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/Reviewed_condensed_consolidated_results_for_the_year_ended_30_September_2022.pdf

REVIEWED CONDENSED CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

Good demand, pricing and a strong second half contribute to excellent results for Oceana for the year ended 30 September 2022.

SALIENT FEATURES

Continuing operations:

- Revenue increased 12% to R8 148 million (2021: R 7 296 million)
- Operating profit before other operating items increased 11% to R1 250 million (2021: R1 128 million)
- Profit before tax increased 14% to R1 064 million (2021: R 936 million)
- Earnings per share increased 16% to 622.9 cents (2021: 536.2 cents)
- Headline earnings per share increased 17% to 626.0 cents (2020: 536.2 cents)

Total operations:

- Revenue increased 11% to R8 438 million (2021: R 7 633 million)
- Operating profit before other operating items increased 6% to R1 256 million (2021: R1 183 million)
- Earnings per share increased 6% to 603.0 cents (2021: 570.7 cents)
- Headline earnings per share increased 10% to 606.2 cents (2021: 550.0 cents)
- Working capital levels increased with normalisation in inventory levels
- Total dividend decreased 3% to 346 cents per share (2021: 358 cents per share)

GROUP OVERVIEW

The Group delivered excellent results for the year, recovering strongly in the second half after a first half impacted by low inventory levels carried forward into the year. There was continued strong demand and price improvements for most of our products, particularly fishmeal and fish oil. The canned fish business recovered well in the second half after supply was normalised following global supply chain disruptions and civil unrest the previous year. Favourable fishing conditions in the United States resulted in good landings by Westbank Fishing LLC (Westbank) contributing to Daybrook Fisheries Inc. (Daybrook) delivering record second half earnings.

All comparative information has been restated for (i) the reversion in the accounting treatment of the Group's 25% investment in Westbank to that of an associate as opposed to a joint operation and (ii) the treatment of the Commercial Cold Storage (CCS Logistics) business as a discontinued operation for reporting purposes following the announcement on SENS on 4 October 2022 relating to the disposal of this business. Refer to the prior-period restatements paragraph below for further detail.

Group revenue from continuing operations grew by 12% to R8 148 million (2021: R7 296 million) as a result of higher fishmeal and fish oil sales, positive pricing across most products and the benefit of a weaker exchange rate on export and US-dollar-translated revenue. Group revenue from total operations including CCS increased by 11% to R8 438 million (2021: R7 633 million).

Group operating profit before other operating items from continuing operations increased by 11% to R1 250 million (2021: R1 128 million). Total Group operating profit before other operating items, from total operations increased by 6% to R1 256 million (2021: R1 183 million).

Joint ventures and associate profit/(loss) of R18 million (2021: loss of R10 million) was largely due to increased landings by our associate, Westbank Fishing.

The Group's gross margin from continuing operations increased to 30.8% (2021: 30.0%) as a result of strong fishmeal and fish oil pricing in US dollar terms as well as the weaker currency benefitting export revenue.

Sales and distribution expenditure from continuing operations increased by 31% to R479 million (2021: R365 million) mainly due to increased freight and container costs and the effect of a weaker exchange rate on US-dollar translated costs.

Overhead expenditure from continuing operations increased by 10% to R816 million (2021: R740 million) and included additional legal, audit and other related costs of R50 million related to the delay in the completion of the September 2021 year end audit. Excluding the effect of these costs, overhead expenditure increased by 4%.

Insurance proceeds of R87 million, recognised in other income, include claims in respect of Hurricane Ida (R63 million) and the civil unrest in KwaZulu-Natal (R14 million), both events occurring in the prior year. (2021: included insurance claims for business interruption following engine damage to the Desert Diamond (R28 million) and Covid-19 costs (R30 million)).

Net interest expense from continuing operations reduced to R180 million (2021: R181 million) with further debt repayment on term debt of R235 million (2021: R282 million). Unhedged interest rate increases, the translation of US-dollar interest at a weaker exchange rate and lower cash balances due to increased working capital levels mitigated the reduction in the net interest expense during the year.

The effective tax rate from continuing operations reduced to 25.6% (2021: 27.8%) due to the improved performance of the US fishmeal and fish oil business, which is taxed at a lower rate.

Headline earnings from continuing operations increased by 20% to R760 million (2021: R635 million) and headline earnings per share improved 17% to 626.0 cents per share (2021: 536.2 cents per share). Headline earnings from total operations were up 13% to R736 million (2021: R652 million) and headline earnings per share improved 10% to 606.2 cents per share (2021: 550.0 cents per share).

