FOOD PRODUCERS RESEARCH

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SOUTH AFRICA
Listed Food Producers' Sector

Oceana Group Ltd (JSE:OCE)

Company Results Update

Tuesday, June 20, 2023

U.S. Daybrook acquisition starting to 'see the light of day'

Lower debt and finance costs through disposing the cold storage business outweighs the profits that CCS would generate.

We update our estimates to an ACCUMULATE based on the H1-23 results. At current levels we believe that the company still has long term value and the net assets should continue to grow as debt is reduced. We forecast a **12 month target price of R76,** with further upside if interest rates decline (see sensitivity analysis). Through **a SOTP valuation of Daybrook in USD converted back to ZAR indicates a fair value closer to R85** per share valuing Daybrook at US market related rates.

Exposure to a more robust US market should yield long term benefits to the group. Our SOTP valuation showed that Daybrook could be a hidden gem by virtue of being a USA business, not SA Inc. **The SOTP valuation of Daybrook in USD and converted to ZAR shows a potential value unlock valued at R85 per share** compared to the DCF from a SA perspective using SA related discount rates. 22.4% of revenue since 2016 was from the US Daybrook operations, and 34% of group EBIT. The exposure is beneficial as USA has the most robust consumer market on the planet. The challenge with Daybrook is catching enough to sell each year. Demand for fish meal and oil is high and Daybrook can sell everything they produce as the direct beneficiary of booming pet and aquaculture industries. We compared Daybrook EBIT margins to other food producers in the sector, and Daybrook is the top segment out of all JSE Food Producers with an average 25% EBIT margin since acquisition.

Daybrook shoots the lights out and will benefit from higher fish oil pricing. Daybrook operating profit at record high for a H1-23 at R370m (H1-22 at R46m) , boosted by higher fish oil prices (ave H1-23 $3200/t) which usually traded below $2000/t. We expect fish oil prices to remain firm as demand is high from Norwegian aquaculture and petfood. Peruvian (Pacific) TAC cut which will impact global fish meal and oil supply. Daybrook fishes in the Gulf of Mexico and should be isolated from this, but will benefit from better selling prices. Warmer ocean temperatures and changing weather patterns is something to watch as hurricane season (July - Oct) approaches. If Daybrook has sufficient landings this season and carry over stock into FY24 the segment will continue to perform well. A weaker Rand and less debt will improve the segments Rand value.

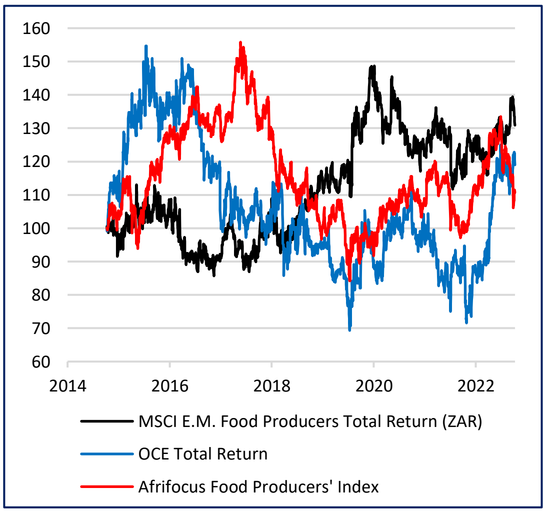
Expecting higher canned fish sales volumes to be a new normal. Canned fish and African operations should remain resilient given the high food inflation experienced in across all meat protein categories in 2022. Consumers will likely drop out of higher priced meat protiens into canned fish which is more affordable. Volume increases (20.9% H1-23; including 10% from higher stock levels; 10% organic growth) likely to be a new norm as consumers are forced to eat cheaper protein. Canned fish has growth potential in informal markets where fresh and frozen has challenges in penetrating. High inventory levels (all time high at 5 million cartons) put the company in a stronger position than previously (low stock levels post 2021 looting) and the SA segment should perform well as long as consumers can afford to buy the product.

15 year fishing rights were successfully secured and the company plans to invest in the fleet that will run over these 15 years. The wild catch segment remained flat (EBIT in H1-23 at R108m; H1-22 at R104m). The segment was negatively impacted by high oil prices and less days at sea from planned & unplanned maintenance in 2022. Going forward, wild catch should benefit from slightly lower oil price (FY22 ave R1511/barrel; FY23e ave R1493/barrel) and favorable EURZAR exchange rate up c.11% from an average R19/EUR for FY23e compared to R17/EUR in FY22 which will increase translated sales.

Cold Storage Sale was prudently conducted, and the timing was spectacular. Margins in commercial cold storge (CCS) will continue to squeeze (CCS EBIT margin FY21 33%; FY22 13%), given the ongoing electricity crisis and decline in poultry imports. Oceana only made use of c.10% of their cold store capacity while the remainder depends on external customers. The cash from the sale of CCS used to reduce SA debt will benefit Oceana far more than profits from owning the cold store business. We estimate in the long run the reduction in debt should improve Oceana's bottom line profit margins by 0.8%-2% as the CCS EBIT is historically less than the group finance costs.

RECOMMENDATION:	**Hold**
DCF fair value (primary method)	69.8
SOTP fair value (secondary method)	85.1
12m Target Price (ZAR)	**75.77**
Upside	2.31%
Dividend Yield	6.91%
12 month expected return	**9.22%**
4-year IRR	5.3%

Price (19 June 2023)			74.06
Market Cap. (Rbnl)			9.00
No. of shares (m)			121.52
Free Float			73%
(Rm) (Continuing operations)	**FY2022**	**FY2023e**	**FY2024e**
Revenue	8438	9587	9327
EBIT	1244	1538	1277
EBITDA	1476	1301	1002
EPS	6.03	8.39	6.93
HEPS	6.06	7.93	6.55
DPS	3.46	4.79	3.96
DY	4.7%	6.5%	5.3%
P/E	12.28	8.83	10.68
ROE	11.2%	13.6%	10.7%
ROIC	7.7%	10.6%	8.6%



* Indexed 12/06/2015

*Afrifocus Food Producers Index is market cap. weighted constituting TBS, ARL, OCE, SHG, AVI, RFG, LBR, RCL, PMR, TON, PFG*deslisted, ILV*delisted*

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Company Operating Segments:
| Canned Fish | Frozen Fish (various types)
| Fishmeal & Oil | Cold Storage & Logistics

Shareholder		
	Brimstone Investment Corporation	25.01%
	MandG Investment Managers (Pty) Ltd	10.98%
	Coronation Fund Managers	8.41%
	Public Investment Corporation (SOC) 17.9%	8.23%
	Camissa Asset Management	5.43%

