

SEA HARVEST GROUP LIMITED
UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

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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
  - › Sea Harvest Aquaculture
  - › Ladismith Cheese
  - › Sea Harvest International
- Outlook
- Questions









GROUP OVERVIEW

Group snapshot

SEA HARVEST FISHING

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

35 VESSELS

6 PROCESSING OPERATIONS

3 200 EMPLOYEES

SEA HARVEST AQUACULTURE

SPECIES: ABALONE, OYSTERS, MUSSELS, TROUT

11 AQUACULTURE OPERATIONS

340 EMPLOYEES

Viking Aquaculture

CAPE HARVEST FOODS

PRODUCTS: CHEESE, BUTTER, MILK POWDERS

11 FACTORY SHOPS

1 PROCESSING OPERATION

470 EMPLOYEES

Ladismith Cheese

SEA HARVEST INTERNATIONAL

SPECIES: PRAWNS, SCALLOP, CRAB, SPANISH MACKEREL

12 VESSELS

10 SHARK BAY PRAWN FISHERY LICENSES

2 SPANISH MACKEREL LICENSES

110 EMPLOYEES

Sea Harvest AUSTRALIA

Key financial metrics

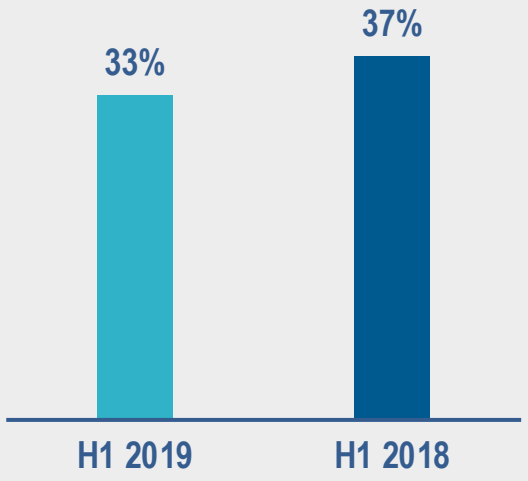
GROUP REVENUE
▲ 86%
TO R1.87 BILLION
(2018: R1.00 BILLION)

EBIT
▲ 69%
TO R281 MILLION
(2018: R166 MILLION)

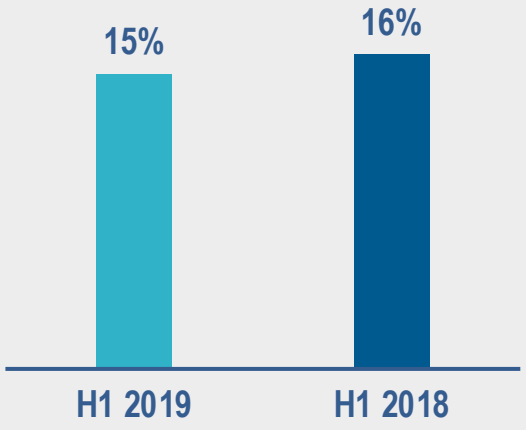
PROFIT AFTER TAX
▲ 44%
TO R161 MILLION
(2018: R111 MILLION)

HEADLINE EARNINGS
▲ 52%
TO R169 MILLION
(2018: R111 MILLION)

