Sea Harvest

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SEA HARVEST GROUP LIMITED
REVIEWED FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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Today’s presentation team



FELIX RATHEB

Chief Executive Officer



JOHN PAUL DE FREITAS

Chief Financial Officer



MUHAMMAD BREY

Chief Investment Officer

Presentation outline

- Group overview
- Group financial and operating performance
  - › Sea Harvest Group
  - › Sea Harvest Fishing operations
  - › Sea Harvest International operations: Mareterram
  - › Sea Harvest Aquaculture
- Strategy
- Outlook
- Questions









GROUP OVERVIEW

Group snapshot

SEA HARVEST FISHING

SPECIES: HAKE; HORSE MACKEREL; PRAWN; ANCHOVY; PILCHARD; TUNA

35 VESSELS

6 PROCESSING OPERATIONS

3200 EMPLOYEES

2ND JULY 2018

ACQUIRED 100%

OF VIKING FISHING, ADDING STRONG EARNINGS WITH DIVERSIFIED SPECIES

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SEA HARVEST AQUACULTURE

SPECIES: ABALONE, OYSTERS, MUSSELS, TROUT

9 AQUACULTURE OPERATIONS

330 EMPLOYEES

2ND JULY 2018

ACQUIRED 51%

OF THE SHARES OF VIKING AQUACULTURE

Viking Aquaculture

CAPE HARVEST FOODS

10 FACTORY SHOPS

1 PROCESSING OPERATION

2 AGENCIES QUORN AND FINDUS

400 EMPLOYEES

2ND JANUARY 2019

ACQUIRED 100%

OF LADISMITH CHEESE

Ladismith Cheese

Quorn

Findus

SEA HARVEST INTERNATIONAL

SPECIES: PRAWNS, SCALLOP, CRAB, SPANISH MACKEREL

12 VESSELS

10 SHARK BAY PRAWN FISHERY LICENSES

2 SPANISH MACKEREL LICENSES

110 EMPLOYEES

5TH FEBUARY 2019 ANNOUNCED BID TO

ACQUIRE REMAINING 44%

OF SHARES NOT HELD BY BY SEA HARVEST

Mareterram

Key financial metrics

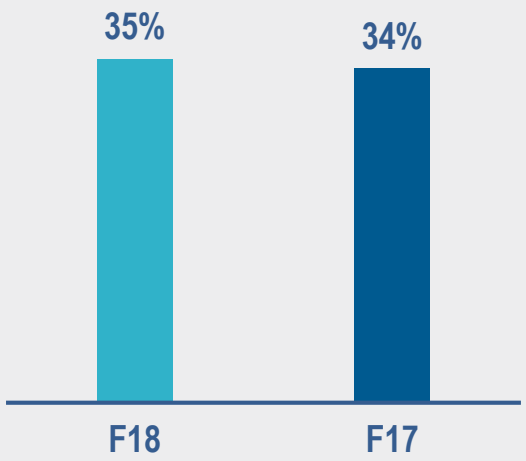
GROUP REVENUE
▲ 21%
TO R2.58 BILLION
(2017: R2.13 BILLION)

EBIT
▲ 14%
TO R438 MILLION
(2017: R383 MILLION)

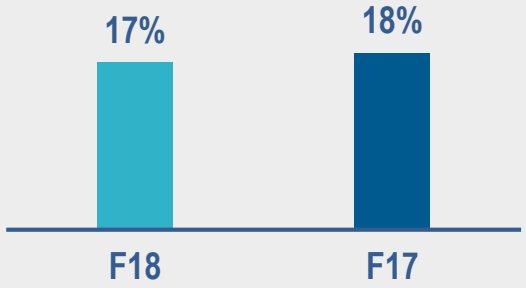
HEADLINE EARNINGS
▲ 18%
TO R278 MILLION
(2017: R235 MILLION)

DIVIDENDS PER SHARE
▲ 29%
TO 40 CENTS PER SHARE
(2017: 31 CENTS PER SHARE)