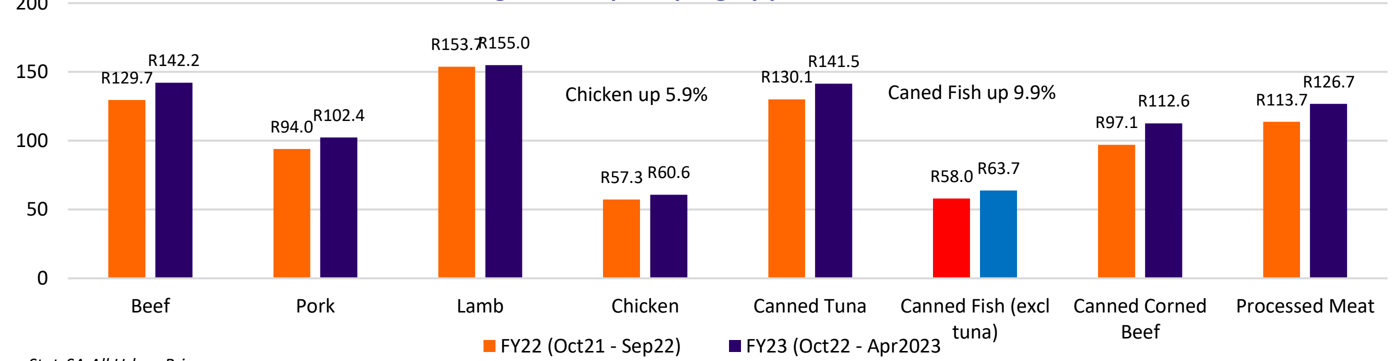
Peer Group Companies:
Avi Ltd
Astral Foods Ltd
RCL Foods Ltd
Tiger Brands Ltd
Sea Harvest Group Ltd

Investment Case

An investor in Oceana needs to be aware that the fishing business by nature is volatile. There may be great years or very poor years impacted by adverse whether conditions, ocean currents and even fish activity. This means that the business is unpredictably cyclical. The imported canned fish operations do build in some stability in the business as the company can purchase as much frozen fish as they desire, albeit costs to import also depends on the Rand. The company has reduced its dividend cover policy from 1.5 to 1.75 to focus on prudent cash management and optimize working capital. Dividend payout has been fairly stable at around 0.56 and we believe this should not be impacted in the near future. Oceana at current levels would have a dividend yield of around 5%.

- **Ability to push prices higher than chicken and other meats.** c.12% increase in canned fish selling prices (from H1-22 to H1-23; c.9.9% nationwide according to StatsSA in Fig 1) is likely result in recovery of input costs in 2022 (oil, steel, higher costs to import fish). The company is likely to see an increase in consumer demand in its largest canned fish segment, - Lucky Star (54.6% FY22 Rev). Prices have soared in 2022 on all meat protein sources driven by feed from raw commodities rising to record levels. This will bring in a substitution effect for when consumers decide to buy down from other meat types into canned fish which offers more protein value per Rand. Imports are impacted mainly by the Rand weakness, but the end result is that OCE is hedged by its US Daybrook operations, Horse Mackerel exports to Africa, and Hake/Squid exports to Europe.
- **Oceana has the benefit of being naturally hedged against the Dollar.** Substantial debt was taken on to acquire the USA Daybrook operations, but this is starting to show benefits in terms of diversifying their customer market and currency base. Fish imports for Lucky Star cans cost more when the Rand weakens, but is offset by the translation of USA denoted Daybrook earnings. When comparing FY21 EBITs to FY22, canned fish EBITs remained consistent (R463.5 FY21; R475.4 FY22) while Daybrook increased dramatically (R360.4 5YR Av; R234.9 FY21; R583.8 FY22). A major contributor to this growth is the Rand weakening (Av USDZAR FY21 R14.9 vs FY22 R16.7, vs FY23 so far at R18.5).
- **Informal market growth**. Lucky star canned fish volumes have been robust (20.9% increase and a record 5m cartons sold) is an affordable protein source with penetration into the heart of SA's growing informal market. We see modern trade as a saturated mature market that is becoming increasingly more challenging to grow market share with private label entrants. Products that work in the SA informal market should perform well given the growing population and demand, - i.e., long shelf life, ambient and affordable products.
- **Diversity of the business around the world helps to spread the fishing risk**. If the currency weakens to the dollar, Daybrook earnings are translated at much better rates while pilchard imports would cost more, vice versa if the Rand appreciates. The Rand weakening to the Euro benefits wild caught Hake/Squid sales into Europe, while a weaker USDZAR benefits Horse Mackerel sales to Africa in USD. Oceana source their 90% of their pilchards offshore from the east and west coast, while wild caught fishing mailnly happens in the west coast of South African and Namibian coastal waters, while Daybrook fishes in the Gulf of Mexico.
- **Daybrook should be viewed as a USA fishing company rather than rated as an SA operation.** Our SOTP valuation shows that more than half Oceana's market cap sits in Daybrook giving investors a natural Rand hedge. We foresee potential upside from rerating on the USA Daybrook operations as the market is looking through the SA lens rather than the USA lens. We valued the USA Daybrook operations at market related PE and EV/EBITDA for the fishing industry and found that if the segment were sold in USA at a fair value, net of debt and ZAR converted, post debt settlement Daybrook proceeds could be c.$418.6m (or R7.74 billion which is more than 80% of the current OCE market cap). USDZAR weakness will continue to provide upside to the equity value of Daybrook, which is going to increase as US debt is paid off over time (US debt estimated at c.$78m by FY23, c$50m in FY24).
- **Oceana secured their 15-year fishing rights for wild catch segment** which provides the certainty and foundation to tie up invetment CAPEX into the fleet that will be used in catching this TAC.
- **The company is on a mission to eliminate debt in SA and USA** which will have a phenomenal impact on bottom line profitability as well as increase the equity value through time. Targeting US debt at around $90m to come down to $78m by the end of FY23, $50m in FY24. SA debt is expected to halve by using the CCS sale cash to pay off cR500m from the current R1097m SA denoted debt (with no penalty)
- **Peruvian Anchovy TAC fell 60% to 1.02m and the Peru Government have postponed the season in the northern region**. While OCE does not fish in the Peru coastal waters, one of the world's largest fish resources resides in the region. This drop in TAC could keep fish meal and fish oil prices firm. There have been further updates that the fish are young and there are no biological conditions for fishing activities this season. Thus, the Peruvian government canceled the first 2023 season of anchovy TAC which will put a hold on fish supply and keep fish meal and oil prices firm (Peru Ministry of Production, 9 July 2023).
- **Rising ocean temperatures.** During historical El Nino phases fish stocks plummet as the fish move away from the warmer ocean waters and search for colder nutrient rich waters. El Nino probability in 2024 is strong with record high ocean temperatures so far in 2023 which will likely lead to tighter stocks and higher fish meal and oil prices. Oceana Daybrook fishing takes place in the Mexican Gulf and thus are isolated from the impacts of El Nino in the Pacific but should positively benefit OCE from higher selling prices. We see fish meal and oil prices to remain firm going forward with demand in pet food and aquaculture also to remain strong.