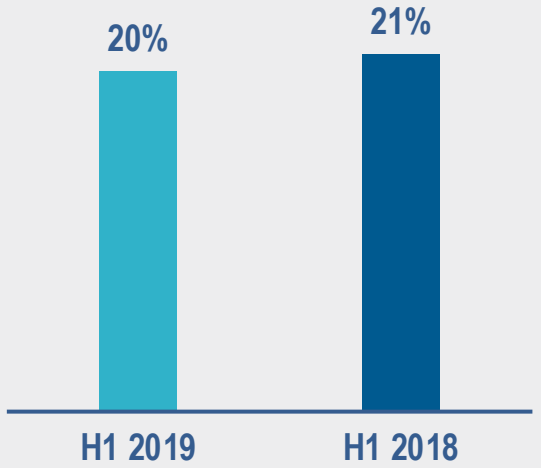
GROSS PROFIT MARGIN



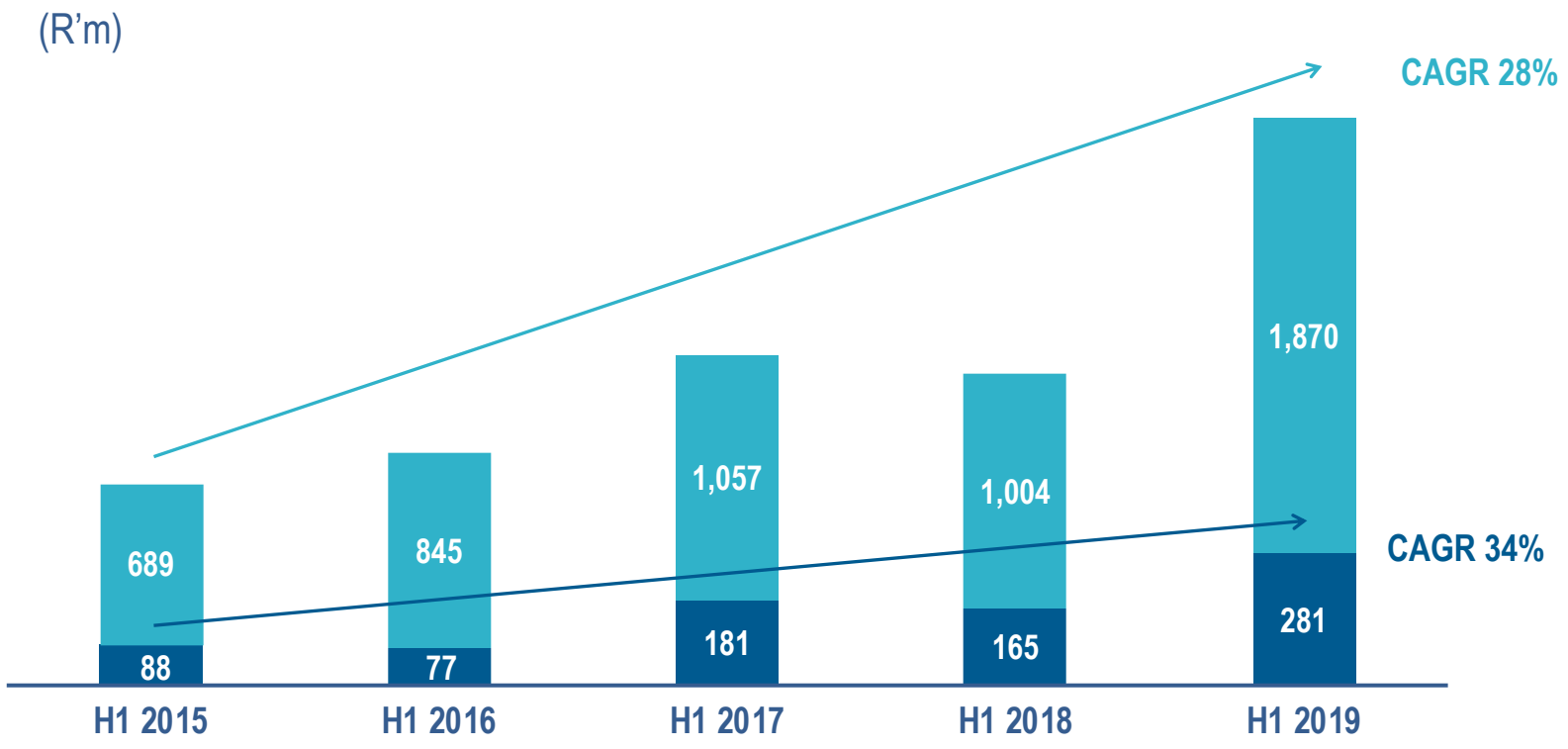
OPERATING PROFIT MARGIN



EBITDA MARGIN



Group revenue and operating profit









Revenue diversification

INTERNATIONAL

▲ **40%**

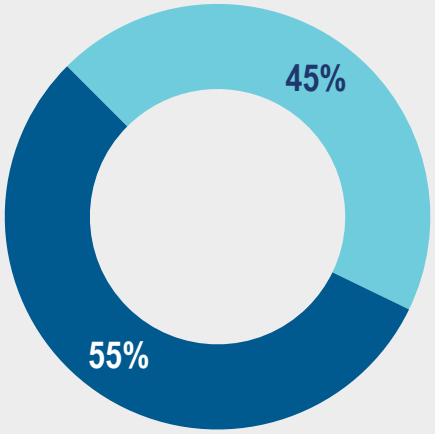
TO R836 MILLION
(2018: R596 MILLION)

DOMESTIC

▲ **154%**

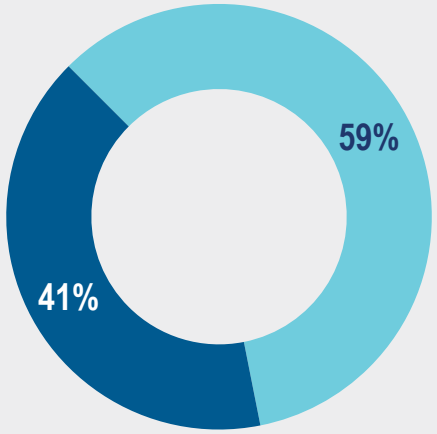
TO R1.03 BILLION
(2018: R408 MILLION)

H1 2019



INTERNATIONAL
DOMESTIC

H1 2018



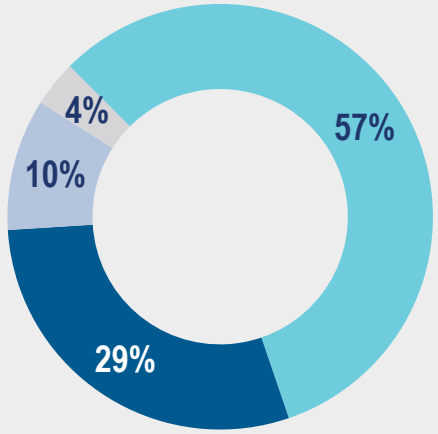
Currency diversification

ZAR
152%
TO R1.07 BILLION
(2018: R425 MILLION)