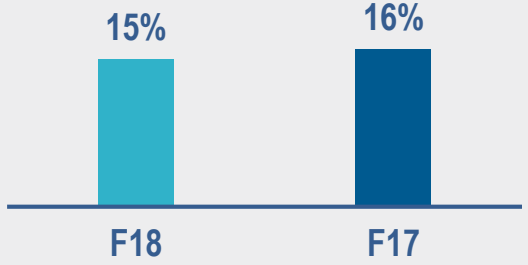
GROSS PROFIT MARGIN



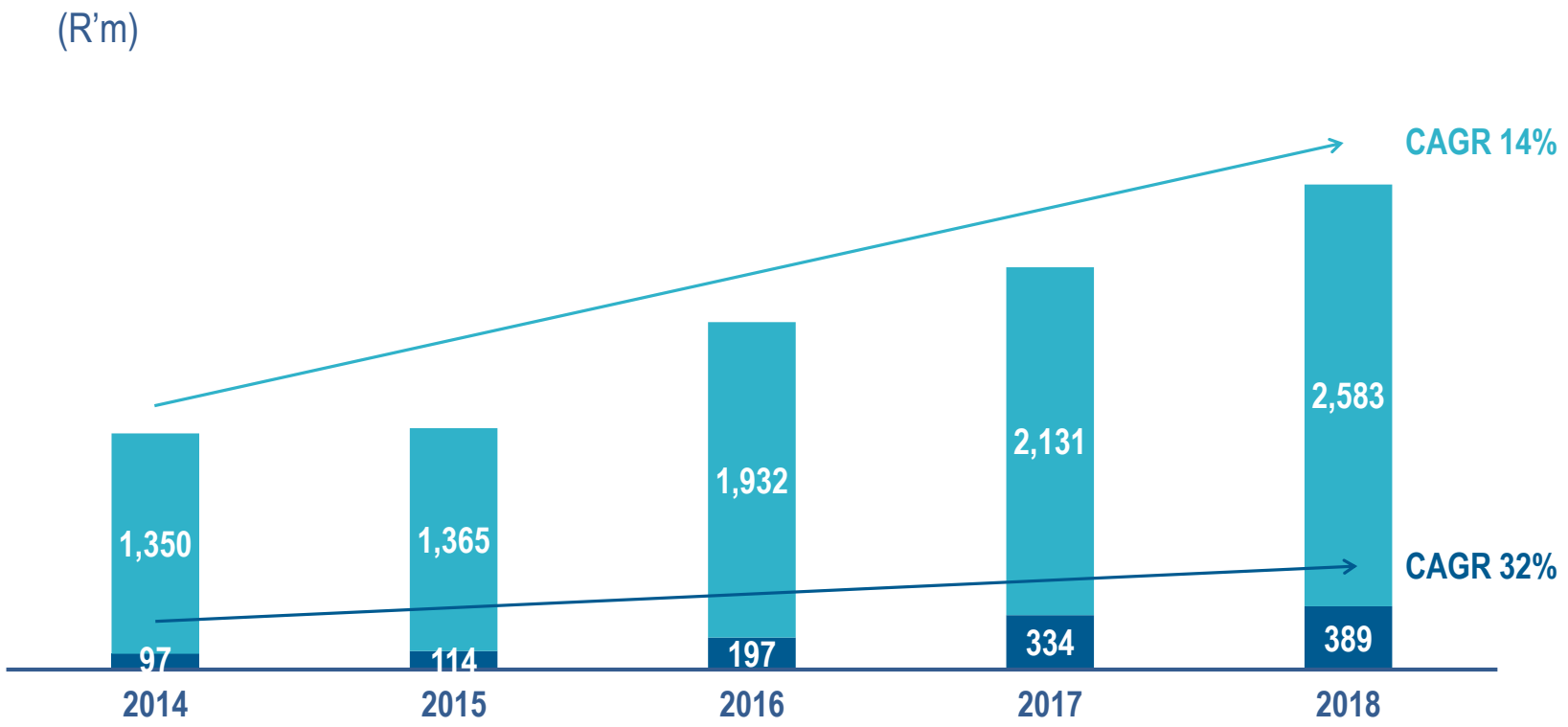
EBIT MARGIN



OPERATING PROFIT MARGIN



Group revenue and operating profit









Revenue diversification

INTERNATIONAL

▲ **15%**

TO R1.50 BILLION
(2017: R1.31 BILLION)

DOMESTIC

▲ **31%**

TO R1.08 BILLION
(2017: R821 MILLION)



Currency diversification

ZAR
▲ **35%**
TO R1.16 BILLION
(2017: R857 MILLION)

EURO
▲ **21%**
TO R886 MILLION
(2017: R735 MILLION)

AUD
▼ **8%**
TO R446 MILLION
(2017: R486 MILLION)



Market and product diversification: international mix

SOUTHERN EUROPE
▲ 31%
TO R721 MILLION
(2017: R551 MILLION)

NORTHERN EUROPE
▼ 7%
TO R188 MILLION
(2017: R204 MILLION)

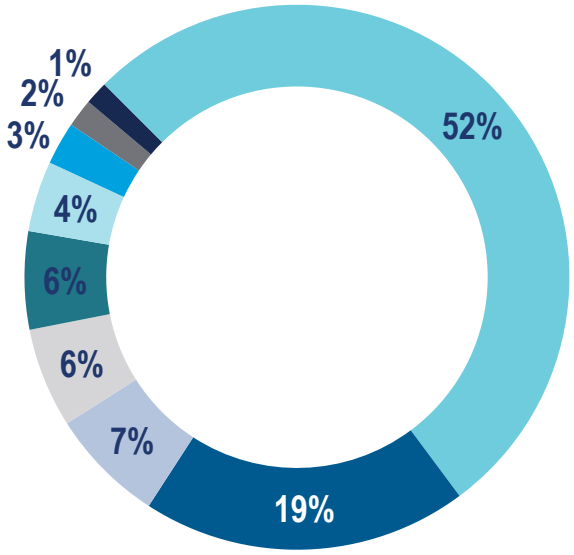
AUSTRALIA
▼ 7%
TO R472 MILLION
(2017: R506 MILLION)

OTHER MARKETS
▲ 154%
TO R122 MILLION
(2017: R48 MILLION)

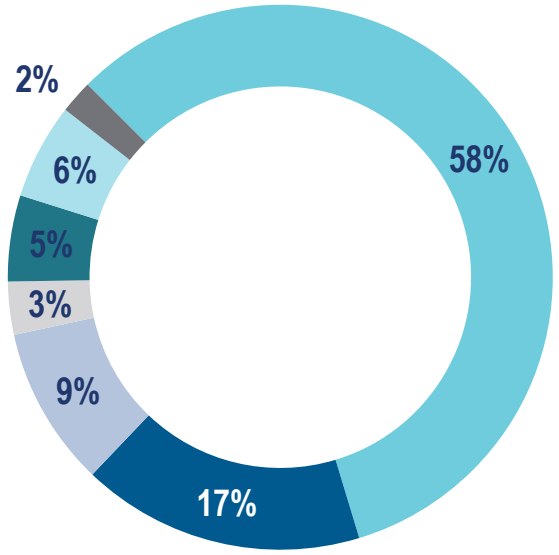


Market and product diversification: product revenue mix

2018



2017



- CAPE HAKE
- TRADED
- PRAWNS
- OTHER
- HIGH VALUE BY-CATCH
- VEG AND MEALS
- HORSE MACKEREL
- SCALLOPS AND CRABS
- ABALONE