The weighted average number of shares in issue increased to 121.4 million (2021: 118.5 million shares) following the unwinding of the Oceana Empowerment Trust. Diluted headline earnings per share from continuing operations increased 25% to 625.6 cents per share (2021: 499.5 cents per share) and from total operations increased 18% to 605.8 cents per share (2021: 512.3 cents per share).

CASH FLOW AND FINANCIAL POSITION

Cash generated from operations decreased by 33% to R990 million (2021: R1 484 million), largely the result of increased canned fish and fishmeal inventory levels to ensure continuity of supply to meet market demand.

Total capital expenditure decreased 12% to R259 million (2021: R295 million) relating mainly to replacement capex. The prior year included capital expenditure relating to the CCS Epping expansion of R60 million.

The Group ended the year with net debt of R2 573 million (2021: R2 127 million) mainly due to the effect of higher working capital requirements and the translation of US-dollar translated debt at a weaker exchange rate, resulting in an increase in the Net Debt to EBITDA ratio of 1.7X (2021: 1.5X).

Gross debt reduced by 6% in South Africa and in the US reduced by 7% in US dollar terms. US dollar-denominated debt increased on translation due to a weaker exchange rate. The Group complied with all lender covenant requirements relating to both its SA and US debt.

REVIEW OF OPERATIONS

	Revenue			Operating profit		
Segmental results	**2022**	2021	%	**2022**	2022 restated	%
R'000	**R'000**	R'000	Change	**R'000**	R'000	Change
Canned fish and fishmeal (Africa)	**4 610 597**	4 101 484	12	**475 394**	463 477	3
Fishmeal and fish oil (USA)	**1 945 817**	1 533 380	27	**583 821**	234 882	149
Horse mackerel, hake, lobster and squid	**1 592 052**	1 661 022	(4)	**150 188**	391 518	(62)
Total continued operations[1]	8 148 466	7 295 886	12	1 209 403	1 089 877	11
Commercial cold storage and logistics	**289 652**	337 530	(14)	**38 849**	109 711	(65)
Total	**8 438 118**	7 633 416	11	**1 248 252**	1 199 588	4

[1] Operating profit before other operating items for total continued operations as well as Commercial cold storage and logistics is before the respective elimination of intercompany revenue and management overheads between continuing and discontinued operations of R34.3 million (2021: R27.5m). Refer to note 4 of the condensed consolidated financial statements for further detail.

CANNED FISH AND FISHMEAL (AFRICA)

Consumer demand for affordable protein and the relative value that Lucky Star provides compared to competing proteins ensured a strong recovery in sales in the second half, after stock constraints hampered the first-half performance. Sales volumes in the second half increased by 8%, notwithstanding an effective 8% price increase.

Total canned fish sales volumes for the year were down by 1% to 8.8 million cartons (2021: 8.9 million cartons), impacted by stock availability in the first half.

Cost pressures, particularly freight and tin-can costs as well as a weaker rand, made it more expensive to import frozen fish, and contributed to reduced margins. A 45% increase in local canning production to 4.6 million cartons (2021: 3.2 million cartons) partially mitigated these rising costs per can.

Procurement of frozen fish increased by 45% during the year to replenish low opening stock levels resulting from global supply chain disruptions and stock lost during the KwaZulu-Natal unrest in the previous year. Canned fish inventory levels closed 72% higher than the prior year, planned to ensure continuity of supply to meet ongoing demand into the new year.

African fishmeal and fish oil sales volumes were up by 6% to 26 691 tons (2021: 25 174 tons) driven by an increase in anchovy landings, increased pilchard offal volumes resulting from higher local canning production, and an improved oil yield offset by low opening inventory levels.

Global feed ingredient shortages and lower Peruvian production output drove prices up by an average 30% in US dollar terms. Inventory levels closed marginally higher than in the prior year due to unfavourable weather conditions impeding late-season landings.

FISHMEAL AND FISH OIL (USA)

Favourable fishing and weather conditions in the United States resulted in Westbank Fishing increasing its landings by 55% to 704 million fish (2021: 454 million fish). However, sales volumes were down by 10% to 54 117 tons (2021: 60 106 tons) due to low opening inventory levels. This was a result of the prior year's poor fishing and weather events (most notably Hurricane Ida in August 2021).

Inventory levels closed 207% higher than the previous year ensuring customer requirements will be better served into the new year, before the new fishing season begins in April 2023.

On average, fishmeal prices improved by 8% and fish oil prices by 49% (in US dollars terms) given global supply and demand dynamics. Rising US inflation, however, together with higher fuel and gas prices, put pressure on operating costs.

The Hurricane Ida business-interruption insurance claim of R63 million was recognised in this year's results, partially mitigating its adverse effect on opening stock levels.