EURO
48%
TO R547 MILLION
(2018: R370 MILLION)

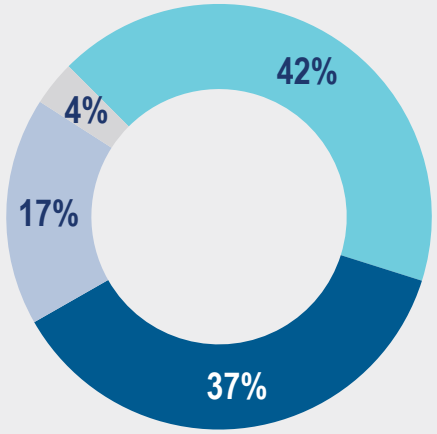
AUD
8%
TO R187 MILLION
(2018: R174 MILLION)

H1 2019



ZAR
EURO
AUD
OTHER

H1 2018



Market diversification: international mix

EUROPE

▲ 47%

TO R558 MILLION
(2018: R381 MILLION)

AUSTRALIA

▲ 16%

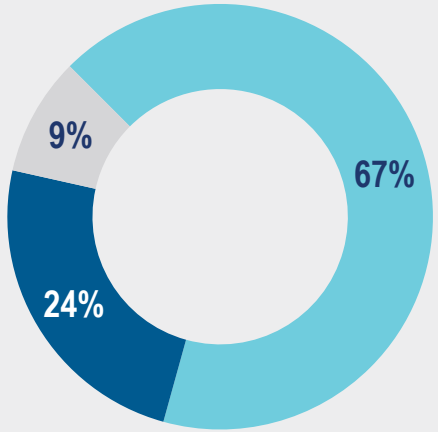
TO R202 MILLION
(2018: R174 MILLION)

OTHER MARKETS

▲ 81%

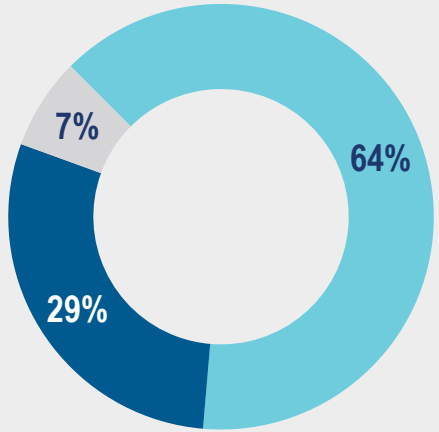
TO R75 MILLION
(2018: R41 MILLION)

H1 2019



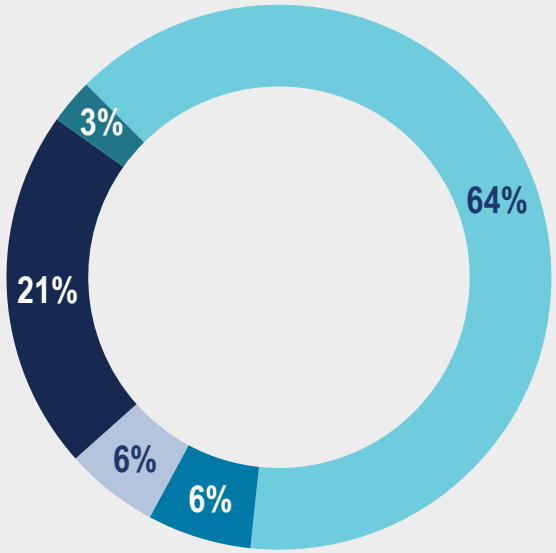


H1 2018



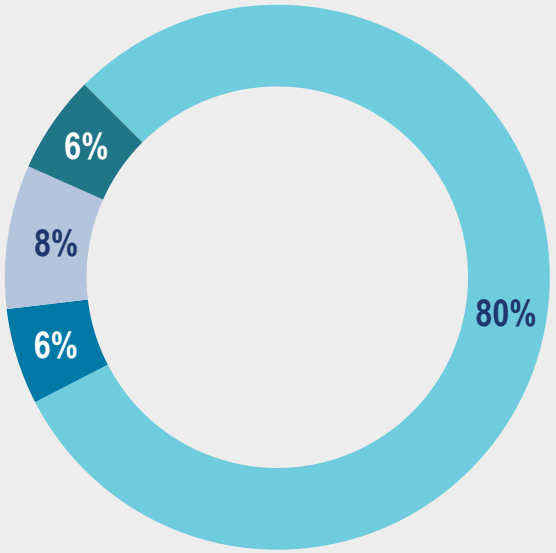
Product diversification: product revenue mix

H1 2019



WILD CAUGHT FISH
SHELLFISH
TRADED
DAIRY
VEG AND MEALS

H1 2018



Channel mix

INTERNATIONAL
▲ **40%**
TO R836 MILLION
(2018: R596 MILLION)