Channel mix

INTERNATIONAL

▲ 15%

TO R1.50 BILLION
(2017: R1.31 BILLION)

FOODSERVICE

▲ 38%

TO R652 MILLION
(2017: R473 MILLION)

RETAIL

▼ 1%

TO R345 MILLION
(2017: R348 MILLION)

WHOLESALE

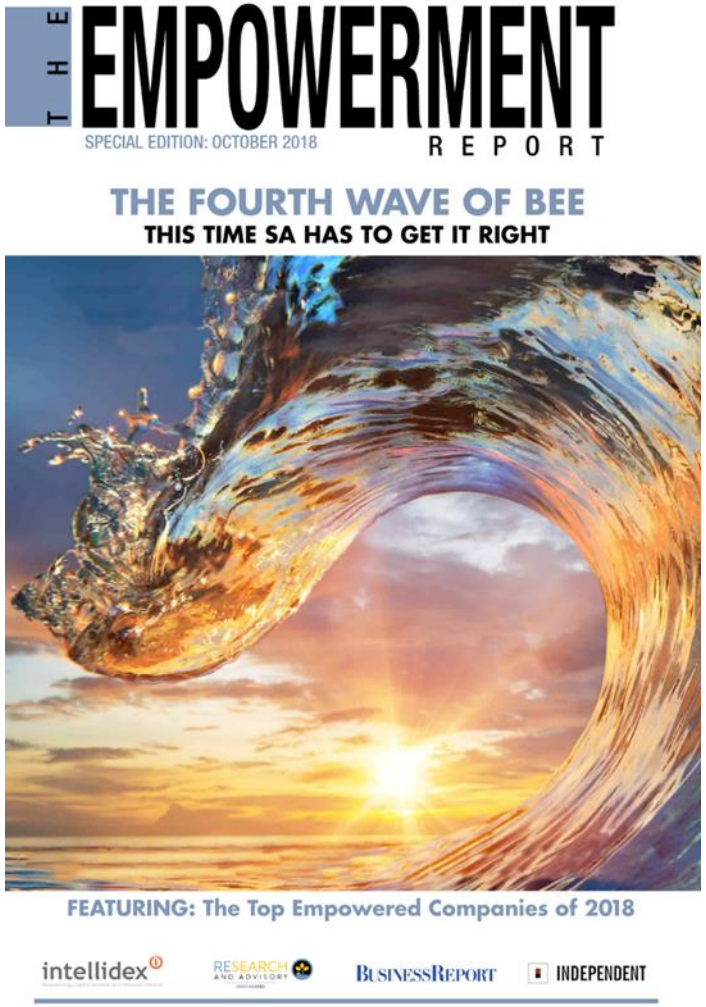
-

TO R82 MILLION
(2017: NIL)



2018 Highlights

- Rated the most transformed company on the JSE within the Fishing and Foods sectors
- Achieved Level 1 on B-BBEE contributor status, with a score of 100.37
- Successful integration of the Harvest Mzansi into the Sea Harvest Fleet
- State-of-the-art Icelandic designed Marel fish processing facility installed in Quarter 3
- Successful acquisition of Viking Fishing and achievement of profit targets
- Controlling 51% share of Viking Aquaculture, which turned earnings positive in H2 and geared for growth
- Viking Staff Share Trust paid out R120m and a further R38m of shares in SHG were allocated
- Successful introduction of 2 new 100% black-owned SMME's into the fishing industry
- Acquisition of 100% of Ladismith Cheese, effective 2 January 2019



2018 Challenges

- Tough domestic retail environment
- Significant transaction and restructuring costs
- Fuel price trending upwards
- Mareterram performance down, due to low prawn catch
- Marel Factory challenges due to a slower than expected ramp-up









