

2020

OUR HARVEST FROM SEA TO SHORE

Sea Harvest

SEA HARVEST UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

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Today's presentation team



Felix Ratheb

Chief Executive Officer



Muhammad Brey

Chief Financial Officer

Presentation outline

- Group overview
- Group financial and operating performance
  - Sea Harvest Group
  - South African Fishing
  - Sea Harvest International
  - Sea Harvest Aquaculture
  - Cape Harvest Food Group
- Outlook
- Questions



1° GROUP OVERVIEW



Group snapshot

1°

SOUTH AFRICAN FISHING

36 VESSELS

6 PROCESSING OPERATIONS

SPECIES: Hake | Horse mackerel
Prawn | Anchovy
Pilchard

Sea Harvest
Savour the sea

EMPLOYEES: **3 200**

SEA HARVEST AQUACULTURE

9 AQUACULTURE OPERATIONS

SPECIES: Abalone | Oysters
Mussels | Trout

Viking Aquaculture

EMPLOYEES: **350**

CAPE HARVEST FOOD GROUP

11 FACTORY SHOPS

1 PROCESSING OPERATION

PRODUCTS: Cheese | Butter
Milk powders

Ladismith Cheese

EMPLOYEES: **500**

SEA HARVEST INTERNATIONAL

13 VESSELS

LICENCES:
10 SHARK BAY PRAWN FISHERY
4 SPANISH MACKEREL

SPECIES: Prawn | Scallop | Crab
Spanish Mackerel

Sea Harvest AUSTRALIA

EMPLOYEES: **110**

Key metrics

GROUP REVENUE

7%

TO R1.999 BILLION
(2019: R1.870 BILLION)

EBIT

5%

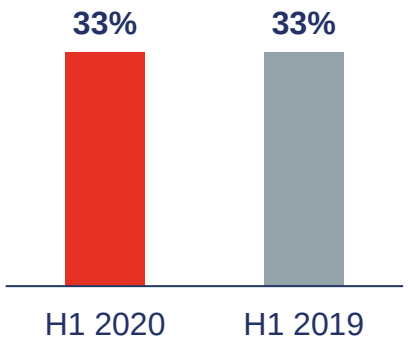
TO R267 MILLION
(2019: R281 MILLION)

HEADLINE EARNINGS

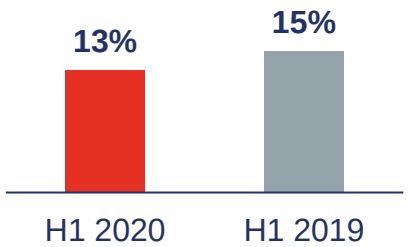
0.4%

TO R170 MILLION
(2019: R169 MILLION)

