and to ensure food security through continuity of production and supply.

While demand for our core products remained strong, the Group's supply chain and operations were hampered by temporary disruptions brought on by lockdown regulations and restrictions in key supply territories.

In the context of the strong performance delivered in the midst of a market downturn in 2020, Oceana delivered a satisfactory performance for the six months ended 31 March 2021. Positive trading conditions for fishmeal, fish oil and horse mackerel were muted by supply chain and operations disruptions in canned fish.

As expected, Group revenue for the period was weighed down by the performance of the fishmeal and fish oil segment in the United States of America (USA) on the back of the significantly lower prior season catch. Revenue from African operations grew 1% and overall revenues declined 2% to R3 568 million (March 2020: R3 627 million).

Group operating profit declined 4% to R583 million (March 2020: R605 million) with operating profits from African operations declining 1% and Daybrook's operating profit declining 16%. Included in these results is the net effect of R31 million profit on disposal of the Bayhead cold storage facility as well as R10 million transaction costs for the launch of the new employee and strategic partner trusts.

Net interest expense decreased by 32% to R94 million (March 2020: R139 million) primarily due to continued debt repayments, higher cash balances and lower interest rates in South Africa. The average interest rate for all debt as at the end of March is 5.3% (March 2020: 7.2%).

The taxation expense of R140 million (March 2020: R153 million) includes capital gains tax of R3.3 million (2020: R nil), a prior year tax benefit in the US of R4.9 million as well as lower dividends withholding tax from lower foreign dividends declared.

Strong cost management discipline coupled with the lower net interest expense contributed to Group profit after tax increasing by 11% to R348 million (March 2020: R313 million).

Earnings per share and headline earnings per share increased by 13% and 4% respectively.

COVID-19 IMPACT

The uncertainties and disruptions brought on by Covid-19 lockdown restrictions across main raw fish supply geographies together with the gradual resumption of trade activities under pandemic restricted protocols, resulted in port, logistics and supply impediments which hampered the Group's ability to secure adequate levels of fish supply to maintain production levels and to fully service canned fish demand. These factors also had the effect of delaying shipment of export sales as well as reducing both Group and third-party occupancy levels in the cold storage business. Shipping and port delays resulted in a c60% supply shortfall compared to the comparative period with a resulting reduction in production and consequently lower inventory levels.

We estimate revenue lost as a consequence of these disruptions at R73 million and a corresponding operating profit reduction amounting to R34 million.

CASH FLOW AND FINANCIAL POSITION

Management continues to maintain a conservative cash management posture in view of the pandemic induced uncertainties, while retaining measures to strengthen the balance sheet and optimise cashflow, including on-going re-assessments of planned capital expenditure.

Overall cash on hand improved by R715 million to R1 040 million (March 2020: R325 million). Strong cash generation, frozen fish procurement delays, lower inventory levels and improved supplier terms contributed to improved cash balances. Included in the closing cash balance is R378.8 million due to beneficiaries of the Oceana Empowerment Trust being the net proceeds from the sale of shares on behalf of those beneficiaries.

DIVIDENDS

After due consideration and evaluation of our prospects and liquidity for the immediate future, the Board declared an interim dividend of 110.0 cents (March 2020: 100.0 cents) per share.

REVIEW OF OPERATIONS

<u>Segmental results</u>	<u>Revenue</u>			<u>Operating profit</u>		
	<u>2021</u> <u>R'000</u>	<u>2020</u> <u>R'000</u>	<u>%</u> <u>Change</u>	<u>2021</u> <u>R'000</u>	<u>2020</u> <u>R'000</u>	<u>%</u> <u>Change</u>
Canned fish and fishmeal (Africa)	2 010 205	2 058 657	(2)	201 002	264 462	(24)
Fishmeal and fish oil (USA)	555 685	630 364	(12)	76 473	91 420	(16)
Horse mackerel, hake, lobster and squid	812 595	746 652	9	221 752	197 123	13
Commercial cold storage and logistics	189 489	190 841	(1)	84 164	52 115	62
Total	3 567 974	3 626 514	(2)	583 391	605 120	(4)

Canned fish and fishmeal (Africa)

Canned fish demand has remained positive with market share growth from the high base of the previous period, in an environment where the disposable income of consumers has come under pressure. Canned fish sales demonstrated resilience for most of the trading period but was negatively impacted by low 'stokvel' volumes in December and exacerbated by lower supply service levels in March due to lower frozen fish availability. The combined effect of Covid-19 lockdown restrictions, global container shortages and port delays in Cape Town resulted in a 60% decline in frozen fish imports, reducing production levels and canned fish inventory available for sale. Overall volume decline of 5% has been positively offset by the effect of a 4% price increase effected in November. Operating margins in the canned fish segment remain strong, supported by ongoing procurement and production efficiencies.

Improved global demand for fish meal has been reflected in improved pricing for the African fishmeal and fish oil business. Profitability came under pressure from early season by-catch limitations which constrained catch levels for the industry to 37% of the prior period. This, together with the port and freight logistics challenges which impacted export sales, has materially offset the benefit from favourable fish meal pricing.

The 24% decline in operating profit for this division is primarily attributed to lost production days, lower fixed cost absorption and lower fish meal volumes.

Fishmeal and fish oil (USA)

As previously reported, landings in the 2020 fishing season were severely hampered by a combination of Covid-19 disruptions and an abnormally active hurricane season contributing to a 36% reduction in inventory available for sale during the off-season period to March 2021.

Positively, fishmeal offtake volumes performed better than expected with continued demand from the USA pet food manufacturers, while overall pricing for fishmeal and fish oil has increased by 1% and 13% respectively over the prior period.