FINANCIAL AND OPERATING PERFORMANCE



Sea Harvest

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Sea Harvest Group

Sea Harvest Group – income statement

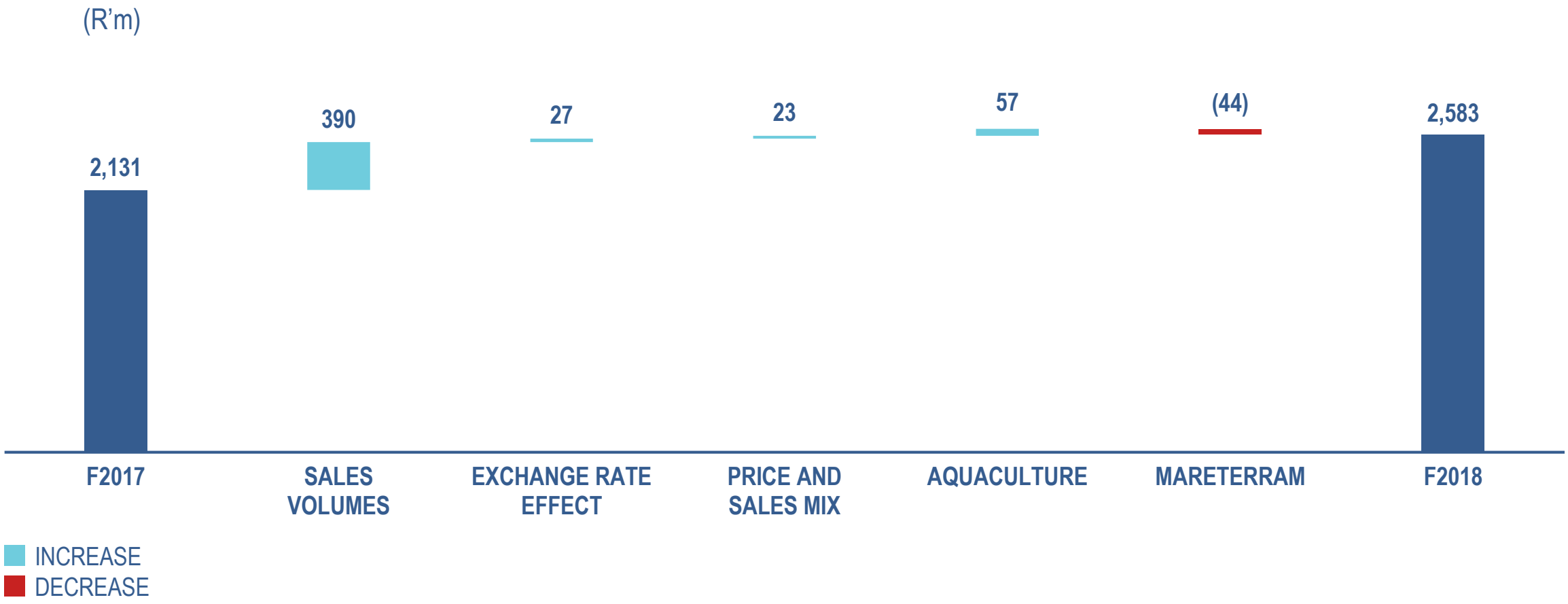
Year-to-date (R'000)		F2018	F2017
Revenue	21%	2 583 341	2 131 054
Gross profit	**27%**	**908 244**	**716 790**
Gross profit margin		*35%*	*34%*
Net Operating expenses	35%	(516 926)	(382 977)
Operating profit	**16%**	**388 618**	**333 813**
Operating profit margin		*15%*	*16%*
Profit before finance costs and tax	14%	438 009	382 793
Net finance costs	103%	(44 005)	(21 642)
Taxation	7%	(100 871)	(94 206)
Profit after tax	**10%**	**293 133**	**266 945**
Non-controlling interest		11 924	7 601
Profit attributable to Sea Harvest shareholders		281 209	259 344
EBITDA		554 759	485 856
EBITDA margin		*22%*	*23%*



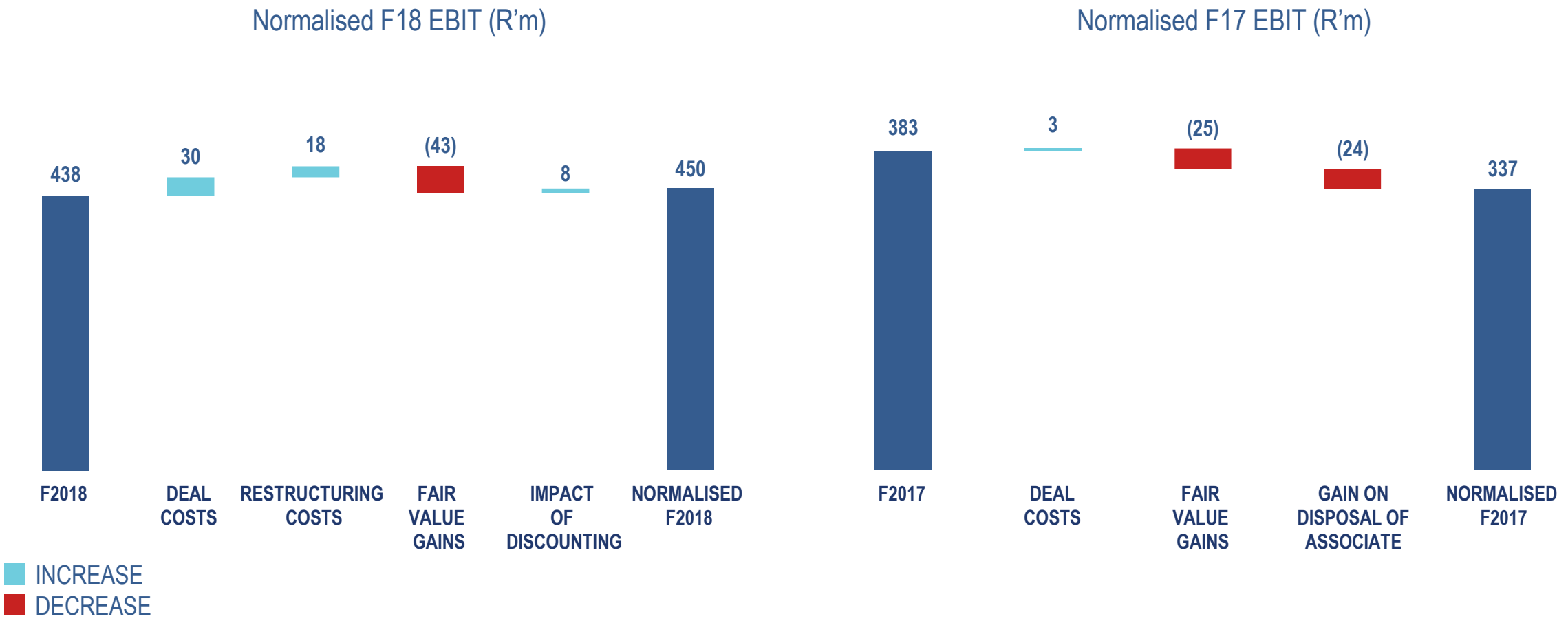




Sea Harvest Group revenue waterfall



Sea Harvest Group normalised EBIT



Sea Harvest Group – EPS, HEPS AND DPS

Reconciliation of Headline earnings (R'm)	2018	2017
Profit for the period attributable to shareholders of the parent	281 209	259 344
Adjustment for capital items post tax	(3 310)	(24 027)
Headline earnings	**277 899**	**235 317**
WANOS ('000)	249 202	217 860
HEPS (cents)	112	108
Dividend declared (R'000)	117 717	78 506
Number of ordinary shares in issue ('000)	294 293	251 363
Dividends per share (cents)	**40**	**31**