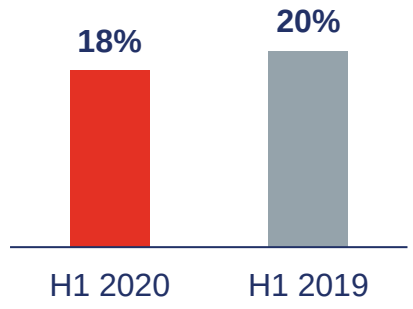
Gross profit margin



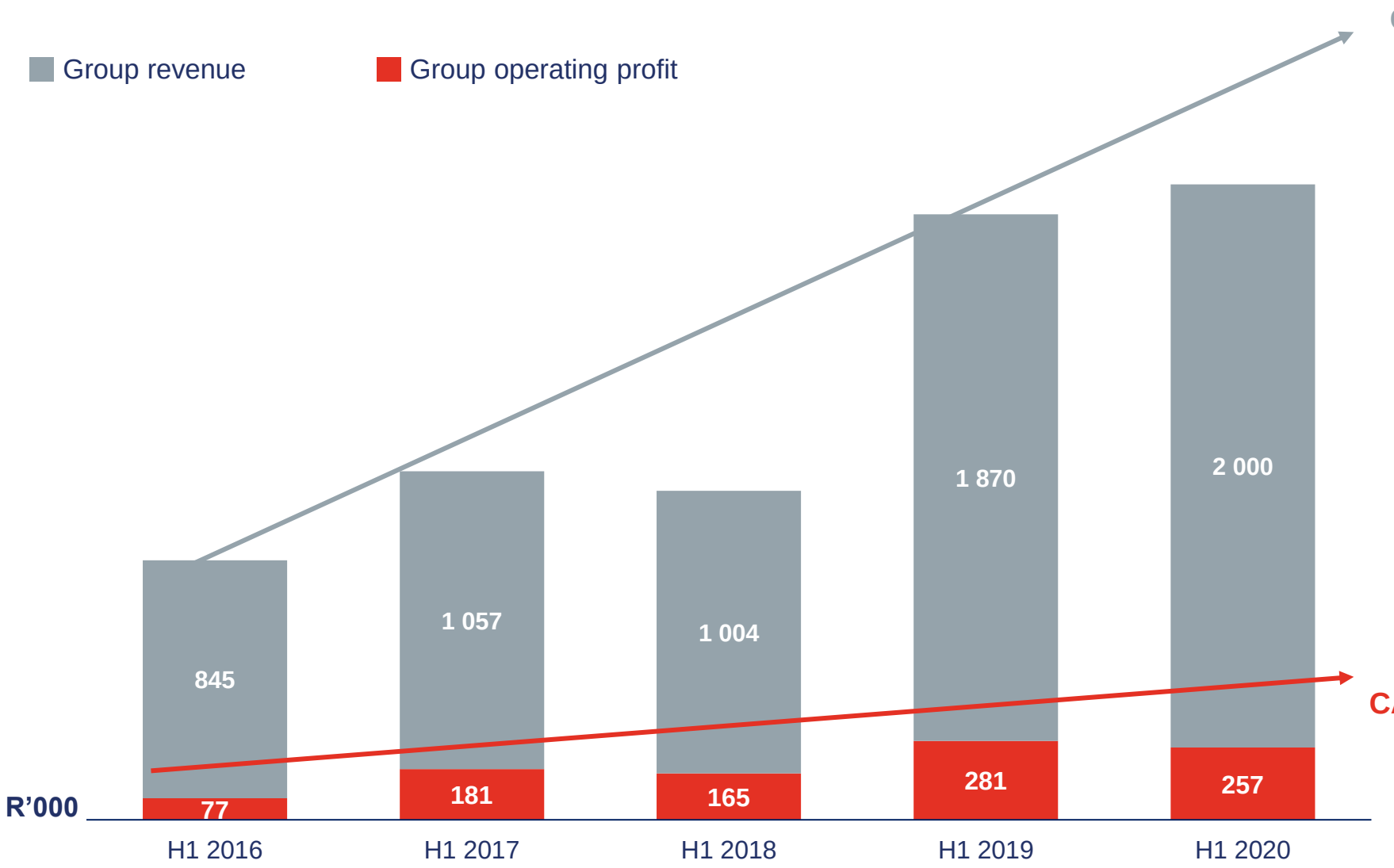
Operating profit margin



EBITDA margin



Group revenue and operating profit





Revenue diversification

1°

INTERNATIONAL

9%

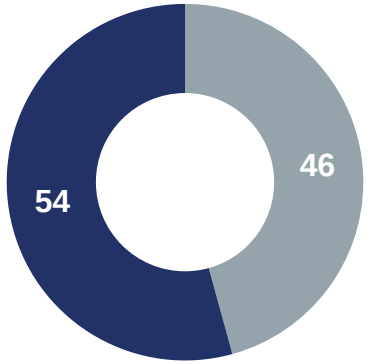
TO R914 MILLION
(2019: R836 MILLION)

DOMESTIC

5%

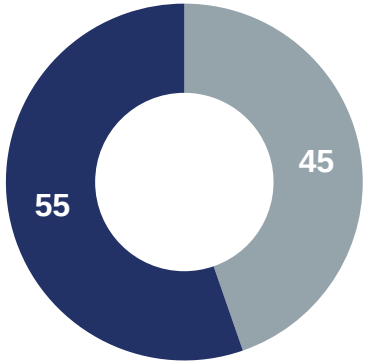
TO R1.08 BILLION
(2019: R1.03 BILLION)

H1 2020 (%)



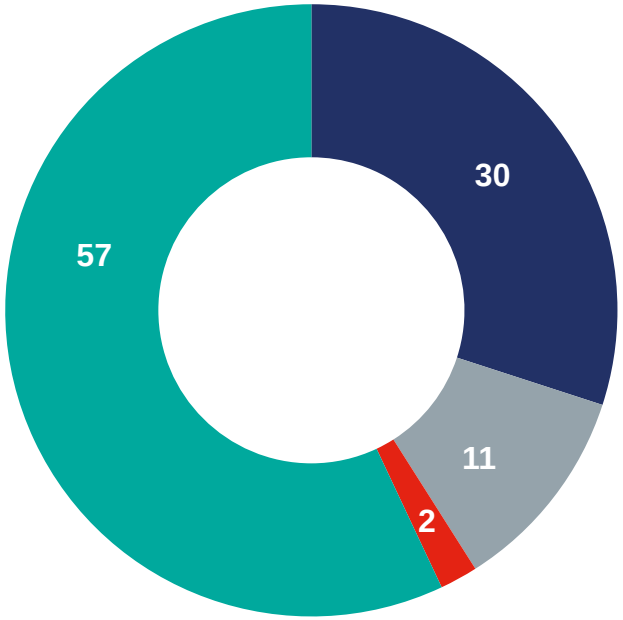


H1 2019 (%)



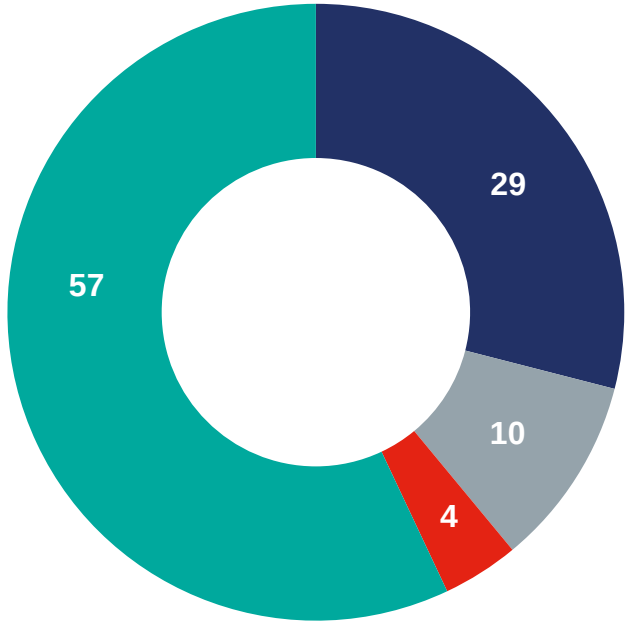
Currency diversification

H1 2020 (%)