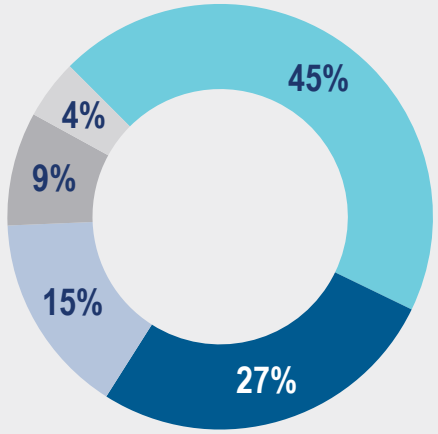
FOODSERVICE
▲ **113%**
TO R501 MILLION
(2018: R235 MILLION)

RETAIL
▲ **66%**
TO R287 MILLION
(2018: R173 MILLION)

WHOLESALE
n/a
TO R84 MILLION
(2018: NIL)

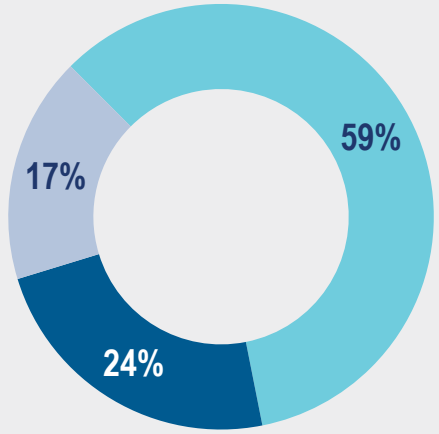
FOOD PRODUCERS
n/a
TO R162 MILLION
(2018: NIL)

H1 2019



INTERNATIONAL
FOODSERVICE
RETAIL
FOOD PRODUCERS
WHOLESALE

H1 2018



H1 2019 Highlights

- Retention of Level 1 B-BBEE contributor status, with improved score of 104.44 (previously 100.37)
- Minister placed FRAP 2020 on hold to ensure process properly planned and executed
- Acquisition of 100% of Ladismith Cheese, effective 2 January 2019
- Acquisition of remaining 43.6% of shares in Mareterram not already owned by Group, effective 8 May 2019
  - › Mareterram renamed Sea Harvest Australia
- Viking Fishing and Ladismith Cheese have performed above expectations
- Integration of Viking Fishing progressing well with new ERP and inventory management systems on track for go-live in third quarter
- The construction of third powder plant at Ladismith Cheese has commenced with expected completion in H1 2020
- Diamond Coast Aquaculture expansion project has commenced
- Water leases approved for sea trout farming in Saldanha Bay





H1 2019 Challenges

- Tough domestic retail environment with local retail volumes under pressure
- Slower ramp up of Marel fresh fish processing plant impacting performance of fresh fish operations
- Lower abalone sales due to extended red tide event and geo-political factors affecting markets in Hong Kong and China
- Lower sea trout sales due to decision to defer harvesting to H2 for a larger size mix
- Unreasonable expectations of labour and unions with respect to wage increases







FINANCIAL AND OPERATING PERFORMANCE



SEA HARVEST GROUP

Sea Harvest Group – income statement

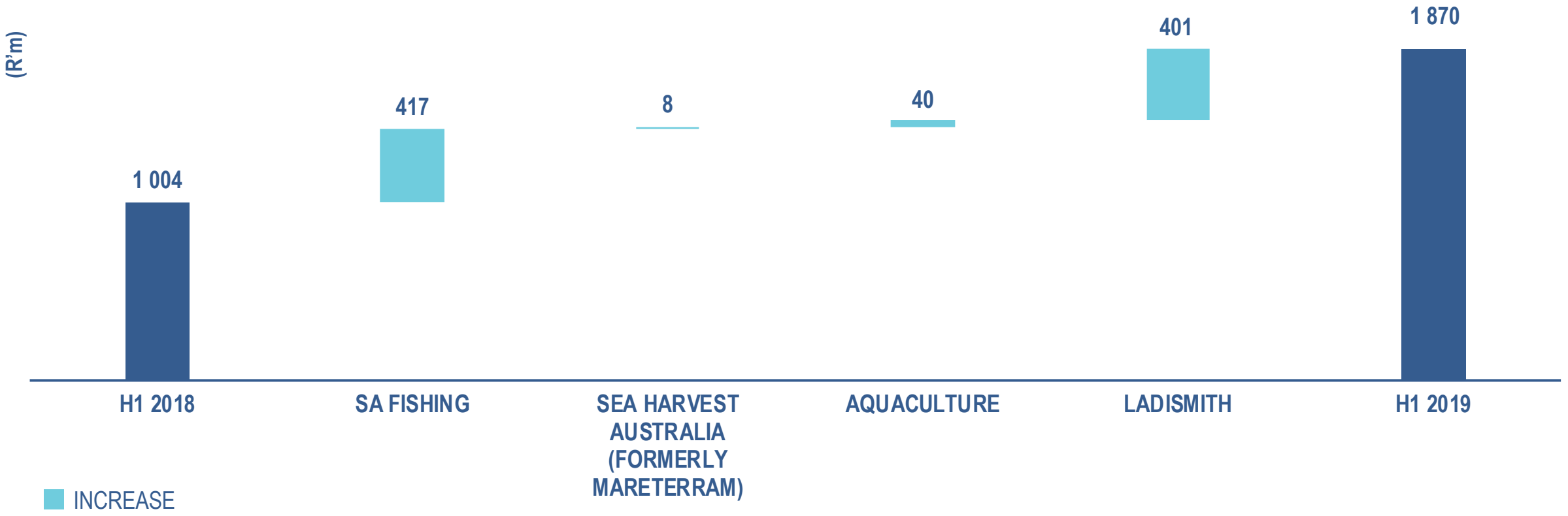
Year-to-date (R'000)		H1 2019	H1 2018
Revenue	86%	1 870 122	1 004 288
Gross profit	**66%**	**611 487**	**367 646**
Gross profit margin		33%	37%
Net Operating expenses	63%	(330 146)	(202 619)
Operating profit	**70%**	**281 341**	**165 027**
Operating profit margin		15%	16%
Profit before finance costs and tax	69%	280 744	166 281
Net finance costs	607%	(51 069)	(7 227)
Taxation	44%	(69 011)	(47 832)
Profit after tax	**44%**	**160 664**	**111 222**
Non-controlling interest		(8 642)	(3 188)
Profit attributable to Sea Harvest shareholders		169 306	114 410
EBITDA	71%	365 845	213 678
EBITDA margin		20%	21%
EPS	28%	61.10	47.70
HEPS	32%	61.10	46.40
WANOS	15%	277 023	240 018