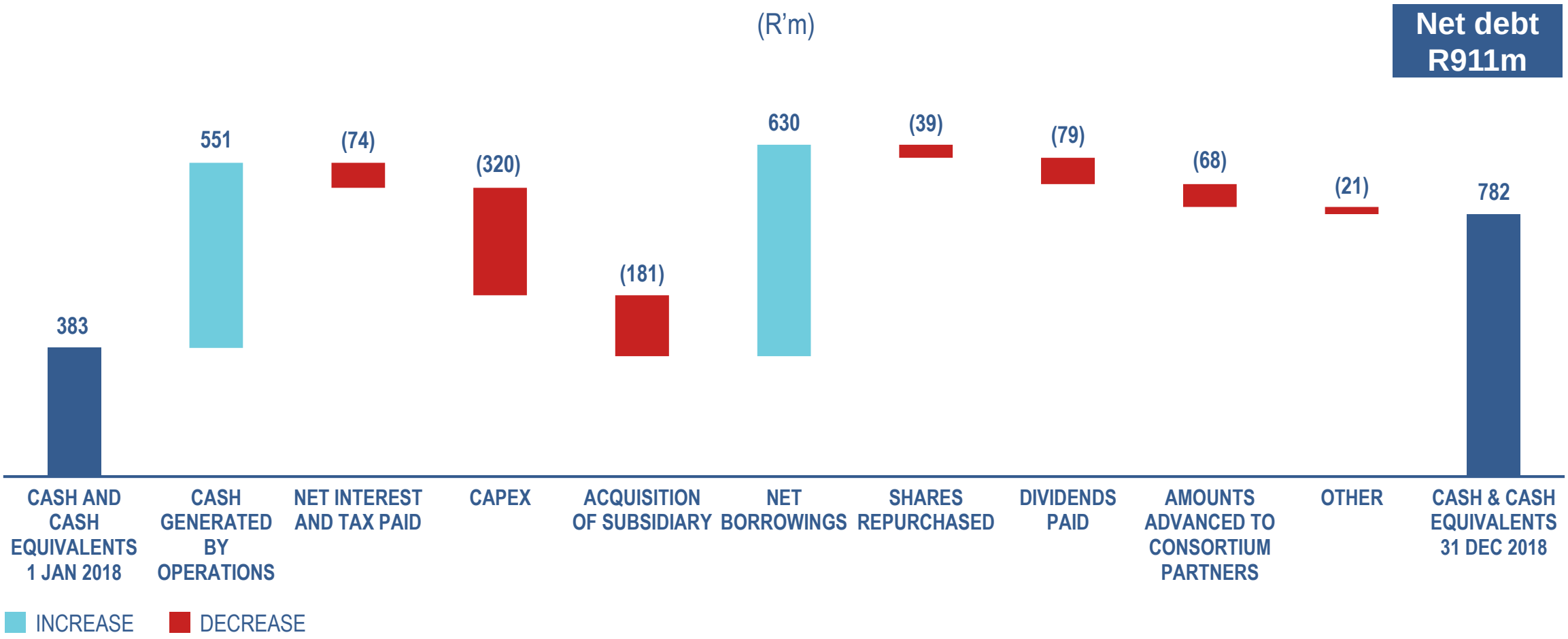
Sea Harvest Group – Balance sheet

Assets (R'm)	2018	2017	
Property, plant and equipment	1 604 800	808 192	VFD & VA acquisition +R652m, Harvest Mzanzi conversion +R46m, Marel +R81m
Biological assets	107 646	-	Viking Aquaculture
Intangible assets	616 163	489 805	Viking Fishing Rights +R67m and Spanish Mackerel +R36m
Goodwill	621 549	84 220	Viking Fishing +R463m, Viking Aqua +R70m
Other non-current assets	201 496	124 780	Loans to consortium partners +R72m
Current assets	1 696 630	1 061 522	Inventory +R92m, Receivables +R175m, Cash of R399m
	4 848 284	**2 568 519**	

Sea Harvest Group – Balance sheet

Equity and liabilities (R'm)	2018	2017	
Stated capital	1 538 761	1 294 875	Shares issued +R280m; shares repurchased -R39m
Reserves	275 904	102 791	Retained earnings +R281m, dividends paid -R78m
NCI (incl treasury shares)	254 662	168 313	44% minority shareholding in MTM, 49% in Viking Aquaculture
Non-current liabilities	2 128 831	637 691	LT borrowings +R1.2bn, Deferred tax +R169m, Contingent consideration +R122m
Current liabilities	650 126	364 849	Payables +R141m, ST borrowings +R144m
	4 848 284	**2 568 519**	

Sea Harvest Group cash flow waterfall





SOUTH AFRICAN FISHING OPERATIONS

Key features – SA Fishing Operations

REVENUE

▲ **25%**

TO R2.18 BILLION
(2017: R1.75 BILLION)

GROSS PROFIT

▲ **31%**

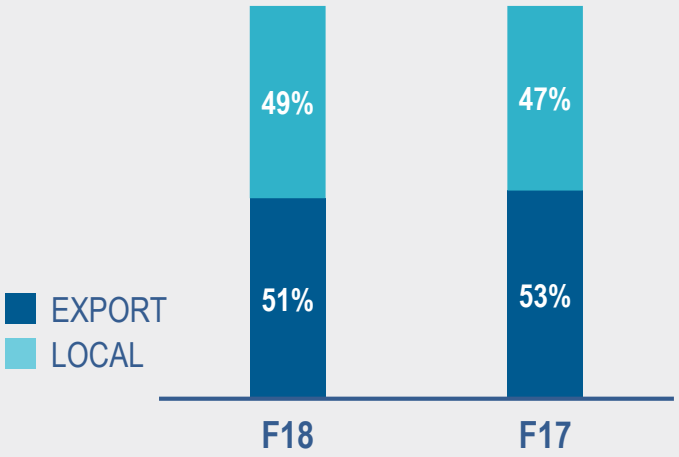
TO R772 MILLION
(2017: R592 MILLION)