H1 2019 (%)



Market diversification: International mix

EUROPE

8%

TO R591 MILLION
(2019: R547 MILLION)

AUSTRALIA

19%

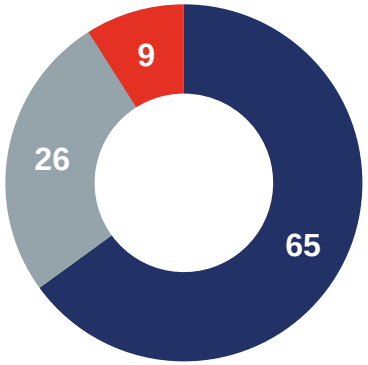
TO R240 MILLION
(2019: R202 MILLION)

OTHER MARKETS

4%

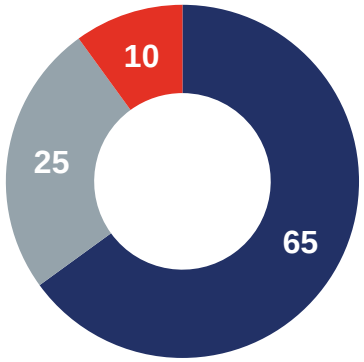
TO R83 MILLION
(2019: R87 MILLION)

H1 2020 (%)



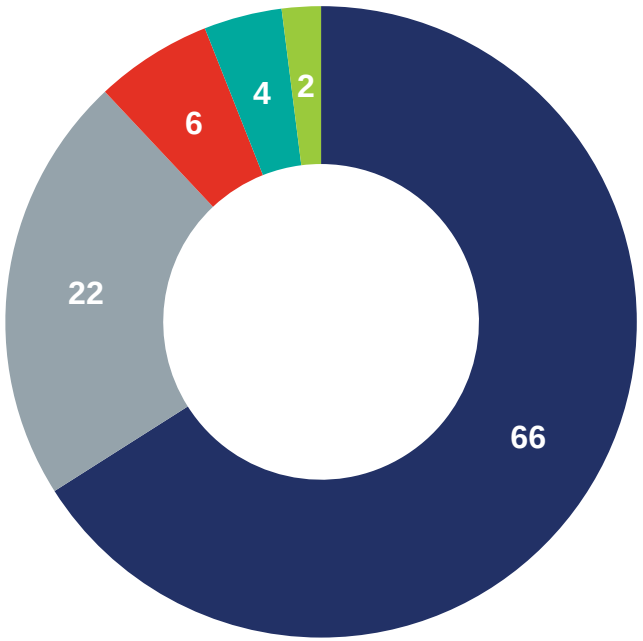


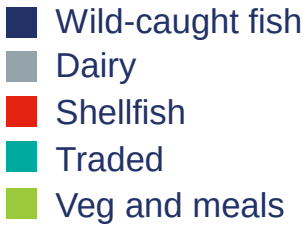
H1 2019 (%)



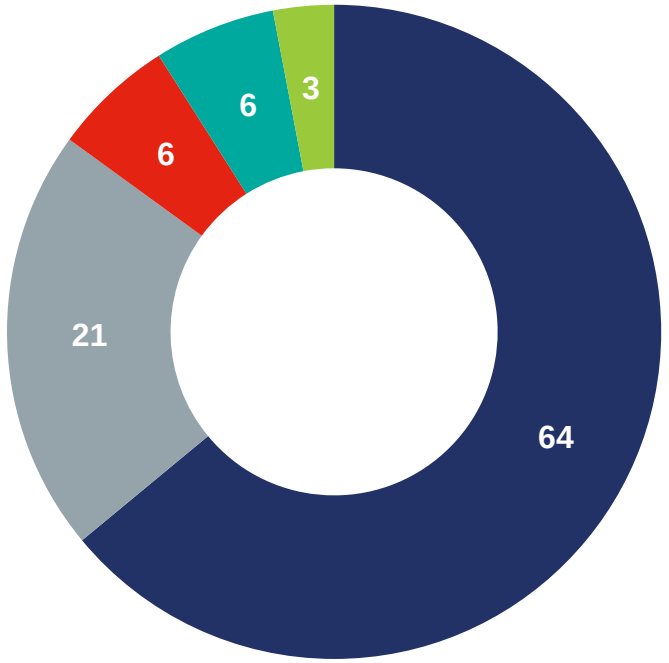
Product diversification: Product revenue mix

H1 2020 (%)





H1 2019 (%)



Channel mix

1°

RETAIL

21%

TO R993 MILLION
(2019: R821 MILLION)

FOODSERVICE

8%

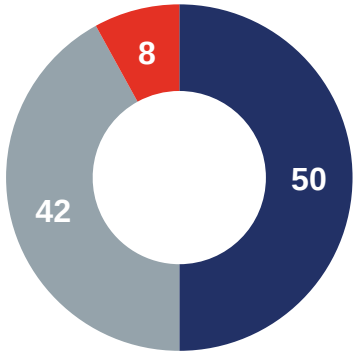
TO R836 MILLION
(2019: R909 MILLION)

WHOLESALE

21%

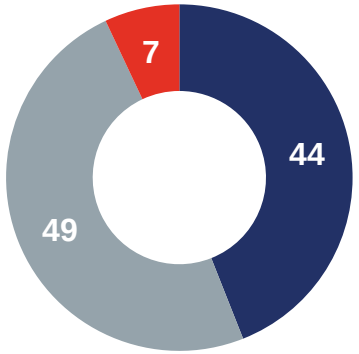
TO R170 MILLION
(2019: R141 MILLION)