Fig 1: Meat price p/kg by protein source



Source: StatsSA All Urban Prices

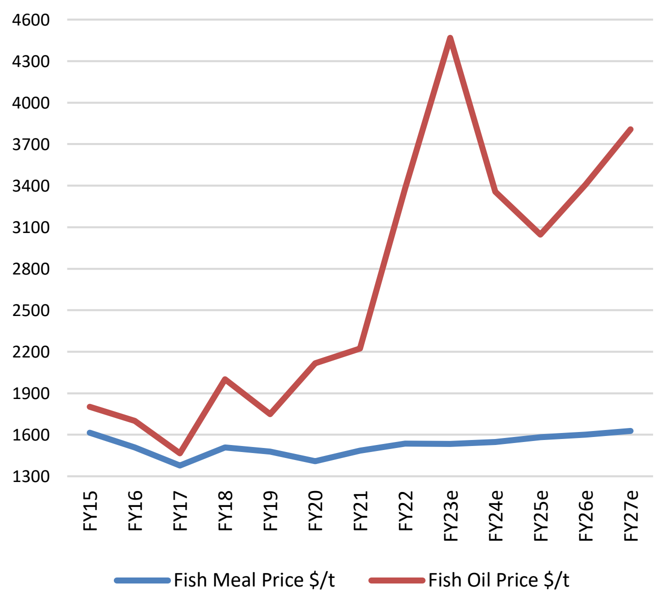
Key drivers over the short-medium term

- Firm fish oil prices globally at all-time highs (Fig 2) which will benefit OCE as long as they can catch enough stock.
- Cash from sale of Cold Storage improving the cash position and halving SA debt levels (R1097m H1-23 down to c.R500m by FY23 end).
- High meat prices in poultry, beef and pork to support demand for Lucky Star canned fish as a relatively affordable protein source full of nutrients.
- Load shedding to drive demand in long shelf-life products as consumers reduce their perishable and frozen foods due to possible spoiling.
- Successful renewal of 15-year fishing rights provides a certain foundation to invest in improving the wild catch fleet and hopefully benefit from favorable European demand and pricing.
- An increase catching rate in Horse Mackerel, Hake, Lobster and Squid in going frward as the vessels will have more time on the water (impacted in FY22 due to scheduled & unscheduled maintenance, with Hake being impacted in HY23 as well).
- Large carry over stock in Daybrook will carry increased sales into FY23 likely leading to the remainder of the year with good results.
- American Pets Products Association (APPA) showed that the COVID pandemic drove approximately a 5% increase in the number of pets in USA. APPA found that before COVID 67% of households had a pet, while post pandemic this number rose to 70%. What is also significant its that pet owners in USA are spending 11% more on their pets than before COVID. This scenario bodes well for Daybrook fish oil and fish meal demand. Daybrook has a major customer who purchases the raw fish meal and fish oil commodities as inputs into pet food which is likely going to remain in high demand.
- Processing capacity is being better utilized with as Lucky Star currently has higher sales volumes and built-up larger inventory levels.
- New upgraded jet engines on Daybrook fleet to improve catching efficiencies and speed which could help Daybrook reach its full processing capacity of 800-900 fish.
- USA has been in a drought since the start of 2020. This ultimately determines the water flow through the Mississippi River that provides the nutrient content for fish in the Gulf of Mexico. An improvement in rain would likely increase fish activity at the mouth of the river where Daybrook operates as the fish move in to eat. More nutrients improves the quality, weight and oil content in the fish.

Key Risks over the short-medium term

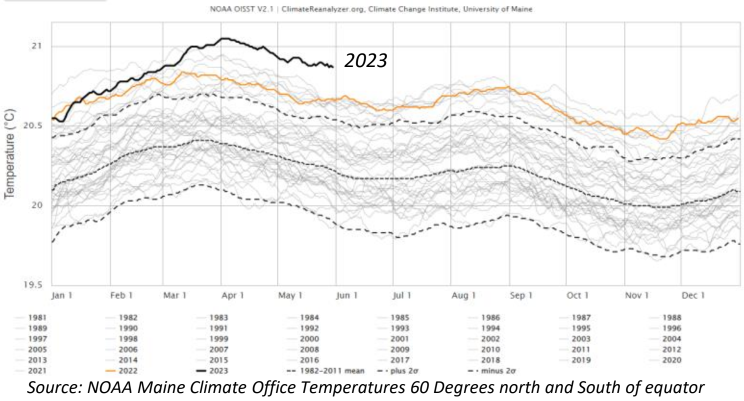
- Weak consumer environment and stagnating SA macro-outlook. Declining Infrastructural and political environment. High unemployment rate and poorer South African's that cannot afford meat. Difficult to conduct business with ongoing loadshedding, back roads and risks of theft along distributions routes.
- High debt levels in a period of increasing interest rates are driving up the finance costs of the company. Oceana's USA interest rate exposure is hedged until September 2024, while the Federal Reserve has stated that interest rates need to remain elevated for a long period to reduce inflation. Risk mitigated as cash from cold storage sale to halve SA debt levels.
- Cyclicality/unpredictable weather has a major impact on forecasting the future performance of the company which is likely a driver of the companies low PE relative to peers.
- Further increases in fuel which will drive up operating costs and reduce the profitability of wild catching.
- Rapid recovery in the Rand which would deflate Daybrook earnings going forward, - offset by the benefits of importing pilchards at a stronger Rand.
- Hurricane season (July - Oct) on the Gulf of Mexico During the catching months which could significantly reduce the number of fishing days and fish landings at Daybrook.
- El Nino Development causing warmer oceans (Fig 4 & 5) and fish to move to the poles where the water is cooler.