OPERATING PROFIT

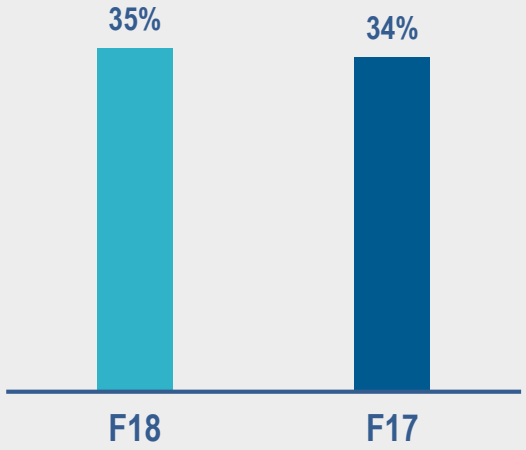
▲ **17%**

TO R368 MILLION
(2017: R312 MILLION)

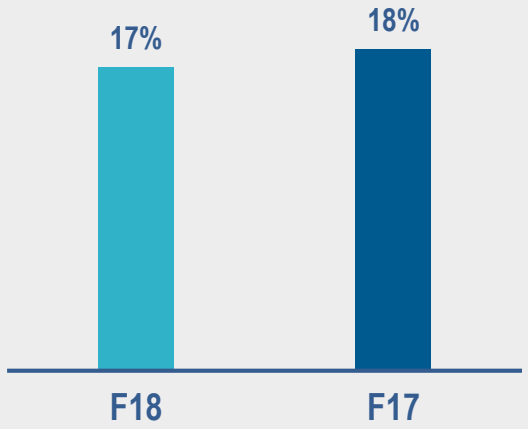
REVENUE MIX



GROSS PROFIT MARGIN



OPERATING PROFIT MARGIN



Revenue growth and channel mix

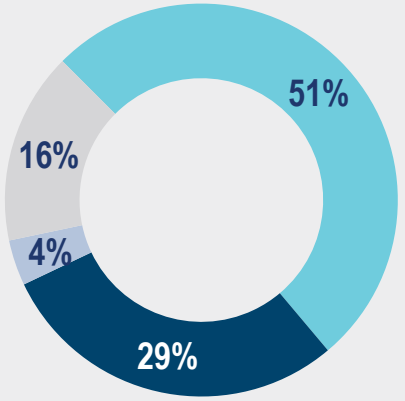
EXPORT
▲ 22%
TO R1.12 BILLION
(2017: R921 MILLION)

FOODSERVICE
▲ 33%
TO R635 MILLION
(2017: R476 MILLION)

RETAIL
▼ 1%
TO R345 MILLION
(2017: R348 MILLION)

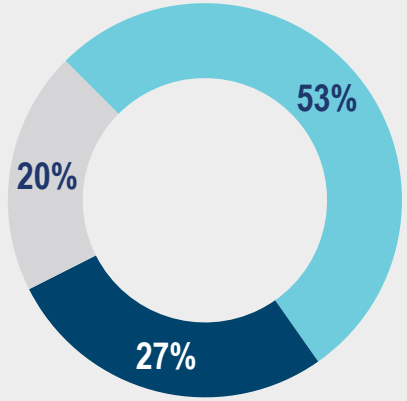
WHOLESALE
-
TO R82 MILLION
(2017: NIL)

F2018





F2017



Mareterram

INTERNATIONAL OPERATIONS: MARETERRAM



Key metrics

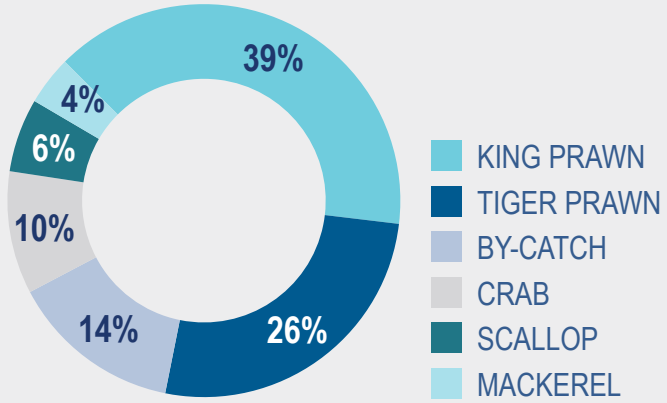
PRAWN CATCH
35%
TO 540 TONS
(2017: 830 TONS)

REVENUE
9%
TO R443 MILLION
(2017: R487 MILLION)

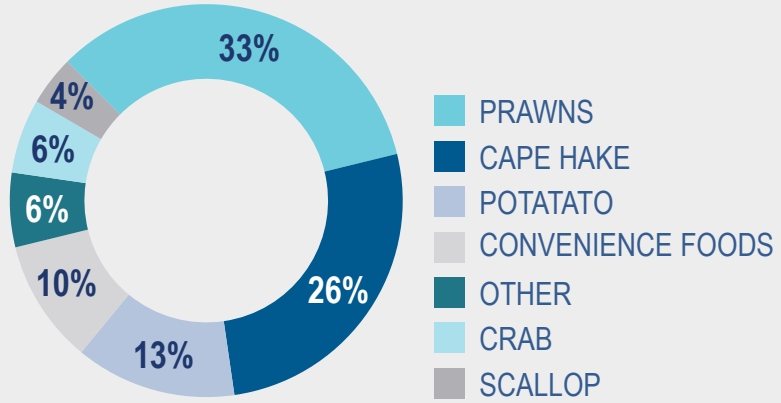
GROSS PROFIT
14%
TO R104 MILLION
(2017: R121 MILLION)