H1 2020 (%)



Retail
Foodservice
Wholesale

H1 2019 (%)



H1 2020 Challenges

- Impossible for any business to have planned for an extended global pandemic such as Covid-19, with the priority of the Group being to:
  - Ensure the health and safety of employees
  - Protect jobs and hence livelihoods
  - Ensure food security through continuity of production
- Impact of COVID-19 on the Group
  - Market disruption with foodservice/HORECA markets under pressure globally
  - Supply-side interruptions affecting throughputs and productivity
  - Spent R16.7 million on direct COVID-19 related costs in SA to ensure the safety of our employees and the sustainability of our business
  - Prioritized working capital management and suspended non-critical capex
  - Combined, resulted in margin pressure
- Difficult trading conditions in the Aquaculture segment
- Hedge losses due to significant movement in the currency and fuel price



H1 2020 Highlights

- Business performance has been very resilient through the pandemic from January indicating the defensive nature of the sectors the Group operates in:
  - Deemed an “essential service” provider, all the Group’s sites continued to operate
  - Diversified fleets and operations mitigated risk of disruption
  - Diversified markets and channels ensured sales continued
  - HEPS of 61.0 cps, in line with H1 2019 – HEPS-C growth up 5% to 63.9 cps
- Strong performance in retail channel, in all markets
- Fishing resources healthy on all species indicating lockdowns could have had positive effect on marine resources
- Benefited from weaker Rand, lower fuel price and lower interest rates
- Retention of B-BBEE Level 1 contributor status
- Sea Harvest Fish Fingers voted Product of the Year 2020, in the Quick Meals Category
- Strong industry and government collaboration
- Delivered >10,000 food parcels to the “poorest of the poor” in impoverished communities



GROUP FINANCIAL AND OPERATING PERFORMANCE



2° SEA HARVEST GROUP

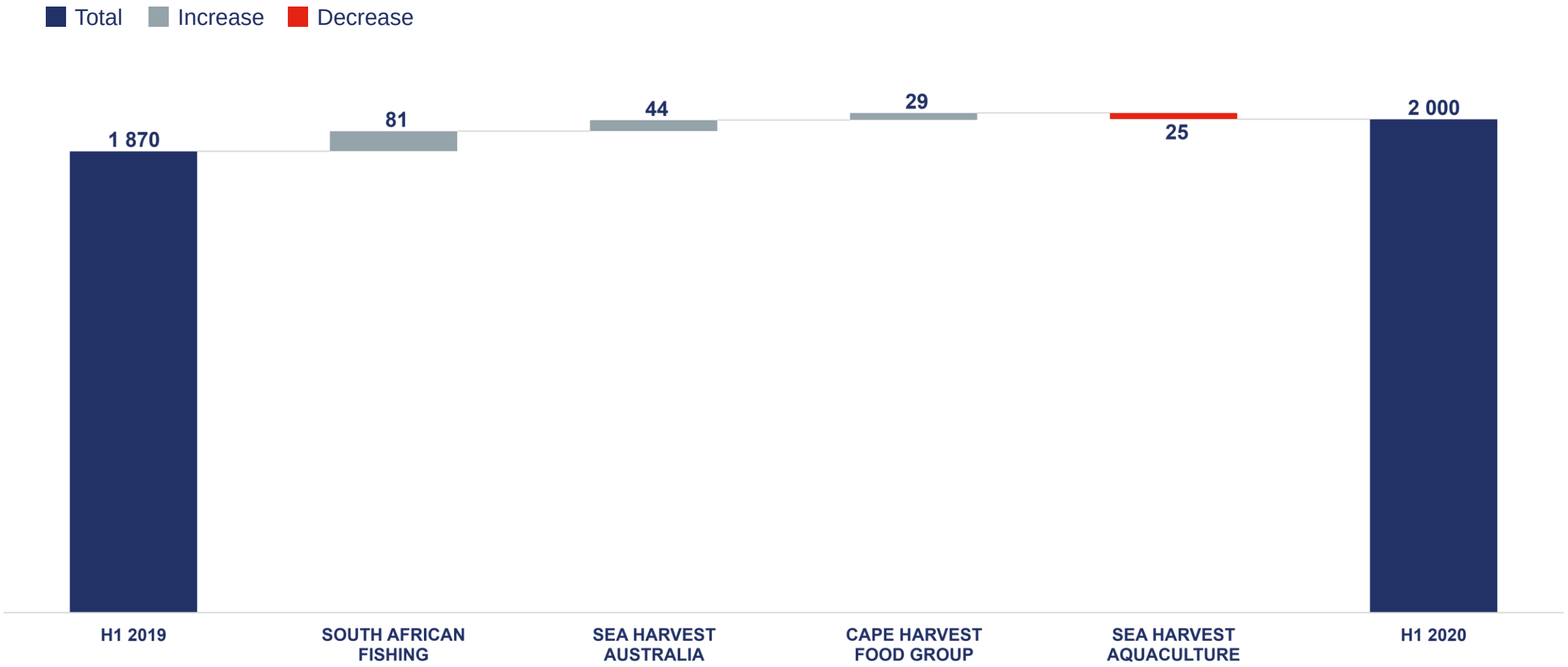


Sea Harvest Group income statement

Year to date (R'000)		H1 2020	H1 2019
Revenue	7%	1 999 648	1 870 122
Gross profit	**9%**	**665 636**	**611 487**
Gross profit margin		*33%*	*33%*
Hedge (loss)/gain		(32 188)	21 223
Operating expenses	5%	(386 811)	(366 947)
Fair value gains/(loss)		9 466	(291)
Profit before finance costs and tax (EBIT)	**(5%)**	**266 499**	**280 744**
EBIT margin		*13%*	*15%*
Net finance costs	(5%)	(48 481)	(51 069)
Taxation	(8%)	(63 240)	(69 011)
Profit after tax	**(4%)**	**154 778**	**160 664**
Non-controlling interest		(14 247)	(8 642)
Profit attributable to Sea Harvest shareholders		169 025	169 306
EBITDA		367 702	370 151
EBITDA margin		*18%*	*20%*