Sea Harvest Group revenue waterfall



Sea Harvest Group – HEPS

Reconciliation of Headline earnings (R'm)		H1 2019	H1 2018
Profit for the period attributable to shareholders of the parent		169 306	114 410
Adjustment for capital items post tax		50	(3 085)
Headline earnings		**169 356**	**111 325**
WANOS ('000)	**15%**	277 023	240 018
HEPS (cents)	**32%**	61.1	46.4







Sea Harvest Group – Balance sheet

Assets (R'm)	June 2019	Dec 2018	
Property, plant and equipment	1 819 404	1 604 800	Ladismith take-on +R184m, Refits +R33m, Marel +R13m, Cold Storage Cape Town +14m
Right of use assets	132 061	-	IFRS 16: Leases implementation
Biological assets	128 647	107 646	Viking Aquaculture stock +R21m
Intangible assets	600 856	616 163	Amortisation of SA fishing licences -R4m, translation of Sea Harvest Australia intangible -R11m
Goodwill	882 208	621 549	Ladismith take-on +R263m
Other non-current assets	210 926	201 496	
Current assets	1 424 551	1 696 630	Ladismith take-on inventory +R186m & receivables +R90m, Cash - R671m
	5 198 653	**4 848 284**	

Sea Harvest Group – Balance sheet

Equity and liabilities (R'm)	June 2019	Dec 2018
Stated capital	1 810 506	1 538 761
Reserves	340 566	275 904
NCI (incl treasury shares)	83 542	254 662
Non-current liabilities	2 133 780	2 128 831
Current liabilities	830 259	650 126
	5 198 653	**4 848 284**