EBITDA
4%
TO 30 MILLION
(2017: 31 MILLION)

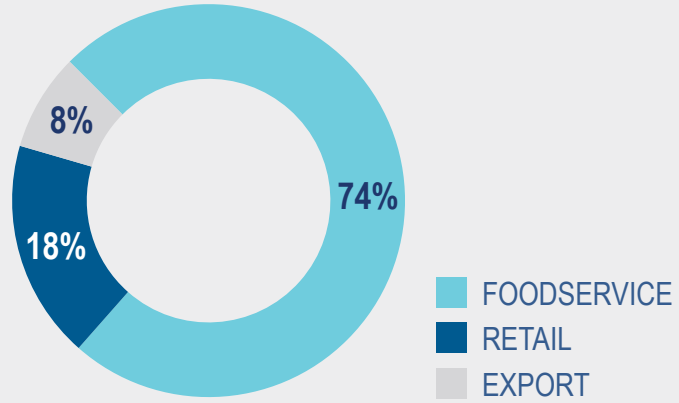
CATCH VOLUMES BY PRODUCT



REVENUE SPLIT BY CATEGORY



REVENUE CHANNELS



Average Rand/AUD exchange rate F18 R9.869, F17 R10.176

Key highlights and challenges

- Challenging season in Shark Bay - prawn catch volumes down 35% – second lowest volumes since 1968
  - › Working with Department to ensure rebound in volumes, with a range of strategies implemented
- 2018 volume shortfall partly offset by higher prices which benefitted from an improved size mix following the delayed start to the 2018 season
- Significant restructure completed in H1 with overheads reduced by 20%
- Vessel rebuild program scheduled to be completed in 2021 – enhanced fleet reliability and lower capex
- Mackerel strategy unsuccessful – second vessel introduced for 2019 season
- Offer made to acquire the 44% minority shareholders in MTM
  - › Letters of support from 22%
  - › Offer closes on 5 April 2019



SEA HARVEST AQUACULTURE

Key metrics

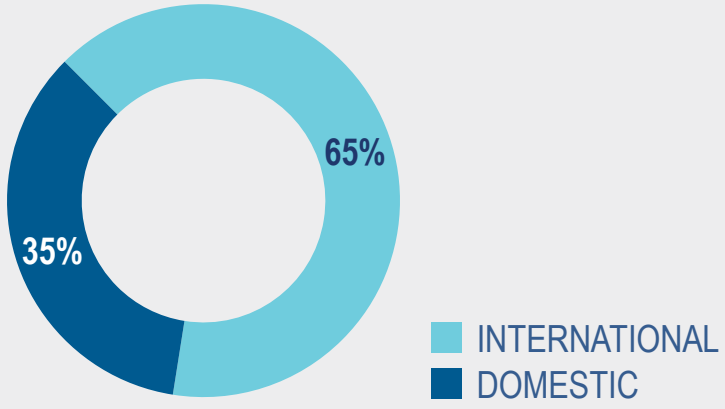
REVENUE
R56.7 MILLION

GROSS PROFIT
R28.9 MILLION

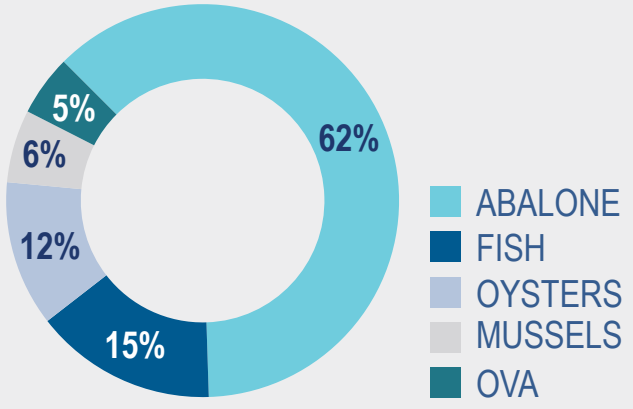
FAIR VALUE GAIN
R51.5 MILLION

PROFIT AFTER TAX
R57.9 MILLION

REVENUE



REVENUE BY CATEGORY



Key highlights and challenges

- Aquaculture operations turned to profit in H2 2018
- Capex incurred across all species to reach design capacities
  - › Two abalone facilities have a design capacity of 500 tons
- Wind farm at Buffelsjag in final stages of approval
- Board has approved expansion of Kleinzee abalone farm, more than double overall abalone capacity
  - › To include wind farm
- Trout mortalities







STRATEGY

Sea Harvest Group strategy

ORGANIC GROWTH

- Completion of conversion of Harvest Mzansi to Hake factory freezer trawler (R250m)
- Installation of Marel Factory completed in quarter 4 (R105m)