Sea Harvest Group revenue waterfall



Sea Harvest Group – HEPS and HEPS-C

Reconciliation of headline earnings (R'm)	H1 2020	H1 2019
Profit for the period attributable to shareholders of the parent	169 025	169 306
Adjustment for capital items post tax	939	50
Headline earnings	**169 964**	**169 356**
Weighted average number of outstanding shares (WANOS) ('000)	278 604	277 023
HEPS (cents)	61.0	61.1
Net COVID-19 expenses (post tax)	8 093	–
Headline earnings - C	**178 057**	**169 356**
HEPS - C (cents)	63.9	61.1



Sea Harvest Group balance sheet

Assets (R'm)	June 2020	Dec 2019	
Property, plant and equipment	1 984 632	1 881 734	
Right-of-use assets	130 358	136 695	
Biological assets	81 313	61 448	
Intangible assets	737 720	639 795	
Goodwill	868 200	849 615	
Other non-current assets	275 560	218 166	
Current assets	1 609 802	1 728 800	
	5 687 585	**5 516 253**	

- BAU capex +R133m, Project capex +R22m
  Depreciation -R88m
  Translation of Sea Harvest Australia PP&E +R34m
- Viking Aquaculture biological assets
- Translation of Sea Harvest Australia intangible +R100m
- Translation of Sea Harvest Australia goodwill +R19m
- Loans to related parties +R53m
- Inventory +R49m and translation of Sea Harvest Australia inventory +R24m
  Receivables +R38m and translation of Sea Harvest Australia receivables+R13m
  Cash -R117m
  Financial assets -R125m

Sea Harvest Group balance sheet

Equity and liabilities (R'm)	June 2020	Dec 2019	
Stated capital	1 809 968	1 810 506	
Reserves	565 939	626 768	●
Non-controlling interests (including treasury shares)	55 405	76 500	●
Non-current liabilities	2 268 867	2 086 705	●
Current liabilities	987 406	915 774	●
	5 687 585	**5 516 253**	

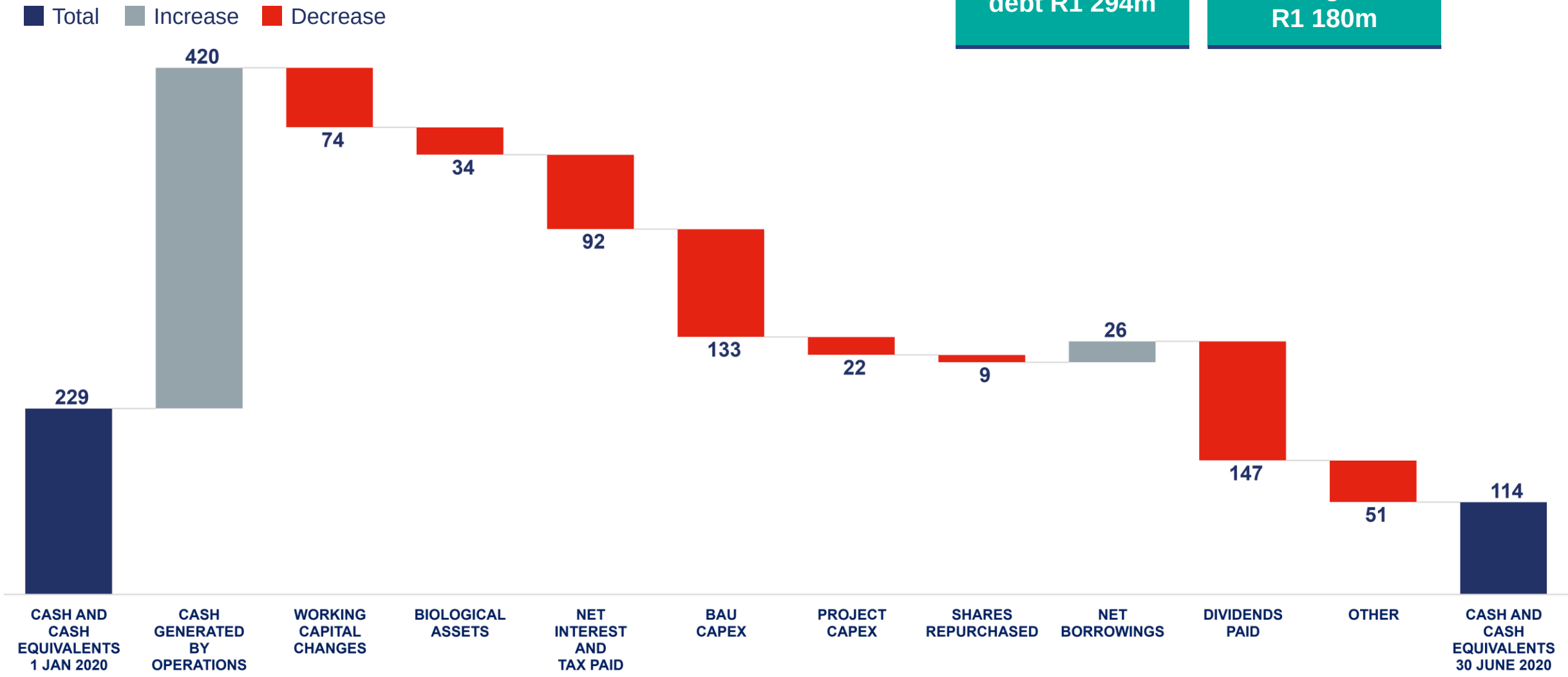
- Retained earnings +R23m
  Foreign currency translation reserve +R107m
  Hedge reserves –R205m
- Viking Aquaculture minorities
- LT borrowings +R206m and translation of Sea Harvest Australia LT borrowings +R24m
  Deferred tax -R53m
- ST borrowings -R158m and translation of Sea Harvest Australia +R23m
  Payables +R13m and translation of Sea Harvest Australia payables +R12m
  Financial liability +R186m