Brimstone VCP +R300m, shares repurchased -R28m

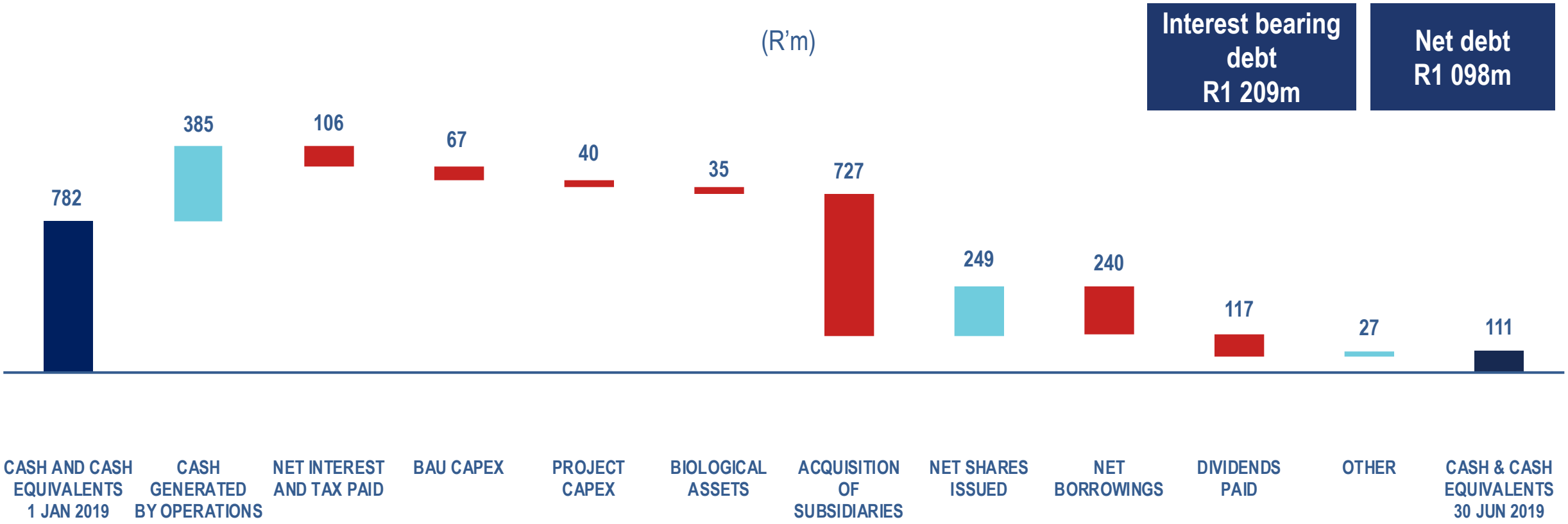
Retained earnings +R42m

Elimination of minorities in Sea Harvest Australia. 49% minorities in Viking Aquaculture

LT borrowings -R207m, IFRS 16: Leases +R141m, Deferred tax +R73m

Ladismith acquisition payables +R190m

Sea Harvest Group cash flow waterfall





SOUTH AFRICAN FISHING OPERATIONS

Key features – SA Fishing Operations

REVENUE

▲ **47%**

TO R1 274 BILLION*
(2018: R867 MILLION)*

GROSS PROFIT

▲ **48%**

TO R463 MILLION
(2018: R313 MILLION)

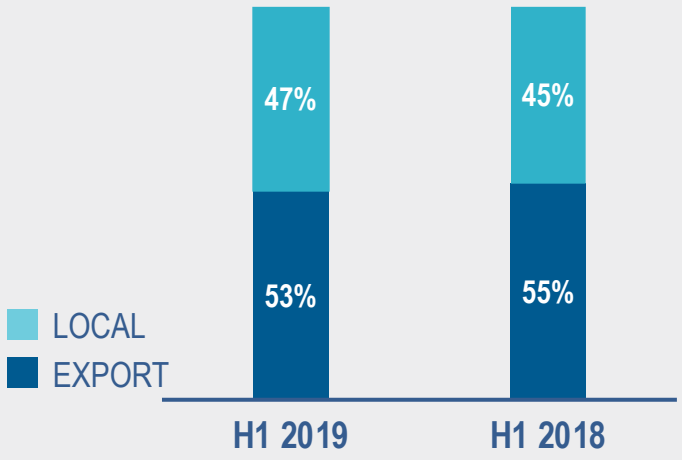
EBIT

▲ **55%**

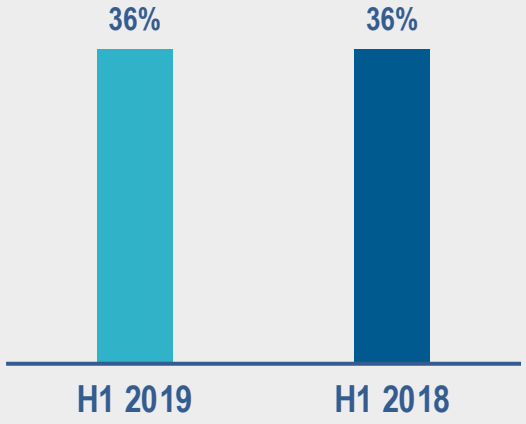
TO R255 MILLION
(2018: R164 MILLION)

** Includes R67m of sales to Sea Harvest Australia (2018: R61m)*

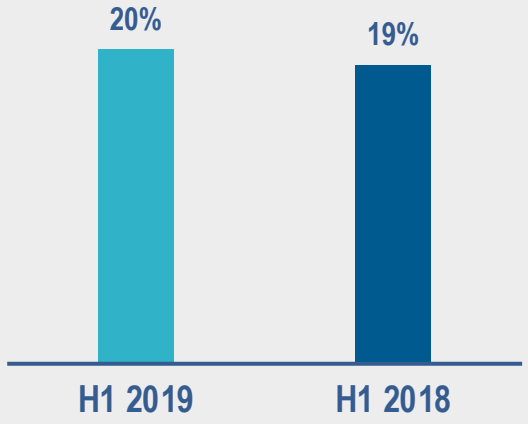
REVENUE MIX



GROSS PROFIT MARGIN



EBIT MARGIN



Revenue growth and channel mix

EXPORT

▲ **40%**

TO R674 MILLION
(2018: R482 MILLION)

FOODSERVICE

▲ **71%**

TO R386 MILLION
(2018: R225 MILLION)

RETAIL

▼ **13%**

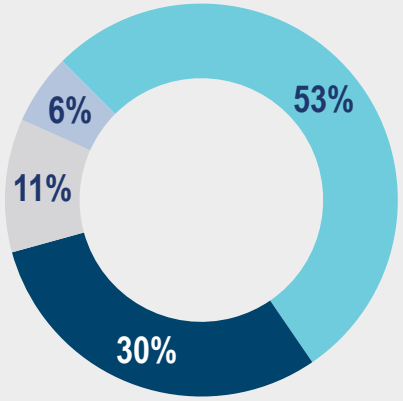
TO R140 MILLION
(2018: R161 MILLION)