Fig 2: Firm Fish Oil Prices Globally - used in aquaculture and pet food which are both robust growing markets



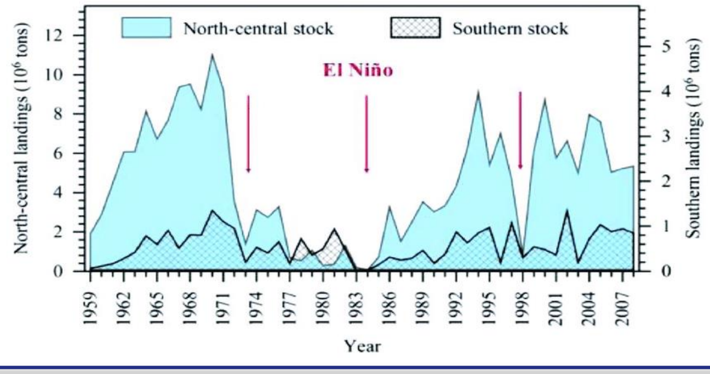
Source: Estimated using OCE IAR reported FMO price increases

Fig 3: High Ocean Temperatures as El Nino increases



Source: NOAA Maine Climate Office Temperatures 60 Degrees north and South of equator

Fig 4: Peruvian (Pacific) fish stocks plummet during El Nino



Valuation

Primary Valuation: Discounted Cash Flow Model

We value the firm using a Discounted Cash Flow Valuation Model on the 5 year forecast of the Free Cash Flows to the Firm. Based on this primary analysis we expect a fair value of R69.62. The DCF model is sensitive to the following inputs:

- **EBT -** Earnings before tax is determined in our comprehensive income statement forcasts. A summary of this is on the next page.
- **Depreciation, Ammortization and CAPEX -** Based on the companies historical opening balances of intagibles and PPE, as well as the historical ratio's of additions to opening balances.
- **Working Capital Changes -**based on the forcasted yearly balancesheet changes in inventories, biological assets, trade and other recievables, and trade and other payables. Inventories, recievables and payables are forcasted inline with historical efficiency ratios in the forecast summary.

DCF- Oceana Group	FY17	FY18	FY19	FY20	FY21	FY22	FY23e	FY24e	FY25e	FY26e	FY27e
EBT	667	883	897	1,146	936	1,064	1,396	1,153	1,265	1,265	1286
Tax Rate	28.1%	0.1%	27.7%	28.8%	27.8%	25.6%	27.0%	27.0%	27.0%	27.0%	27.0%
NOPLAT Cont Ops	479.4	882.2	648.4	816.2	718.5	768.7	1023.0	841.8	923.3	923.6	939.0
Depreciation & Amortisation	236	269	210	298	277	228	263	269	276	283	290
Increase In Working Capital	561	(189)	(342)	427	(16)	(579)	(649)	(159)	97	77	87
Capital Expenditure	(193)	(184)	(254)	(347)	(295)	(259)	(580)	(276)	(328)	(332)	(308)
Capex/ sales %	*-1.7%*	*-1.5%*	*-1.9%*	*-2.6%*	*-2.2%*	*-2.0%*	*-6.8%*	*-2.9%*	*-3.5%*	*-3.4%*	-3.0%
Free Cash Flow to Firm	-38.6	1156.1	946.9	339.7	716.5	1316.4	1355.3	993.2	774.8	796.9	833.8
Period							0.28	1.28	2.28	3.28	4.28
WACC						13.6%	14.0%	14.4%	14.4%	14.5%	14.6%
Discounting factor							0.96	0.84	0.74	0.64	55.8%
Present Value of Cash Flows							1306.6	836.0	570.1	510.7	464.9
Levered Beta	1.14	1.14	1.14	1.60	1.56	1.49	1.39	1.30	1.28	1.26	1.24
Cost of USA debt					6.1%	6.3%	6.0%	5.0%	3.5%	3.5%	3.5%
Cost of SA debt					8.5%	7.6%	11.3%	10.0%	9.7%	9.5%	9.0%
Cost of Equity	15.5%	15.5%	15.5%	17.7%	17.6%	17.2%	16.7%	16.3%	16.2%	16.1%	16.0%
Equity Weight	47.4%	55.6%	55.8%	63.5%	65.8%	70.2%	76.4%	83.6%	85.4%	87.2%	88.7%
US Debt Weight	0.0%	0.0%	0.0%	22.2%	21.5%	18.1%	16.6%	10.7%	9.8%	8.6%	7.7%
SA Debt Weight	0.0%	0.0%	0.0%	14.3%	12.7%	11.7%	6.4%	5.7%	4.8%	4.2%	3.6%

Terminal Value	**11529**
Sum of PVFCF	3688
Present value of terminal value	6428
Enterprise value	**10117**
Add: Cash	**901**
Less: Debt	**2321**
Less: Minorities	219.97
Equity value	**8477**
Wanos	121.524
Fair value per share- DCF	**69.76**
Cost of equity	15.5%
Dividends payable per share (ZAR)	4.79
Target price per share (ZAR)	**75.77**
Current price (ZAR)	74.06
Gain	2.3%
Dividend yield	6.5%
Total Returns	**8.8%**
Recommendation	***Hold***

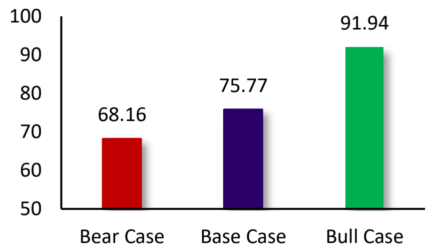
Scenario & Sensitivity Analysis on DCF

A scenario anaysis was conducted to determine a bull case and a bear case for the freecash flows to the firm. The methodology is based on historical standard deviations in the finacial statement line items, and using those statistics to forecast the upper and lower levels. The bull case is determined by improving the income statement and balancesheet components by 10% of one standard deviation in the 5 year historical line items, and vice versa for the bear case.

The sensitivity analysis shows the impact on target price by adjusting Rf and terminal growth.

Changes in Terminal Growth Rate	Changes in Risk Free Rate →	8.0%	8.5%	9.0%	9.5%	10.0%	10.5%	11.0%	11.5%	12.0%
	4.9%	77.7	73.2	69.2	65.5	62.2	59.1	56.3	53.7	51.4
	5.4%	82.2	77.2	72.7	68.6	65.0	61.6	58.6	55.8	53.3
	5.9%	87.3	81.7	76.6	72.2	68.1	64.5	61.1	58.1	55.3
	6.4%	93.3	86.8	81.2	76.1	71.6	67.6	64.0	60.7	57.6
	6.89%	100.2	92.8	86.3	80.6	**75.6**	71.1	67.1	63.5	60.2
	7.4%	108.4	99.7	92.3	85.8	80.1	75.1	70.6	66.6	63.0
	7.9%	118.2	108.0	99.3	91.8	85.3	79.7	74.6	70.1	66.1
	8.4%	130.3	117.9	107.6	98.9	91.4	84.9	79.2	74.1	69.7
	8.9%	145.4	130.1	117.7	107.3	98.5	90.9	84.4	78.7	73.7

Scenario Analysis Impact on 12M Target Price



DCF Valuation Inputs:

CAPM, WACC and Terminal Growth Determination

- The Risk free rate is kept inline with the fair value yield on the risk free rate of SA at 10%.
- The equity risk premium is based on the 28 year returns of the JSE All Share Index over the yield on the risk free rate of South Africa which is calculated at 4.9%
- The Beta is based off of the common sense beta, and ranking Ocean's risks compared to peer companies. The Beta determination is done by ranking Oceana in management, asset qualities, industry, strategy, country risk, operating and financial leverage, partners, other major risks and cash flow stability and is a levered Beta based on the equity and debt weightings.
- WACC is calculated for each respective year in the forcast and is different each year due to the changes in the equity and debt weightings.
- SA terminal growth rate is weighted with 30% to the SA long run real GDP, and 70% to the SA long run inflation (based on M2 increses). More weight to inlfation as we are in a high inflationary environment and this will be the case for the forseeable future as the Rand weakens. USA Terminal growth is kept modest and inline with the Federal Reserve Targets of 2.1%. The final terminal growth is weighted to the % of revenue of SA, and the % of revenue from the USA

Valuation date	**20-Jun-23**
Year-end date	**30-Sep-23**
WACC	10.8%
Terminal growth rate	6.89%
WACC Calculation	
WACC	**10.8%**
Cost of equity	14.0%
Risk-free rate	10.0%
Risk-premium	4.8%
Beta	1.14
Unlevered Beta	0.83
Total Cost of debt	**7.1%**
Cost of US debt	6.3%
Cost of SA debt	7.6%
Marginal tax rate	27.0%
Post-tax cost of debt	5.15%
Equity weight	67.0%
Total Debt Weight	33.0%
US Debt Weight	*17.3%*
SA Debt weight	*11.9%*

Terminal growth rate calculation	
Terminal growth rate	6.89%
SA long-run real growth rate	1.19%
SA long-run inflation (based on M2 supply)	8.23%
SA terminal growth rate	**6.1%**
Share of SA EBIT (5Y)	67.7%
USA long-run real growth rate (Fed Target)	1.8%
USA long-run inflation (Fed target)	2.1%
USA Daybrook EBIT Growth (5Y)	3.7%
USDZAR exhange rate PPP Differentials	6.0%
USA terminal growth rate (incl PPP diff)	**8.5%**
Share of USA EBITs (5Y)	32.3%

Valuation

Secondary Valuation: Sum of The Parts (SOTP) Valuation

- As a second method of valuation the SOTP valuation is conducted to asses Oceana's SA operations separately from its USA Daybrook Business. This method would consider the enterprise value should Oceana decide to sell off one of its segments, and also to asses how the enterprise value would fluctuate as the USDZAR fluctuates. SOTP valuation uses the profits to equity after interest is paid (USA and SA debt seperately) and after tax is paid (USA State of Louisiana at 9.5% and SA at 28% corporate tax rates). The cost of equity and terminal growth rates are also different for SA vs USA in determining the business segement values.
- SOTP Valuation was added as a compliment to the DCF valuation. Due to the nature of the unpredictible fishing business we do not want to fully rely on possible future cashflows that might not be realistic if there is unfavourable catchings or weather.
- Daybrook has been valued by using the fishing industry averages of PE ratios as well as EV/EBITDA Multiples.
- **Oceana's value per share through SOTP and converting Daybrook's equity value at the current exchange rate shows a value unlock and share price of R85.4 as opposed to the DCF valuation using SA based discount rates as opposed to US based discount rates.**

SOTF Valuation Breakdown

Canned Fish Segment Terminal Valuation	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023e	FY2024e	FY2025e	FY2026e	FY2027e
EBIT	380.93	452.50	557.17	288.22	436.71	436.30	536.13	463.48	475.39	469.98	418.73	468.04	423.06	371.71
Portion of SA Interest (portioned by Rev)	-11.24	-105.17	-210.63	-213.69	-169.57	-155.72	-152.56	-64.19	-66.13	-65.97	-36.10	-31.33	-27.71	-23.53
EBT	369.69	347.34	346.54	74.53	267.14	280.58	383.57	399.29	409.27	404.02	382.63	436.70	395.35	348.18
Tax (28% rate)	-103.51	-97.25	-97.03	-20.87	-74.80	-78.56	-107.40	-111.80	-114.60	-113.13	-107.14	-122.28	-110.70	-97.49
Canned Fish Profit	266.18	250.08	249.51	53.66	192.34	202.02	276.17	287.49	294.67	290.89	275.50	314.43	284.65	250.69

Horsemack, Hake and other Segment Terminal Valuation	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023e	FY2024e	FY2025e	FY2026e	FY2027e
EBIT	392.1	257.6	305.6	235.4	287.8	302.1	356.9	391.5	150.2	359.7	309.6	341.6	338.0	340.0
Portion of SA Interest (portioned by Rev)	-5.9	-53.3	-78.9	-69.9	-63.2	-58.4	-52.7	-26.0	-22.8	-21.6	-11.2	-9.5	-7.9	-6.5
EBT	386.3	204.3	226.7	165.5	224.7	243.7	304.1	365.5	127.4	338.1	298.4	332.1	330.1	333.5
Tax Rate (28% rate)	-108.2	-57.2	-63.5	-46.3	-62.9	-68.2	-85.2	-102.3	-35.7	-94.7	-83.6	-93.0	-92.4	-93.4
Hmack, Hake and other Profit	278.1	147.1	163.2	119.2	161.8	175.4	219.0	263.2	91.7	243.4	214.9	239.1	237.7	240.1

Daybrook USA Terminal Valuation	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023e	FY2024e	FY2025e	FY2026e	FY2027e
Revenue Exchange Rate	10.6	12.1	14.8	13.5	13.2	14.3	16.3	14.8	15.7	18.4	17.4	18.4	18.5	19.0
BS year end Exchange Rate	11.0	13.6	14.2	13.0	15.0	14.6	16.9	14.2	17.1	18.4	17.4	18.4	18.5	19.0
EBIT in USD	0.00	14.90	45.10	29.05	28.37	24.18	25.29	15.88	35.07	36.39	31.54	30.51	32.33	34.41
USA Debt in ZAR	0.00	1905.80	1837.90	1563.50	1470.70	1775.40	1919.90	1614.89	1811.51					
USA Debt in USD	0.00	139.82	129.02	120.28	98.28	121.59	113.68	113.73	105.86	78.00	50.00	45.56	41.13	36.69
Portion of USA Debt Interest (@2021 LIBOR (0.19825) +2.25%)	0.00	0.00	-6.46	-6.62	-7.23	-5.41	-5.35	-7.35	-6.80	-4.68	-5.00	-4.22	-3.76	-3.27
Estimated Cost of Debt		0.0%	5.0%	5.5%	7.4%	4.4%	4.7%	6.5%	6.4%	6.0%	10.0%	9.3%	9.2%	8.9%
Daybrook EBT in USD		14.90	38.64	22.43	21.15	18.77	19.94	8.52	28.27	31.71	26.54	26.30	28.57	31.15
Tax (9.5% rate in Louisiana)		-1.42	-3.67	-2.13	-2.01	-1.78	-1.89	-0.81	-2.69	-3.01	-2.52	-2.50	-2.71	-2.96
Daybrook Profit USD		13.48	34.97	20.30	19.14	16.99	18.04	7.71	25.58	28.70	24.02	23.80	25.85	28.19