Sea Harvest Group cash flow waterfall

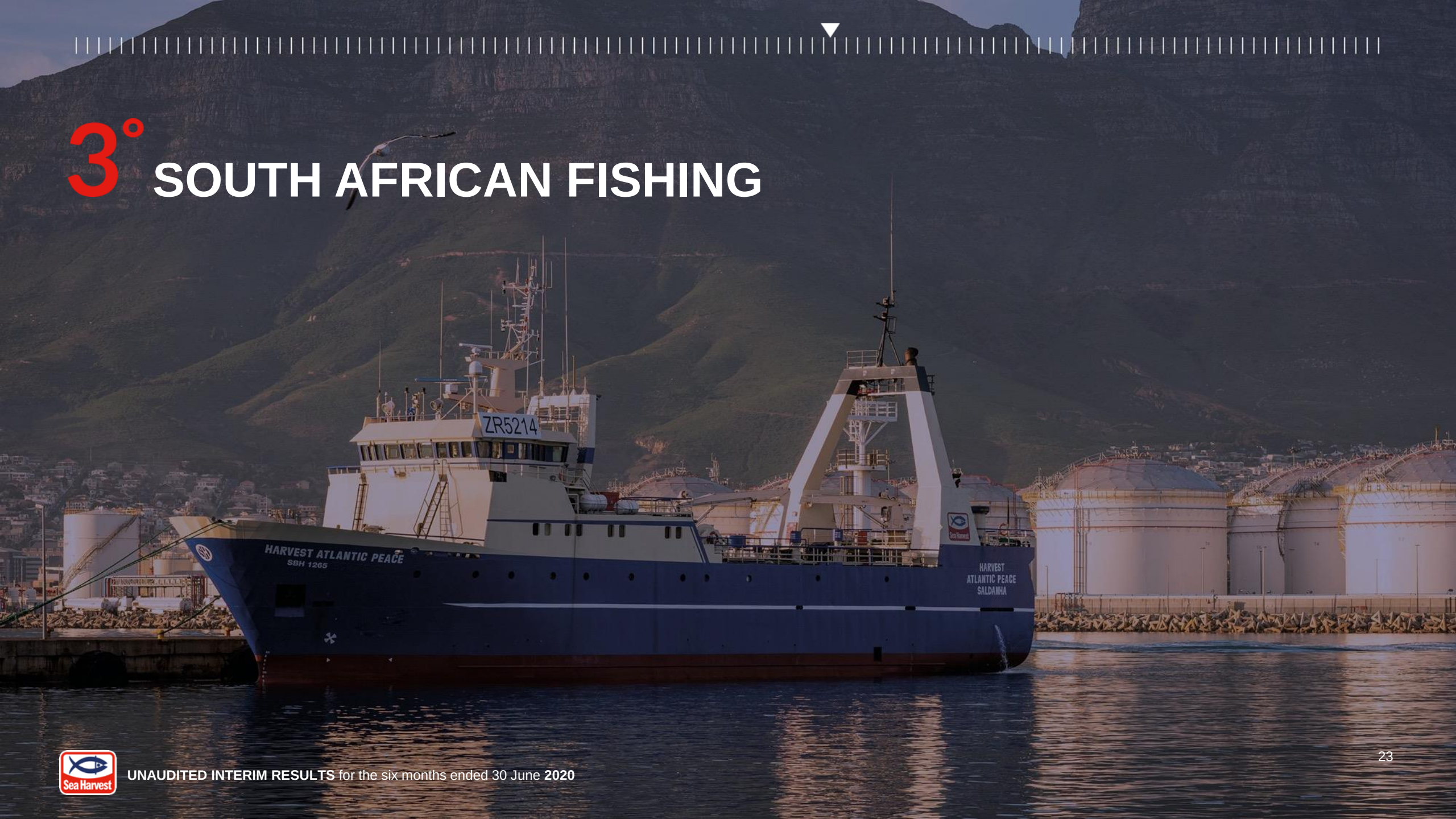
Interest-bearing debt R1 294m

Net interest-bearing debt R1 180m

2°



3° SOUTH AFRICAN FISHING



South African Fishing key metrics

REVENUE

7%

TO R1.4 BILLION
(2019: R1.3 BILLION)

GROSS PROFIT

14%

TO R526 MILLION
(2019: R463 MILLION)