WHOLESALE

n/a

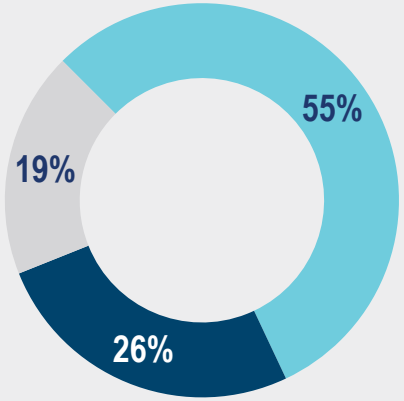
TO R74 MILLION
(2018: NIL)

H1 2019





H1 2018



H1 2019 Key highlights and challenges

- TAC increase of 10% as a result of hake biomass exceeding maximum sustainable yield
- Catch rates have improved compared to the same period last year
- Size mix is larger, benefiting yields and markets
- International markets firm with continued strong demand for wild caught, MSC certified seafood
- Rand exchange rate weaker than the same period last year
- Foodservice and wholesale markets stable
- Local retail prices up but volumes under pressure
- Viking Fishing performing well









SEA HARVEST AQUACULTURE

Key metrics

REVENUE
R44.0 MILLION

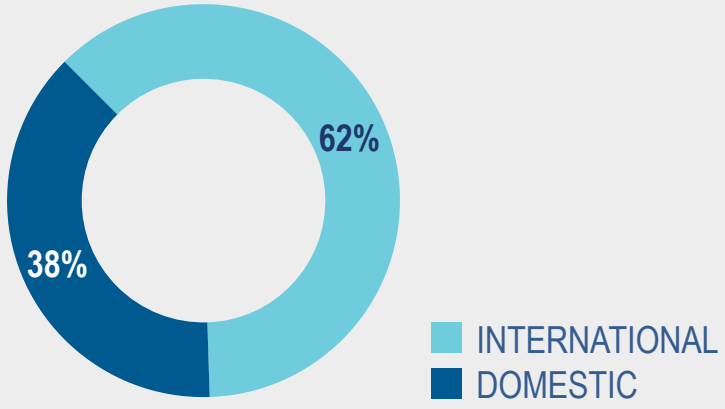
** Includes R4m of sales to SA Fishing*

GROSS PROFIT
R17.4 MILLION

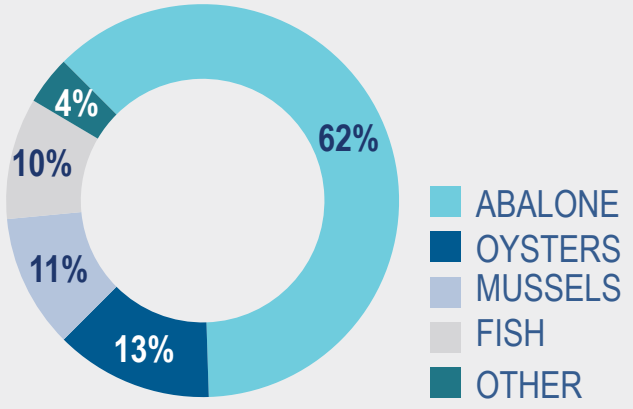
FAIR VALUE GAIN
R5.1 MILLION

EBIT
-R4.7 MILLION

REVENUE



REVENUE BY CATEGORY



H1 2019 Key highlights and challenges

- Viking Aquaculture operations broke even at EBIT level for the period
- Exceptionally tough sales environment
  - › China and Hong Kong local and geo-political headwinds
  - › Extended period of red-tide of 11 weeks
    - No animals were lost, but restricted ability to export
- Approval obtained to complete the wind farm at Buffelsjag abalone farm
- Expansion of Kleinzee abalone farm on track
  - › To include wind farm
- Sea trout sales delayed to H2, to benefit from bigger size mix
- Water leases for sea trout farming in Saldanha Bay approved, enabling the expansion of trout production to commercial scale
- Oysters and mussels performing well







LADISMITH CHEESE COMPANY

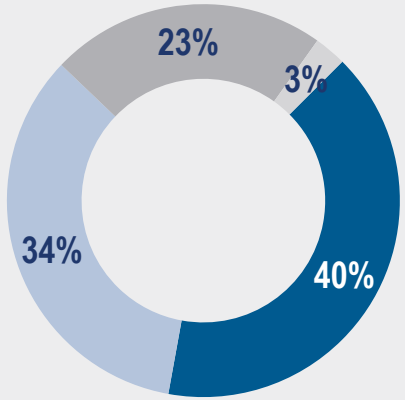
Key metrics

REVENUE
R400.5 MILLION

GROSS PROFIT
R74.7 MILLION

EBIT
R38.9 MILLION

REVENUE



- FOOD PRODUCERS
- RETAIL
- FOODSERVICE
- WHOLESALE

H1 2019 Key highlights and challenges

- Completed acquisition of 100% of Ladismith on 2 January 2019
  - › Seamless integration
- Revenue increased, benefiting from improved volumes across all categories
- Good performance in a very tough local environment, with operating margins maintained at 10%
- Construction of 3rd powder plant has commenced
  - › Operational Q2 2020