The translation of US dollar earnings at the weaker exchange rate further contributed to Daybrook's strong performance and the increase in its operating margin to 30.0% (2021: 15.4%), its best performance since the business was acquired in 2015.

HORSE MACKEREL, HAKE, LOBSTER AND SQUID

Horse mackerel performance benefitted from continued strong demand for affordable protein, good prices and a weaker rand against the US dollar. Sales volumes, however, declined 16% due to lower catch rates in both Namibia and South Africa, and scheduled vessel maintenance in Namibia.

Significantly higher fuel and Namibian quota costs increased operating costs, with fuel costs increasing by R100 million.

In the hake business, poor vessel utilisation as a result of breakdowns, together with a R30 million increase in fuel costs, contributed to a decline in performance. The 7% decrease in sales volumes was partially offset by a 4% improvement in European pricing. This was offset by a weaker Euro.

The West Coast Rock Lobster total allowable catch ("TAC") was reduced further given the impact of poaching on the resource. Oceana continues to actively work with the authorities to protect this valuable resource by monitoring and reporting poaching. Poor industry-wide fishing saw squid catch rates decline by 64%. Demand and pricing remained strong for both lobster and squid.

COMMERCIAL COLD STORAGE AND LOGISTICS (CCS)

Occupancy levels declined to 77% (2021: 83%) mainly due to reduced imports in the Western Cape and lower chicken volumes in Gauteng.

Pricing pressure in the Western Cape resulting from increased competition and reduced pallet capacity after exiting two cold stores in the prior year, further affected performance. Several cost-saving initiatives were implemented to mitigate the impact of lower occupancy levels.

The Namibian cold store continued to perform well.

On 4 October 2022 the Group announced that it had entered transaction agreements to dispose of its interest in CCS Logistics for R760 million. The transaction remains subject to regulatory and commercial suspensive conditions being fulfilled by no later than 28 February 2023. The intent of the Board to discontinue the operation was taken prior to the reporting date, and as a result CCS Logistics has been treated as a discontinued operation for reporting purposes having met the IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, reporting conditions. Refer to note 9: Assets held for Sale, in the condensed consolidated financial statements for further detail.

PRIOR PERIOD RESTATEMENTS

In the previous year, the Group communicated the process it had undergone with the 2021 appointed external auditors (PwC) and various external advisors on the accounting treatment of Westbank (a 25% investment held via Daybrook), which had been re-visited during the finalisation of the 2021 financial statements. The Board explained the difference in opinion they had with the accounting treatment concluded on by PwC, and that the Board had adopted the treatment due to their assessment of the impact to the financial statements, as a whole. This was weighed against the risk of further delays to the financial statements which would have caused a suspension of the Group's JSE listing, resulting in further potential consequences to the Group. In addition, and as highlighted in the audit committee report for 30 September 2021, specifically in respect of auditor effectiveness, the Board did have concerns around IFRS interpretation and application of the standards, where evidence relating to the business and operational practice in relation to matters of significant judgement might support different approaches.

In the current year, and as part of the process of assessing the classification, the Board took a decision to obtain two independent accounting opinions on the matter, and these two experts i.e. Kim Bromfield (IFRS Advisory Services) and Garth Coppin, independently concluded that the appropriate accounting treatment was to classify Westbank as an associate. This aligns with the Group's assessment and conclusion on the matter.

The Board deliberated the various views obtained at length, paying attention to the specific factors that impact the accounting assessment and the complex, subjective nature of the overall conclusions. The Board does not treat an adjustment of this nature lightly. In the previous year, the significant challenges experienced by the Group which resulted in a delay in the publication of the results and the risk to the company's JSE listing, together with the further potential consequences thereof, played a critical role in the acceptance of the accounting treatment, which change had no impact on either headline earnings or net asset value per share

Based on the original intent of the contractual relationship with Westbank, the previous accounting treatment for the investment, the various independent accounting views which corroborate the treatment concluded on by the external auditors, Deloitte, at the time of the transaction, together with PwC's view on proportionate consolidation not being shared by the other professionals who had been consulted by the Group, the Board has resolved to change the accounting treatment of the 25% investment in Westbank back to an associate, and apply equity accounting as a result.

As part of their review of the provisional results for the current year, Mazars (the Group's new external auditors who were appointed after a comprehensive independent tender process during 2022), evaluated the evidence provided by the Group in support of the above accounting treatment and have issued an unmodified review conclusion in respect of the condensed consolidated results for the year ended 30 September 2022. Please refer to Note 2 of the condensed consolidated financial statements for a detailed explanation of the assessment factors and the judgment applied in reaching this conclusion and note 14 for the financial impact of the adjustment. The change has not had any effect on headline earnings or net asset value per share, nor the continuing fishing licences held by Westbank.