EBIT

2%

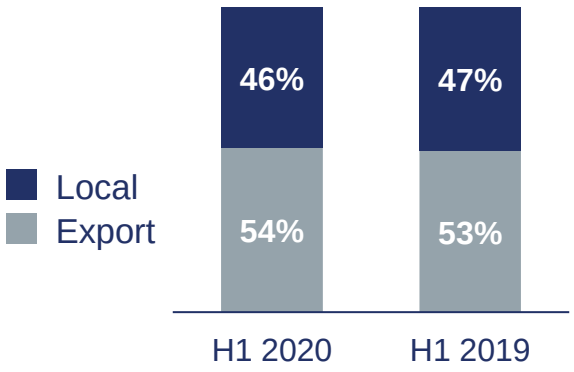
TO R249 MILLION
(2019: R255 MILLION)

EBIT - C

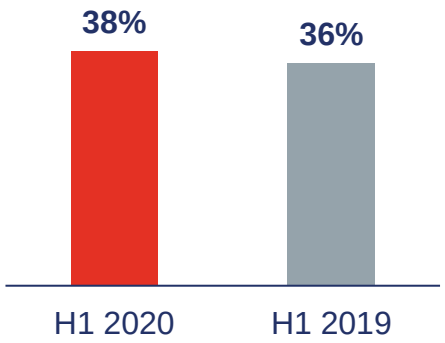
4%

TO 264 MILLION
(2019: 255 MILLION)

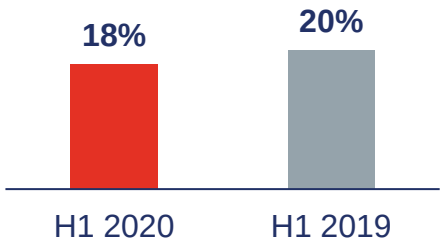
Revenue mix



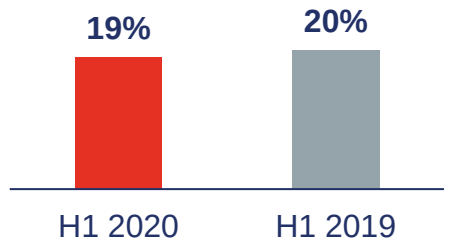
Gross profit margin



EBIT



EBIT - C



Revenue includes inter-segment revenue of R79.6m (2019: R66.9m)

South African Fishing revenue growth and channel mix

3°

EXPORT

9%

TO R734 MILLION
(2019: R674 MILLION)

FOODSERVICE

2%

TO R378 MILLION
(2019: R386 MILLION)

DOMESTIC RETAIL

31%

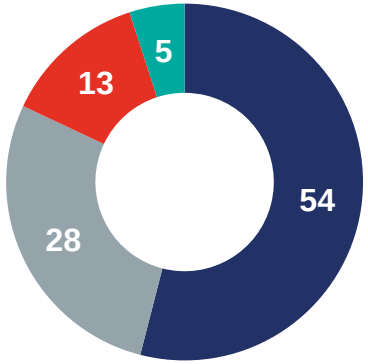
TO R183 MILLION
(2019: R140 MILLION)

WHOLESALE

1%

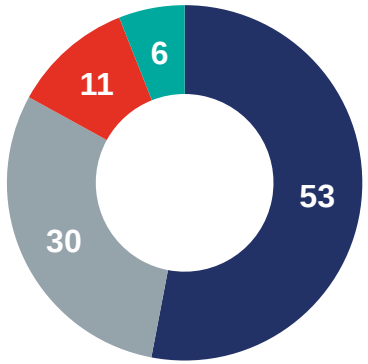
TO R73 MILLION
(2019: R74 MILLION)

H1 2020 (%)





H1 2019 (%)



Revenue includes inter-segment revenue of R79.6m (2019: R66.9m)

South African Fishing – H1 2020 highlights and challenges

- Credible set of results despite COVID-19 challenges
- Resource has been abundant although fishing affected by poor weather
- Hake landings down due to less effort in order to balance with COVID-19 challenges in Saldanha facility
- Factory throughput affected by COVID-19
- Slowdown in local and international foodservice markets supplying HORECA and out-of-home markets
- Firm demand in local and international retail markets
- Diverted more catch and production to retail
- Benefited from weaker Rand and lower fuel prices – limited by hedging
- High costs to mitigate against COVID-19
  - Health screening
  - Hygiene procedures
  - Physical distancing, limiting access points and PPE
  - Private transport



6° SEA HARVEST INTERNATIONAL



Sea Harvest International key metrics

REVENUE

24%

TO R226 MILLION
(2019: R182 MILLION)

GROSS PROFIT

7%

TO R42 MILLION
(2019: R45 MILLION)

EBIT

147%

TO R2 MILLION
(2019: -R3 MILLION)

Revenue split by category (%)



H1 2020 H1 2019

Revenue channel (%)



H1 2020 H1 2019

Sea Harvest International – H1 2020 highlights and challenges

- Business has been resilient through the COVID-19 pandemic
- Turnaround continuing well with significant cost focus
- Prawn season opened one month later, limiting sales of fishery division products in the period
- Revenue growth driven by significantly higher volumes from South Africa
- 2020 catch exhibiting larger prawn and higher proportion of Tiger Prawns
- Slowdown in foodservice markets supplying HORECA markets – also affected sales of high value crab and scallop
- Firm demand in retail although at lower prices affecting margins negatively
- COVID-19 relief packages by the Australian government offset some of the negative impact of the slowdown in markets
- Started to see positive signs in the market in June as cases started to drop and restrictions lifted