Sea Harvest Group strategy

ACQUISITIVE GROWTH

SA Fishing and Aquaculture

- Acquisition of Viking Fishing Group
- 51% of the shares in Viking Aquaculture

Cape Harvest Foods

- 100% of the shares in Ladismith Cheese Company

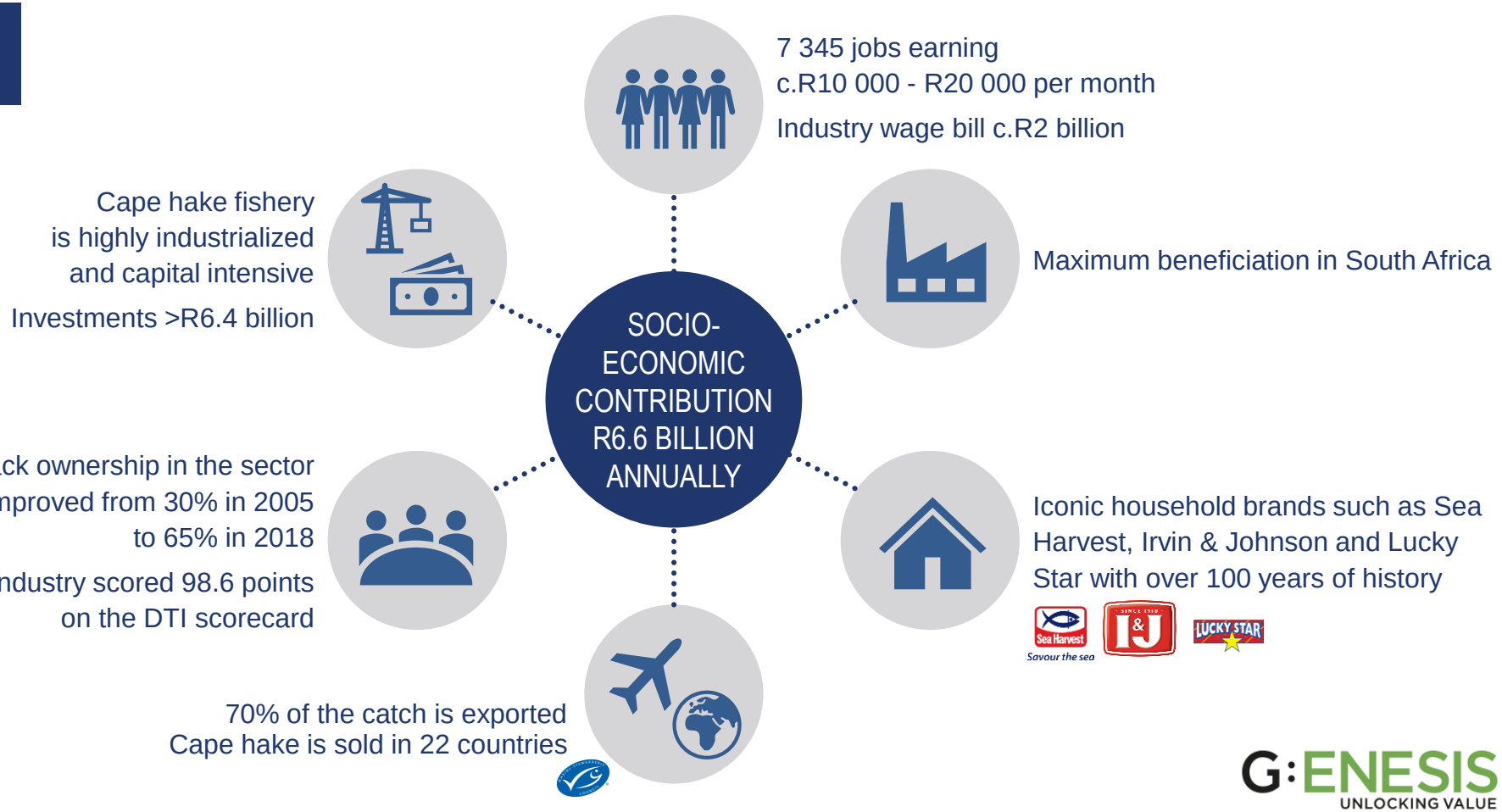
International

- Bid to acquire the 43.6% shares in Mareterram not currently owned

Fishing Rights Allocation Process 2020

RETENTION OF FISHING RIGHTS

The South African Deep-Sea Trawl Industry Association (SADSTIA), represents 100% of the hake offshore rights holders



SADSTIA
South African Deep-Sea Trawling Industry Association

For more information:
www.sadstia.co.za

G:ENESIS
UNLOCKING VALUE

Source: The Economic Study of the Hake Deep-Sea Trawl Fishery and the Implications for Future Fishing Rights Allocation Policy – "Genesis Analytics report

Fishing Rights Allocation Process 2020

A policy of fragmentation is out of step with the recommendations of the NDP

"… the trend in awarding fishing licenses has been to favour allocating many rights of small value, rather than fewer rights of substantial value. This increases the number of participants, but also decreases the average gain per participant and increases the difficulty of enforcement.

"… It is fundamental that fishing rights **are economically viable …".**

The National Development Plan: A Vision for 2030

Ladismith Cheese Company acquisition

	(R'm)
Purchase consideration	527
Price escalation	45
Effective purchase consideration	572
Brimstone placement	300
Debt funding	272
PAT for the year ended 31 January 2018	**58**







Ladismith

- Profitable FMCG food manufacturer of significant scalein the food and agricultural sector
- Long track record, strong national brand and a proven management team



Mareterram bid

- Sea Harvest currently holds 56.3% of Mareterram
- The acquisition of 100% of MTM cements the 4th leg of Sea Harvest's growth strategy
- Australia offers strong opportunities for growth, providing a beachhead into the Australian market
- Not consolidated, rights into perpetuity, well managed and regulated fishery
- Acquisition price A$16.9m (R174m)
- Funded from existing cash resources







OUTLOOK

Tailwinds for 2019

- 10% increase in TAC for Cape Hake
- Consistent international market demand for high value MSC seafood
- Favourable hedges
- Benefits from efficiency investments
- Annualised inclusion of Viking earnings
- Growth in Aquaculture
- Consolidation of Ladismith earnings







Headwinds for 2019

- Slower than expected ramp-up after Marel implementation
- Integration of acquisitions and risks associated with integration
- Sluggish SA economy
- Volatility of the ZAR
- Policy uncertainty with Fishing Rights application process







Sea Harvest

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THANK YOU