

OCEANA GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1939/001730/06)

JSE/A2X share code: OCE

NSX share code: OCG

ISIN: ZAE000025284

(“Oceana” or “the Company” or “the Group”)

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2024 AND CASH DIVIDEND DECLARATION

### SALIENT FEATURES

	Continuing Operations*		
	2024	2023	%
	Rm	Rm	change
Revenue	5 041	4 498	12.1
Operating Profit	1 017	647	57.1
Profit before tax	924	551	67.6
Earnings per share (cents)	587.6	318.6	84.4
Headline earnings per share (cents)	578.8	313.5	84.6

\*The prior year excludes Commercial Cold Storage and Logistics results which was accounted for as a discontinued operation.

### GROUP OVERVIEW

The Group delivered a strong performance for the six months ended 31 March 2024 (“the period”), increasing headline earnings per share from continuing operations by 84.6% to 578.8 cents (2023: 313.5 cents). The growth was primarily driven by US-based Daybrook delivering record first half earnings as well as a pleasing Lucky Star performance following improved second quarter canned food sales volumes. Daybrook’s exceptional performance was due to higher opening inventory levels which enabled the business to capitalise on higher fish oil sales volumes at record US-dollar prices during the period.

**Revenue** from continuing operations increased by 12.1% to R5.0 billion (2023: R4.5 billion) with strong pricing across all products, particularly fish oil. The impact of the weaker average rand exchange rate on export and US-dollar translated revenue of USD 1 :R19.00 (2023: USD 1 : R17.91) was offset by lower sales volumes in wild caught seafood.

**Gross margin** from continuing operations increased by 700 basis points to 34.1% (March 2023: 27.1%) due mainly to higher fish oil pricing, together with a higher proportion of fish oil sales volumes. Margins were moderated by lower wild caught volumes and the impact of the weaker rand exchange rate on the cost of frozen fish imports.

The growth in **overhead expenditure** from continuing operations was contained below inflation, increasing by 3.5% to R445 million (March 2023: R430 million).

**Other income** of R8 million includes insurance proceeds relating to the Covid business interruption claim partially

settled in the prior year (March 2023: R72 million related to the 2021 Hurricane Ida claim).

**Loss from joint ventures and associate** of R25 million (March 2023: R17 million) related mainly to the Westbank Fishing operation, which was in its off season for most of the period.

**Net interest expense** from continuing operations decreased to R93 million (March 2023: R96 million). In the US, net interest expense in dollar terms decreased by 56.1% due to term debt repayments and higher interest income received on money market investments. Net interest expense in SA increased by 16.3% driven by higher borrowings to fund capital expenditure and working capital requirements.

The **effective tax rate** from continuing operations reduced to 22.5% (March 2023: 25.5%) due to the improved performance of the US business , which attracts a lower tax rate.

**Profit after tax** from continuing operations increased by 74.2% to R716 million (March 2023: R411 million). Profit after tax from total operations increased by 86.1 % to R716 million (March 2023: R384 million).

## CASH FLOW AND FINANCIAL POSITION

Cash generated from operations increased by 12.6% to R634 million (March 2023: R563 million), attributable to the improved operating performance in the US, mitigated by higher working capital requirements in SA.

Capital expenditure increased by 44.9% to R297 million (March 2023: R205 million) which included R132 million related to the upgrade of the West Coast canned foods and fishmeal plants, including the completion and commissioning of the new boilers and canned meat facility. The balance of the capital expenditure was largely replacement in nature.

The Group's net debt at the end of the period was 16.7% lower at R2 461 million (March 2023: R2 958 million) due to term debt settlement, partially offset by an increase in SA borrowings to fund capital expenditure and working capital requirements. The net debt to EBITDA ratio improved to 1.2 times (March 2023: 1.6 times).

## REVIEW OF OPERATIONS

Revenue and operating profit by segment for the six months:

	Revenue			Operating Profit		
	Unaudited six months ended 31 March 2024	Unaudited six months ended 31 March 2023	% change	Unaudited six months ended 31 March 2024	Unaudited six months ended 31 March 2023	% change
Segmental results	Rm	Rm		Rm	Rm	
Canned foods and fishmeal (Africa)*	2 547	2 546	0.1	152	134	13.1
Fishmeal and fish oil (USA)	1 734	1 024	69.4	848	370	129.2
Wild caught seafood	760	928	(18.1)	17	108	(84.2)
Intercompany eliminations between continuing and discontinued operations	-	-	-	-	35	-
<b>Total continuing operations</b>	<b>5 041</b>	<b>4 498</b>	<b>12.1</b>	<b>1 017</b>	<b>647</b>	<b>57.1</b>

\*Canned foods and fishmeal (Africa) segment was previously called Canned fish and fishmeal (Africa).