SOTP Valuation	
Terminal Canned Fish Value	2911.65
Terminal Horsemack, Hake and Other Value	2274.48
Terminal Daybrook Value in Rands @ R18.4 per USD	5972.62
SA Debt	628.16
USA Debt @ Current USDZAR	1435.20
Cash (plus CCS sale)	1246.46
Net Debt	816.90

Terminal Growth Rates and Discount Rates			
SA Terminal Growth			6.11%
SA Cost of Equity			14.02%
Terminal Growth Rate (Daybrook ave EBIT growth)			3.7%
USA Cost of Capital (Combination of sectors)			10.31%
Food Processing	Chemical Re	Marine Re	Farming and Agri Re
9.33%	11.78%	9.49%	10.65%

Oceana SOTP Fair Valuation	10341.84
# shares	121.524
Impied SOTP Fair Value	**85.10**

Oceana DCF Valuation EV	8477
# shares	121.524
Implied DCF Fair Value	**69.76**

USA Daybrook: Market Related Valuation

Daybrook Valuation from Various Methods	USD (m)	ZAR 17.3
Daybrook Terminal Value Today (USD) (Based on Earnings/[Re-k])	**356.8**	6209.2
Daybrook Value USD (Based on current industry EV/EBITDA less US debt)	**418.3**	7278.9
Day Brook Value Based on (Current industry PE Multiples)	**254.6**	4429.7
Average Equity Value of Daybrook on the Various Methods	**343.3**	**5972.6**
Daybrook Actual Acquisition Price in 2015 (USD)	**382.3**	6652.0

Note: If Daybrook was sold at this market related value net USA debt and converted to ZAR, it makes up c.63.8% of current Oceana Market Cap.

Daybrook Proceeds if Sold = c.$343.6

= $343.6 x R17.4 = R5.98 billion (c.64.8% of OCE market cap)

Oceana Current Market Cap = R9.22 billion

EV/EBITDA Valuation of Daybrook

Industry EV/EBITDA Valuation of Daybrook	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	Ave EBITDA
Daybrook EBITDA Converted to USD (m)	14.90	52.09	36.08	37.13	31.68	37.67	27.22	43.14	34.99
Fishing Industry Average EV/EBITDA	14.18609	*** Oceana Group acquired Daybrook in 2015 at an EV/EBITDA value of 8.65x*							
Daybrook Value ($)(Based on current industry EV/EBITDA) less $78m debt	418.3292								
Daybrook Value in ZAR (Based on Industry EV/EBITDA)	7697.257								

Fishing Industry EV/EBITDA Multiples

EV/EBITDA Determination	EV/EBITDA 5Y Av
Fishing Industry Average EV/EBITDA	**14.2**
Atlantic Sapphire (Excluded as negative years)	70.5
Austevoll Seafood	5.7
Bakkafrost	11.1
Mowi	10.2
NaturalShrimp	30.3
Pingtan Marine	12.1
Sal Mar	11.9
Sanford	29.1
Leroy Seafood	11.6
Sea Harvest (SA)	5.7

Fishing Industry PE Multiples

Industry PE Comparison	Ave.		PE Ratio
Actual Market PE Rating on Oceana	10.9	Oceana Current PE	12.3
		Oceana Market PE based on 5y EPS Av	11.9
		Oceana 12m Fwd PE (Consensus)	8.4
AFF Valuation Ratings on Oceana	10.8	Oceana PE Implied by AFF DCF Val	11.2
		Oceana PE Implied by AFF SOTP Val	13.7
		Oceana 12m Fwd PE Implied by AFF DCF Value	8.6
		Oceana 12m Fwd PE Implied by AFF SOTP	9.6
USA Listed Global Fishing Companies Mean PE			**11.54**
Broader Market Rating on US Fishing Companies	11.54	Atlantic Sapphire	no profit
		Austevoll Seafood	6
		Bakkafrost	18.3
		Mowi	10.4
		NaturalShrimp	no profit
		Pingtan Marine	32.85
		Sal Mar	14.6
		Sanford	7.17
		Leroy Seafood	9.99
		Sea Harvest (SA) (Australian operations)	**9.83**
		Marine Products PE ratio	10.03

Financial Statement Forecast Summary

Income Statement Forecast	FY2020	FY2021	FY2022	FY2023e	FY2024e	FY2025e
Revenue (Cont. Ops)	7,923	7,296	8,148	9,422	9,327	9,728
Cost of Sales	(5,260)	(5,111)	(5,641)	(6,525)	(6,580)	(6,740)
Gross Profit	**3,048**	**2,523**	**2,797**	**3,045**	**2,814**	**2,999**
Sales and Distribution	(425)	(365)	(479)	(495)	(491)	(501)
Marketing Expenditure	(60)	(43)	(46)	(54)	(57)	(60)
Overhead Expenditure	(1,170)	(740)	(816)	(1,006)	(1,051)	(1,139)
Net foreign exchange (gain)/l	(3)	21	(23)	15	15	15
Other Operating Items	16	-21	11	-10	-10	-10
EBITDA	**1,733**	**1,591**	**1,616**	1,775	**1,553**	**1,651**
D&A	(333)	(305)	(228)	-237	(275)	(279)
EBIT	**1,400**	**1,117**	**1,244**	**1,538**	**1,277**	**1,372**
Net Interest	(254)	(181)	(180)	(142)	(124)	(108)
Taxation	(330)	(260)	(273)	(377)	(311)	(342)
Net Profit	**816**	**676**	**791**	**1,019**	**842**	**923**
Weighted ave # shares basic	116.86	118.51	121.45	121.45	121.45	121.45
Diluted weighted ave # share	126.09	127.21	121.52	121.52	121.52	121.52
EPS (ZAR)	**651**	**571**	**603**	**839**	**693**	**760**
HEPS (ZAR)	**628**	**550**	**606**	**793**	**655**	**719**
DPS (ZAR)	**393**	**358**	**346**	**479**	**396**	**434**
% growth DPS	8.3%	-8.9%	-3.4%	38.5%	-17.4%	9.7%
DPS/EPS payout ratio	0.60	0.63	0.57	0.57	0.57	0.57