Sea Harvest
AUSTRALIA

INTERNATIONAL OPERATIONS: SEA HARVEST AUSTRALIA

Key metrics

Sea Harvest AUSTRALIA

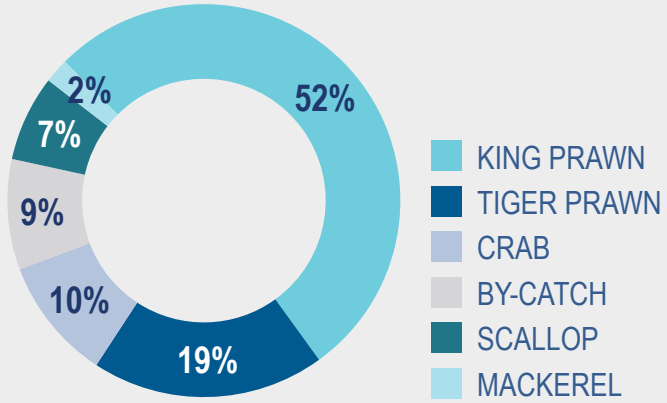
REVENUE
▲ 4%
TO R182 MILLION
(2018: R174 MILLION)

GROSS PROFIT
▲ 16%
TO R45 MILLION
(2018: R39 MILLION)

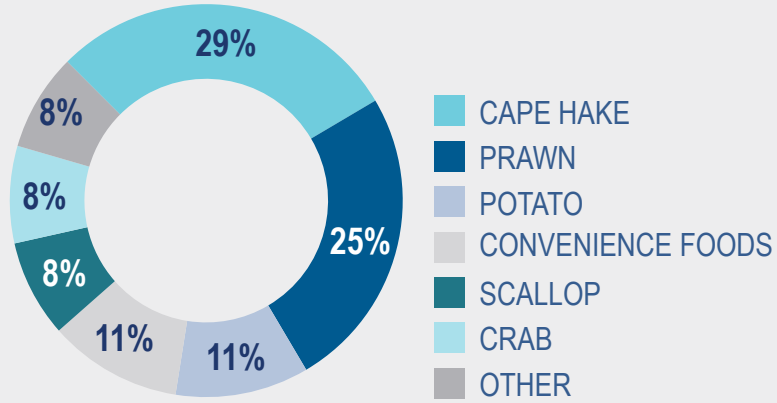
EBIT
▼ 95%
TO -3.2 MILLION
(2018: -1.7 MILLION)

NORMALISED EBIT
▲ 278%
TO 3.0 MILLION
(2018: -1.7 MILLION)

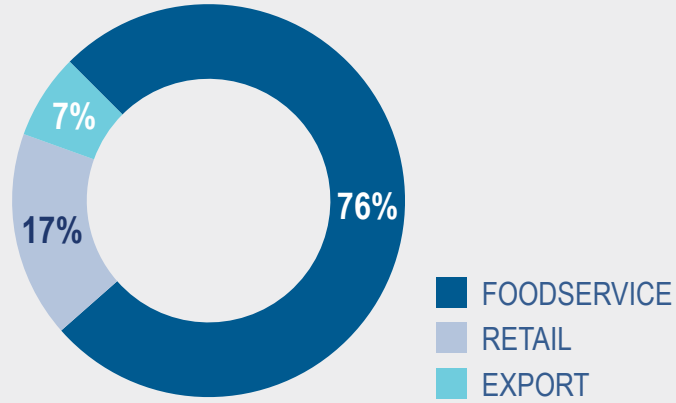
CATCH VOLUMES BY PRODUCT



REVENUE SPLIT BY CATEGORY



REVENUE CHANNELS



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

H1 2019 Key highlights and challenges

- Completed take-over of 43.6% minority shareholders on 8 May 2019
  - Name change to Sea Harvest Australia
- Some recovery in year-to-date Shark Bay prawn catch volumes
- Smaller average size mix
- Sales revenue impacted by potato shortage due to drought in Europe
- Normalised EBIT was R3m compared to a loss of R1.7m for the same period last year
- Working with Department of Primary Industry and Regional Development (DPIRD) to manage fishery to maximum economic yield by starting season later to allow biomass to grow
- Objective now is to acquire businesses of scale to leverage the infrastructure and fixed cost base







OUTLOOK

Outlook

- Strong demand in international markets for high value, wild caught, MSC certified seafood
- Stable local foodservice and wholesale markets
- Tough domestic economic environment with local retail volumes expected to come under continued pressure
- Good progress made in resolving teething issues with Marel fresh fish processing facility in Saldanha Bay which is expected to drive future efficiencies
- Rand weaker with hedges more favourable
- Milk production in H2 is expected to be stable
- Market issues within Hong Kong and China impacting abalone sales are expected to continue in H2
- Earnings and HEPS expected to benefit from annualised effect of accretive acquisitions









QUESTIONS



THANK YOU