## **CANNED FOOD AND FISHMEAL (AFRICA)**

Lucky Star's strong value offering to consumers resulted in improved sales volumes in the second quarter. A total of 4.8 million cartons were sold in the six month period, off the back of a record 5.0 million cartons sold in the comparative six month period. Canned fish volumes declined by 3.3% with overall canned food volumes declining by 20.8%, compounded by a canned meat shortage during the transition from outsourced to in-house manufacturing.

Local canning production volumes reduced as planned by 41.2% to 1.5 million cartons (March 2023: 2.5 million cartons) due to the decision to close both West Coast plants earlier than usual, to implement the factory upgrades which were completed in mid-January. Fresh fish comprised 14.0% (March 2023: 20.3%) of the raw fish volumes processed during the period.

Margins improved slightly over the prior period, despite lower in-house production volumes, lower mix of fresh fish and the impact of the weaker average rand on the cost of imported fish. This margin improvement was driven by a combination of price increases, cost savings and efficiencies post the cannery upgrades.

Canned fish inventory levels closed 29.5% lower than the prior period largely due to the reduction in in-house volumes produced.

Africa fishmeal and fish oil sales volumes reduced by 15.1% to 5 044 tons (March 2023: 5 944 tons), due to lower opening inventory levels. Volumes produced were in line with the prior period with a reduction in pilchard trimmings from the cannery, linked to the longer factory closure being offset by a 21.8% improvement in red eye and anchovy landings to 30 156 tons (March 2023: 24 766 tons). The upgrade of the St Helena Bay fishmeal facility was completed in mid-January while the major upgrade to the Laaiplek fishmeal facility resulted in the plant being closed for the entire period.

Strong US-dollar pricing for fish oil, together with the weaker average rand exchange rate contributed to an improved performance.

## **FISHMEAL AND FISH OIL (USA)**

Daybrook produced an exceptional performance for the period, delivering record first half earnings.

Higher opening inventory levels and good fish oil yields produced from end of season October landings contributed to fish oil sales volumes almost doubling to 9 671 tons (March 2023: 4 852 tons). Fishmeal sales volumes were 12.4% lower at 19 178 tons (March 2023: 21 895 tons). The timing of sales volumes is driven primarily by customer demand to meet their respective production needs.

Global supply and demand dynamics continued to drive strong US-dollar pricing of fish oil, with prices increasing by 72% compared to the prior period. US-dollar pricing for fish meal was largely consistent with the prior period. A 6.5% weaker exchange rate on the translation of US-dollar earnings further benefitted performance in the period. The prior period included Hurricane Ida insurance proceeds of R72 million.

Fishmeal and fish oil inventory closed at similar levels to the prior period at 13 057 tons (March 2023: 13 336 tons).

## **WILD CAUGHT SEAFOOD**

The Desert Diamond vessel was unable to fish for a large portion of the period due to an unplanned major breakdown

and extended time required to source replacement parts and secure dry dock space. The planned annual refit of this vessel was brought forward to improve utilisation in the second half. The lost fishing days together with persistently lower catch rates contributed to a poor performance for the period.

In Namibia, horse mackerel sales volumes reduced by 20.5% mainly due to a reduction in catch rates. Firm market demand, together with the benefit of the weaker exchange rate on US-dollar export sales, resulted in an improvement in rand prices partially offsetting the volume reduction.

An improvement in fishing days and vessel utilisation resulted in hake sales volumes increasing by 20.8%. Industry wide catch rates remained below historical average for the period with some improvement experienced in the second quarter. The planned upgrade of the Realeka vessel commenced in mid-January which will be completed in the second half. The sale of the Isabella Marine vessel realised a profit of R9 million during the period. Strong European demand and the weaker exchange rate resulted in an improvement in rand prices.

Lower catch rates due to poor fishing conditions experienced across the squid industry contributed to a 63.5% decline in squid sales volumes.

The combined impact of the above factors contributed to a disappointing first half performance for the Wild caught seafood segment.

On the 13 May 2024, while the Realeka was alongside the quay, an incident occurred when a service provider was installing and testing new equipment on the vessel as part of the upgrade. Tragically one of the service provider's employees was fatally injured, and two other persons seriously injured. The injured persons were hospitalised and treated for their injuries. The board and management of Oceana extends their sincere condolences to the family, friends and colleagues of the deceased.

## **INTERIM DIVIDEND**

The Board declared an interim dividend of 195 cents (March 2023: 130 cents) per share which represents an increase of 50.0%.