DIVIDENDS

The Board declared a final dividend of 291 cents (2021: 248 cents) per share, which together with the interim dividend, brings the total dividend for the year to 346 cents (2021: 358 cents) per share. The increase in the dividend cover from 1.5X to 1.75X reflects the increase in the Group's focus on prudent cash management given the requirement for optimal working capital levels and appropriate capital investment.

OUTLOOK

Higher opening inventory levels of canned fish, fishmeal and oil will benefit 2023 first half performance. A continued weaker rand will support the export and US-dollar denominated businesses, while higher fuel costs will negatively affect the performance of the deep-sea and midwater trawling units.

Demand for low-cost protein is expected to continue to drive sales volumes of canned fish despite the constrained consumer environment. Cost pressures, most notably the effect of the weaker exchange rate on imported raw materials, will put pressure on canned fish margins, which may necessitate further price increases.

Positively, freight costs are normalizing, and the Group will continue to drive efficiencies and cost improvements to maintain relative affordability of canned fish. Growing the Lucky Star brand into new canned food categories remains a key focus area.

In the US, projects to enhance raw fish storage capacity and fish oil production technology will be undertaken during the closed season which commenced on 1st November.

Maximising available fishing days in the hake and horse mackerel fleet will be a key operational focus area. Market demand and pricing is expected to remain firm in both our African and European markets.
These condensed consolidated Annual Financial Statements (AFS) were reviewed by the Group's auditors, Mazars.

Forward-looking statements set out in this announcement have not been reviewed or reported on by the Group's auditors.

CHANGES TO THE BOARD AND COMMITTEES

As previously advised and in line with Board and Committee succession planning, shareholders are advised that Ms Z Bassa will retire from the Board as an independent non-executive director at the Company's upcoming Annual General Meeting. Ms Z Bassa will simultaneously retire as Chairman of the Audit Committee, and as a member of the: Risk Committee and the Nominations and Governance Committee following the upcoming Annual General Meeting.

Ms Z Bassa has served Oceana with distinction since her appointment as independent non-executive director in 2011. The Board wishes to thank Ms Z Bassa for her commitment and extensive contribution to the Oceana Group over the years, and, in particular, demonstrating her outstanding leadership as Chairman of the Audit Committee during a difficult period for the Group over the past 14 months.

As previously advised, Mr A Jakoet (independent non-executive director) has succeeded Ms Z Bassa as the Chairman of the Risk Committee on 15 August 2022. Mr P Golesworthy (independent non-executive director) will succeed Ms Z Bassa as Chairman of the Audit Committee immediately after the Company's upcoming Annual General Meeting.

On behalf of the Board.

MA Brey
Chairperson

N Brink
Chief Executive Officer

Cape Town

4 December 2022

DECLARATION OF FINAL DIVIDEND

Notice is hereby given of dividend number 157. A gross final dividend amounting to 291 cents per share, in respect of the year ended 30 September 2022, is declared 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 232.8 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, 20 December 2022
Commence trading ex-dividend	Wednesday, 21 December 2022
Record date	Friday, 23 December 2022
Dividend payment date	Tuesday, 27 December 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 21 December 2022 and Friday, 23 December 2022, both dates inclusive.

This short-form announcement is the responsibility of the directors and is only a summary of the information in the reviewed condensed consolidated financial statements does not contain full or complete details. Any investment decision should be based on the full reviewed announcement which is available on our website: https://oceana.co.za/pdf/Reviewed_condensed_consolidated_results_for_the_year_ended_30_September_2022.pdf and on https://senspdf.jse.co.za/documents/2022/JSE/ISSE/OCE/FY2022.pdf.

By order of the Board

N Morgan

Company Secretary

5 December 2022

Directorate and statutory information

Directors and Officers as at 30 September 2022:	Mr MA Brey (Chairman), Mr N Brink* (Chief Executive Officer – appointed on 14 February 2022; appointed as Executive Director on 21 February 2022), Mr R Buddle* (Interim Chief Financial Officer – appointed on 23 February 2022 and as Executive Director on 3 June 2022), Ms ZBM Bassa, Mr PG de Beyer, Mr A Jakoet, Mr NA Pangarker, Ms L Sennelo, Ms NV Simamane, Ms TM Mokgosi-Mwantembe, Mr PJ Golesworthy. (*Executive). Mr R Buddle is the Interim Chief Financial Officer until 31 January 2023. Mr Z Mahomed is currently the Chief Financial Officer Designate and will assume the role of Chief Financial Officer and Executive Director of the Company on 1 February 2023.
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:	Mazars
Company Secretary:	Ms N Morgan (appointed 1 August 2022)
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