Operating profit for the period reduced to R76 million (March 2020: R91 million) with US Dollar earnings having been converted at an average exchange rate of R15.11/US Dollar compared to R16.61/US Dollar for the comparative period.

The 2021 fishing season commenced on 19 April 2021 and will run until the end of October 2021. Early season indicators are positive with oil yield in excess of 10%, notwithstanding a slow start due to inclement weather.

Horse mackerel, hake, lobster, and squid

This segment delivered 9% growth in revenue and 13% growth in operating profit driven by strong performances from the horse mackerel, lobster, and squid businesses.

Horse mackerel operations remained resilient during the half with quota levels in both SA and Namibia materially unchanged. Strong demand across traditional African markets coupled with supply shortages drove favourable pricing and compensated for reduced Namibian catch rates. The effect of higher fuel prices and a stronger Rand were mitigated by favourable fuel cover arrangements which remain in place until September 2021. Notwithstanding a 9% reduction in landings largely as a result of lost sea days due to vessel maintenance, this segment delivered significantly increased revenues and improved operating profit for the period.

The 2021 Hake TAC decreased 5% relative to the prior year. This, together with lower industry-wide catch rates and 2 statutory vessel dry-docks, saw sea days and landings reduce by 9% and 25% respectively. A slow recovery in the European food services sector has placed hake prices under short term pressure offsetting the benefit derived from a 10% improvement in the Euro exchange rate. As a result, revenue and operating profit for the hake business declined against the comparative period.

Profitability in the lobster segment improved following the reopening of the Chinese market for live lobster which drove up prices. Squid landings improved significantly by 82% due to good catch rates.

Commercial cold storage and logistics (CCS)

The CCS business delivered a 62% improvement in operating profit, benefitting from the profit on disposal of the Bayhead cold storage facility concluded in February, as well as cost savings achieved through optimisation of storage capacity. Overall occupancy levels declined as a direct result of reduced imports brought on by the global container shortage. The port logistic challenges also negatively impacted Lucky Star's utilisation of space for frozen fish. Positively, revenue per pallet improved 4% supported by Namibian occupancy levels.

DIRECTORATE CHANGES

Thoko Mokgosi-Mwantembe and Peter John Golesworthy were appointed as independent non-executive directors on 7 April 2021. The Oceana Board welcomes Thoko and Peter and looks forward to their contributions in assisting the Company in achieving its strategic objectives.

CHANGE TO TRANSFER SECRETARY

Shareholders are advised, that in terms of paragraph 11.39 of the JSE Listings Requirements, JSE Investor Services (Pty) Limited will replace Computerhsare Investor Services (Pty) Limited as transfer secretaries to Oceana, effective 1 June 2021.

Contact details for JSE Investor Services (Pty) Limited are as follows:

13th Floor, 19 Ameshoff Street
Braamfontein
Johannesburg
2000
P.O. Box 4844, Johannesburg, 2000, South Africa
Telephone: 0861 546572

PROSPECTS

We remain cautious about the effects of Covid-19 for the remainder of the year. The stringent and proactive protocols adopted in 2020 to address Covid-19 risks for the safety of our workforce to sound management of financial risks remain a primary focus area for us.

The Group's core product offerings remain in demand and our diversified global customer base offers protection from the economic stress being experienced by SA consumers.

In South Africa we expect our canned fish segment to remain under volume pressure due to a constrained consumer environment and potential supply chain disruptions. However, we will look to deliver growth bolstered by the effect of a stronger Rand on the cost of imported frozen fish and on-going production efficiencies. In the rest of Africa our fresh fish offerings continue to show strong demand supported by consistent landings across our segments.

Our USA operations are well positioned for volume growth with the addition of a 12th vessel and the introduction of a run-boat for the 2021 fishing season. Growth in pet food and global aquaculture continues to drive positive pricing for fishmeal and fish oil in all geographies.

The 2021 FRAP process has commenced with the publishing of draft economic impact assessments and appointment of service providers to bolster capacity. The DEFF Ministry remains committed to a transparent and accountable process that concludes by December 2021.

Any forward-looking statements set out in this announcement have not been reviewed or reported on by the 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/2021/jse/isse/oce/HY_21.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

02 June 2021

I Soomra

Chief executive officer

CASH DIVIDEND DECLARATION

Notice is hereby given of dividend number 154. A gross interim dividend amounting to 110.0 cents per share, in respect of the period ended 31 March 2021 was declared on Wednesday, 2 June 2021, 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 88.0 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 Tuesday, 29 June 2021

Commence trading *ex-dividend* Wednesday, 30 June 2021

Record date Friday, 2 July 2021

Dividend payable Monday, 5 July 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 30 June 2021 and Friday, 2 July 2021, both dates inclusive.

By order of the Board

A Fortune

Company secretary

02 June 2021

END

Directorate and statutory information

Directors: MA Brey (chairman), I Soomra* (chief executive officer), H Karrim* (chief financial officer), ZBM Bassa, PG de Beyer, PJ Golesworthy (appointed 7 April 2021), A Jakoet, TM Mokgosi-Mwantembe (appointed 7 April 2021), S Pather, NA Pangarker, L Sennelo, NV Simamane. (*Executive)

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

Transfer Secretaries: JSE Investor Services South Africa (Pty) Ltd ("JIS")
13th Floor, 19 Ameshoff Street, Braamfontein
(PO Box 4844, Johannesburg, 2000)

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

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

Auditors: PricewaterhouseCoopers Inc

Company Secretary: A Fortune

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