## **EVENTS AFTER REPORTING DATE**

Lucky Star has concluded a transaction to acquire a 75% stake in a canned chicken liver business based in Graaff-Reinet. The business supplies the Department of Basic Education in the Eastern Cape and Gauteng to meet the growing demand in school feeding schemes. This expansion will enable Lucky Star to deliver further on its strategy of leveraging both its brand strength and depth of distribution.

In partnership with an Eastern Cape based empowerment partner, Oceana is acquiring a 51% stake in a squid business owning 5 vessels and 77 fishing licenses.

## **OUTLOOK**

Lucky Star will continue with its strategy of driving volumes through relative affordability and availability in the constrained consumer spending environment. Second half performance will benefit from focused cost management, increased local production and efficiencies, an April canned fish sales price increase, and improved canned meat sales volumes now that the new facility is in full production. The total allowable catch for pilchards in South Africa was increased by 67% to 65 000 tons for the season, a positive sign for the resource which is expected to further enhance margins. Pilchard quota of 20 136 tons is available to Oceana to catch and process during the current year.

The Laaiplek fishmeal facility upgrade was successfully completed in April and both SA facilities will be operational for the peak anchovy/red eye fishing period.

The fishing season in the United States commenced mid-April and runs for 28 weeks to the end of October each year. Unfavourable weather conditions have negatively impacted early season landings, however fish oil yield has been good. A compromise was reached with Louisiana fisheries regulators whereby the coastwide menhaden purse seine buffer zone was extended from a quarter mile to a half mile for the 2024 season, providing certainty and stability to the Gulf menhaden fishing industry.

Peru announced its first anchovy quota allocation for 2024 at 2.5 million tons following the previous year's first season cancellation. The season runs from April to June and landings as well as fish oil yields to date have been positive. Fish oil prices are expected to remain strong in the short to medium term while supply normalizes, and Daybrook has contracted a portion of its 2024 fish oil production until the end of the calendar year at good pricing levels. Daybrook will continue with its practice of ensuring that inventory levels are adequate to meet monthly customer demand levels during its off season.

Market demand for wild caught species is expected to remain firm with second half performance largely dependent on catch rates in SA and Namibia. Squid catch rates have improved materially in the second half. The Desert Diamond (horse mackerel) and Realeka (hake) vessels are planned to return to sea in the second half.

The Group's three-year capital investment programme to upgrade its processing facilities and vessels is expected to start delivering direct efficiency gains and benefit second half operational performance.

Any forward looking statements in this announcement has not been reviewed or reported on by the Company's external auditors.

By order of the Board: 7 June 2024

Mustaq Brey  
*Chairman*  
Cape Town

Neville Brink  
*Chief Executive Officer*

#### **DECLARATION OF INTERIM DIVIDEND**

Notice is hereby given of dividend number 160. An interim dividend amounting to 195 cents per share, for the six months ended 31 March 2024, 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 156 cents per share.

By order of the Board: 7 June 2024

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, 25 June 2024
Commence trading ex-dividend	Wednesday, 26 June 2024
Record date	Friday, 28 June 2024
Dividend payment date	Monday, 1 July 2024

Share certificates may not be dematerialised or rematerialised between Wednesday, 26 June 2024 and Friday, 28 June 2024 (both dates inclusive).

This short-form announcement is the responsibility of the directors and is a summary of the information

in the condensed consolidated interim results and does not contain full or complete details. Any investment decision should be based on the full announcement which is available on our website: <https://results.oceana.co.za/interim-results-2024> and on <https://senspdf.jse.co.za/documents/2024/jse/isse/oce/HY24.pdf> as well as via our JSE sponsor at [jseponsor@standardbank.co.za](mailto:jseponsor@standardbank.co.za).

Jayesh Jaga  
*Company Secretary*  
10 June 2024

#### **Directorate and statutory information**

Directors and Officers as at 31 March 2024:	Mr MA Brey (Chairman), Mr PG de Beyer (Lead Independent Director), Mr ND Brink* (Chief Executive Officer), Mr ZA Mahomed* (Chief Financial Officer), Mr PJ Golesworthy (British), Mr A Jakoet, Mr NA Pangarker, Ms LJ Sennelo, Ms NV Simamane, Ms TM Mokgosi-Mwantembe and Ms P Viranna (appointed 11 March 2024) (*Executive)
Registered Office:	9th Floor, Oceana House, 25 Jan Smuts Street, Foreshore, Cape Town, 8001
Transfer Secretaries:	JSE Investor Services South Africa (Pty) Ltd
Sponsor – South Africa:	The Standard Bank of South Africa Ltd
Sponsor – Namibia	Old Mutual Investment Services (Namibia) (Pty) Ltd

Auditors: Forvis Mazars

Company Secretary: Mr J Jaga

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