4° SEA HARVEST AQUACULTURE

Viking Aquaculture



Sea Harvest Aquaculture key metrics

REVENUE

63%

TO R16 MILLION
(2019: R44 MILLION)

GROSS PROFIT

94%

TO R1 MILLION
(2019: R17 MILLION)

FAIR VALUE GAINS

140%

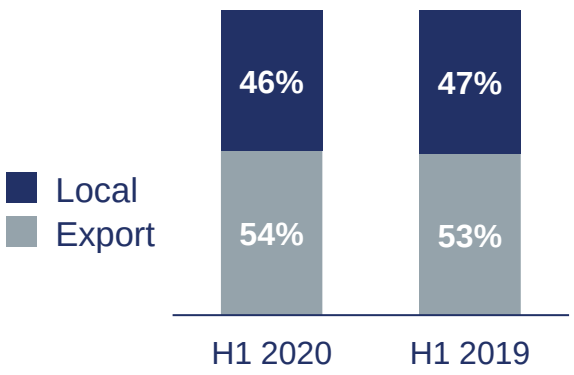
TO R12 MILLION
(2019: R5 MILLION)

EBIT

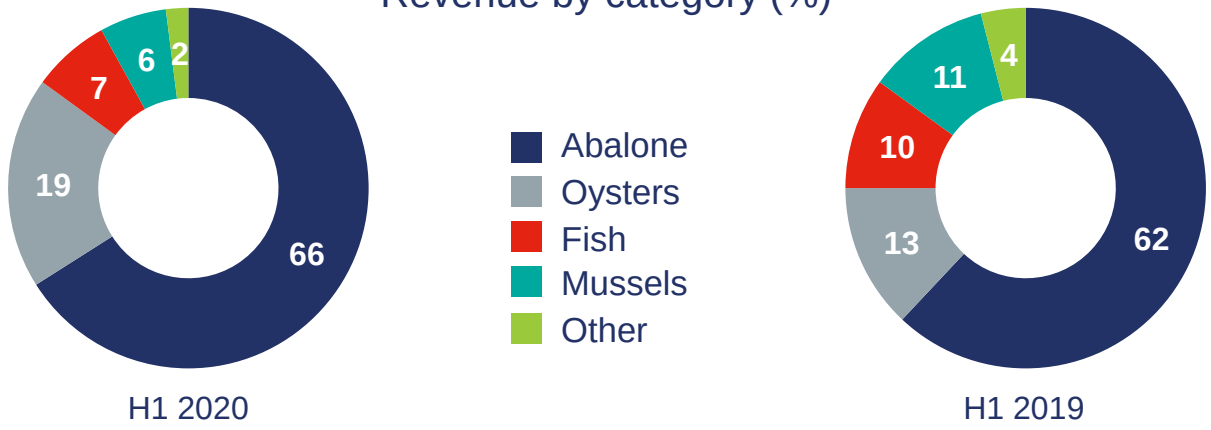
R21.3m

TO -R26 MILLION
(2019: -R4.7 MILLION)

Revenue mix



Revenue by category (%)



Revenue includes inter-segment revenue of R1.4m (2019: R4.1m)

Sea Harvest Aquaculture – H1 2020 highlights and challenges

- Severely impacted by COVID-19
- Abalone sales impacted by lockdown of Hong Kong and Chinese markets, followed by the lockdown in South Africa impacting air travel
- Oysters and mussels sold almost exclusively into the local foodservice market with sales coming to a virtual standstill due to the lockdown
- Good growth in biomass with value of biological assets increasing 17% to R163 million
- Expansion of the abalone farm at Kleinzee has been suspended until abalone markets recover
- Actively pursing alternate product formats and markets
- Molapong strategic review continuing



5° CAPE HARVEST FOOD GROUP



Cape Harvest Food Group key metrics

REVENUE

7%

TO R470 MILLION
(2019: R441 MILLION)

GROSS PROFIT

4%

TO R92 MILLION
(2019: R89 MILLION)

EBIT

2%

TO R40 MILLION
(2019: R41 MILLION)



Cape Harvest Food Group – H1 2020 highlights and challenges

- Pleasing set of results despite COVID-19 challenges
- Affected by load shedding and production downtime in H1
- Slowdown in local foodservice markets supplying out-of-home markets
- Firm demand in local retail market
- Prices have been firm
- Integration continuing well
- Strategic capex projects delayed due to lockdowns and are expected to commence and be completed in Q4



7 OUTLOOK



Looking to H2….

- As economies open up and lockdowns are lifted, there is a risk that relaxing restrictions will lead to second and third waves of positive cases
- Parts of Australia and Spain are back in lockdown
- Situation fluid with ongoing supply and market disruptions
- Higher proportion of fish to catch in H2
- Benefits of weaker exchange rate and lower fuel prices will continue although upside limited due to hedges
- Aquaculture dependent on international flights and expected to have a poor year
- FRAP 2021 expected to be completed by Dec 2021 – provides certainty if done properly
- Most important aspect of the FRAP process is to conduct detailed socio-economic studies (SEIAS) to be able to formulate policy aligned to the President's priorities of Job Preservation post COVID-19, job creation, investment and inclusive growth
- Policies should also be aligned to the National Development Plan
- Will be the toughest year in history and management and staff are to be applauded for their efforts



QUESTIONS



https://seaharvestgroup.co.za/investors/financial-results/

THANK YOU