Balance Sheet Forecast	FY2020	FY2021	FY2022	FY2023e	FY2024e	FY2025e
Cash & cash equiv.	1,201	828	486	901	284	449
Other current assets	2,797	2,514	4,313	3,207	3,256	3,315
Total Current Assets	**3,998**	**3,342**	**4,799**	**4109**	**3,540**	**3,764**
PPE, GW & Intangibles	7,450	6,979	7,795	8,245	8,327	8,464
Other Non current assets	412	349	601	529	558	591
Total Non Current Assets	**7,861**	**7,328**	**8,396**	**8,775**	**8,885**	**9,055**
Total Assets	**11,859**	**10,670**	**13,196**	**12,883**	**12,425**	**12,820**
ST Borrowings	382	200	298	326	229	186
Bank overdrafts	-	91	76	-	-	-
Other current liabilities	1,636	1,413	2,327	2,271	2,208	2,307
Total Current Liabilities	**2,018**	**1,704**	**2,701**	**2,597**	**2,437**	**2,493**
LT Borrowings	3,040	2,664	2,686	1,995	1,315	1,237
Other non current liabilities	856	800	775	795	795	795
Total Non Current Liabilities	**3,896**	**3,464**	**3,461**	**2,790**	**2,110**	**2,031**
Total Liabilities	**5,913**	**5,167**	**6,162**	**5,386**	**4,547**	**4,524**
Share Holder Equity	5,763	5,304	6,813	7,262	7,632	8,036
Non-controlling interest	183	200	220	234	246	259
Total Equity	**5,946**	**5,503**	**7,033**	**7,497**	**7,878**	**8,295**
Total Equity & Liabilities	**11,859**	**10,670**	**13,196**	**12,883**	**12,425**	**12,820**

Cash Flow Statement	FY2020	FY2021	FY2022	FY2023e	FY2024e	FY2025e
Cash flow from operating activities	**2,200**	**1,440**	**981**	**1,158**	**1,426**	**1,780**
of which: Net working capital chg.	427	(16)	(579)	(649)	(159)	97
Cash flow from investing activities	**(278)**	**(253)**	**(255)**	**191**	**(269)**	**(320)**
of which: Additions to PPE	(347)	(295)	(259)	(580)	(276)	(328)
of which: Disposal of PPE	18	5	4	8	8	8
Cash flow fron financing activities	**(437)**	**(480)**	**(285)**	**(846)**	**(733)**	**20**
of which: Dividends paid	(442)	(523)	(407)	(583)	(481)	(528)
Net change in cash	**563**	**(330)**	**(434)**	**(501)**	**58**	**1,346**

Segmental Performance	FY2020	FY2021	FY2022	FY2023e	FY2024e	FY2025e
Canned Fish Revenue	4,472	4,101	4,611	5,046	5,421	5,713
Canned Fish EBIT	536	463	475	470	419	468
Daybrook- Fishmeal & oil Revenue	1,906	1,533	1,946	2,722	2,231	2,288
Daybrook- Fishmeal & oil EBIT	425	235	584	670	549	563
HM, hake and other Revenue	1,546	1,661	1,592	1,653	1,676	1,727
HM, hake and other EBIT	357	392	150	360	310	342
Commercial Cold Storage Revenue	385	338	290	165	-	-
Commercial Cold Storage EBIT	82	110	39	39	-	-

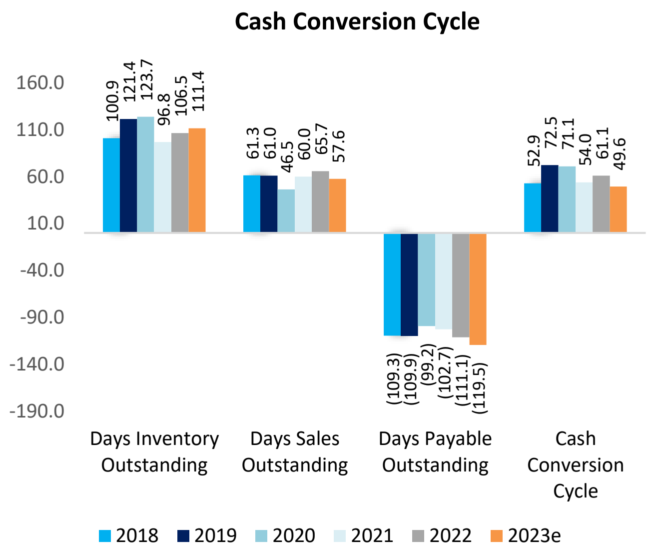
Valuation Ratios	FY2020	FY2021	FY2022	FY2023e	FY2024e	FY2025e
P/E ratio	9.63	12.01	12.28	8.83	10.68	9.74
P/BV ratio	1.33	1.58	1.28	1.20	1.14	1.08
P/Sales	0.95	1.14	1.07	0.94	0.96	0.93
EV/EBITDA	3.29	4.29	4.40	4.27	4.98	4.86
Dividend Yield	6.3%	5.2%	4.7%	6.5%	5.3%	5.9%
Return on Assets	6.9%	6.3%	6.0%	7.9%	6.8%	7.2%
Return on Equity	13.7%	12.3%	11.2%	13.6%	10.7%	11.1%
ROCE	14.2%	12.5%	11.9%	15.0%	12.8%	13.3%
ROIC	9.2%	8.2%	7.7%	10.6%	8.6%	9.3%

Financial Ratios	FY2020	FY2021	FY2022	FY2023e	FY2024e	FY2025e
Profitability Ratios						
Gross margin%	37%	33%	33%	32%	30%	30.8%
EBITDA Margin	13%	11%	12%	14%	11%	11.2%
EBIT Margin	17%	15%	15%	16%	14%	14.1%
Net Profit Margin	10%	9%	9%	11%	9%	9%
Liquidity						
Current Ratio	1.98	1.96	1.78	1.58	1.45	151.0%
Quick Ratio	1.12	1.33	0.77	0.90	0.70	76.0%
Efficiency Ratios						
Asset Turnover	0.70	0.72	0.64	0.74	0.75	0.76
Inventory turnover	2.95	3.77	2.48	3.28	3.76	3.75
Debtors turnover ratio	7.85	6.09	5.56	6.33	6.55	6.80
Payables turnover ratio	3.68	3.55	3.29	3.05	3.07	3.12
Net debt position	2221	2127	2574	1419	1260	973

Source: OCE Financial Statements & Afrifocus Forecasts

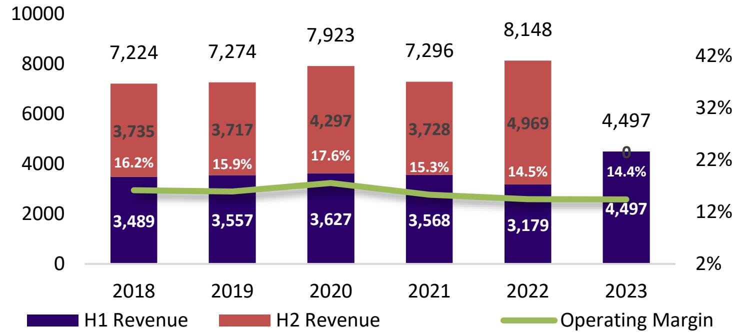
Main Forecasting Assumptions (FY23e onwards)

- Cash from the sale of Commercial Cold Storage Will Aid in reducing SA denoted debt.
- CCS Revenue, expenses and profits removed from April 2023 onwards
- In the long run the loss of profits from commercial cold storage will be recouped in the reduction of annual finance costs of debt leading the after effect of the sale to be net positive.
- The Rand continues to weaken, targeting USDZAR of R19.05 in 5 years which translates into greater Daybrook revenues.
- Canned fish price increases to be 8% for FY23 as stated by management they have already implemented this increase. Future inflation to be inline with the past prior to the high inflation seen in FY22.
- Tin price recovery by c.43 in Rand terms opposed to H1 2022 which improves canned food margins.
- Beta is high due to the nature of the business
- Closely monitoring weather patterns in order to track if there will be hurricanes impacting the Gulf. FY23 is unpredictable as yet.

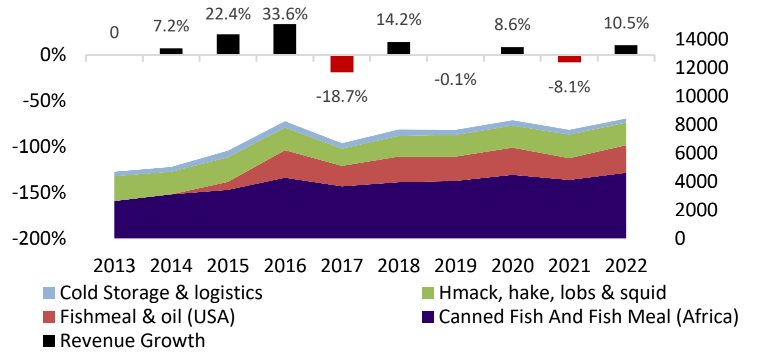


Topline Synopsis

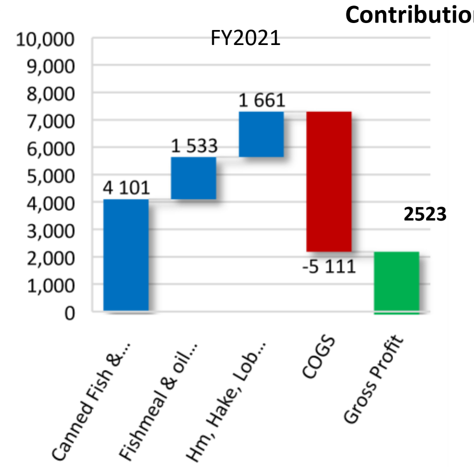
Half-year Contributions to Revenue

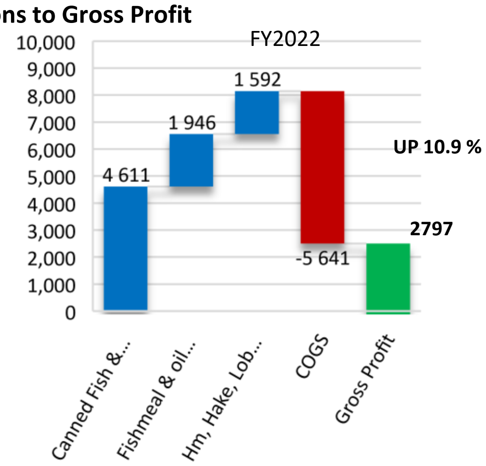


Segmental Contributions to Revenue



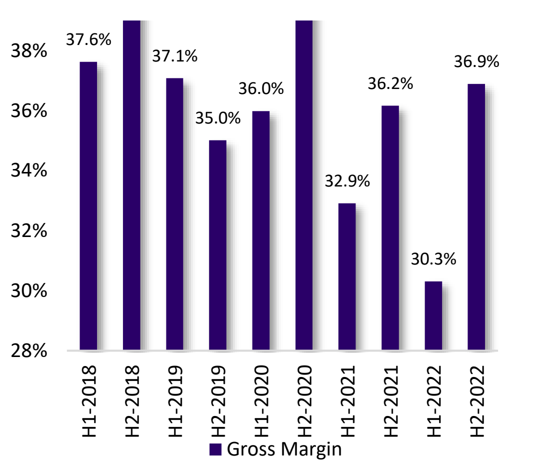
Contributions to Gross Profit



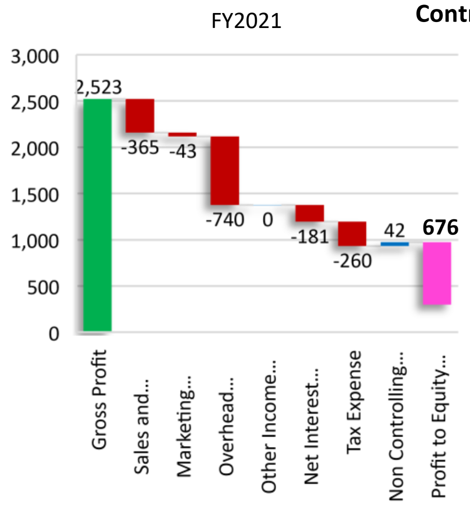


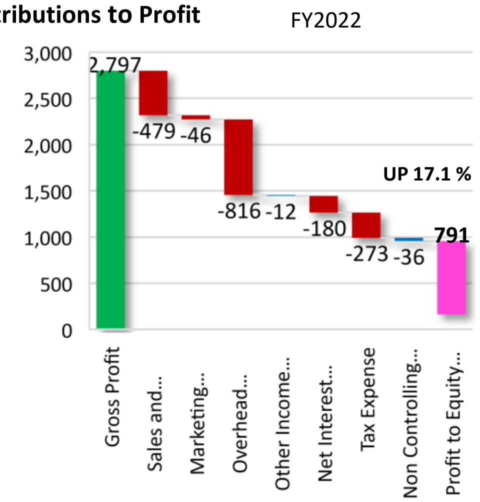
**Commercial Cold Storage is discontinued operation (Sale to be concluded February 2023

Gross Profit Margin Trends

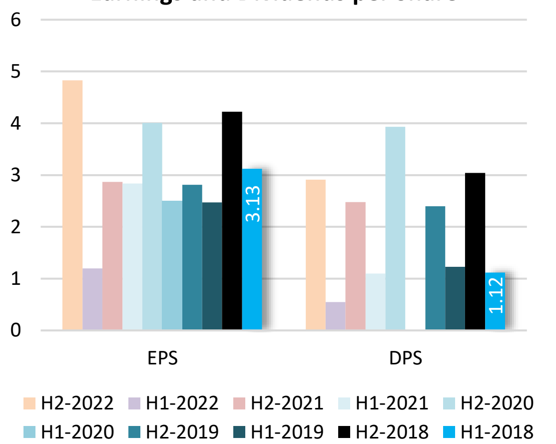


Contributions to Profit

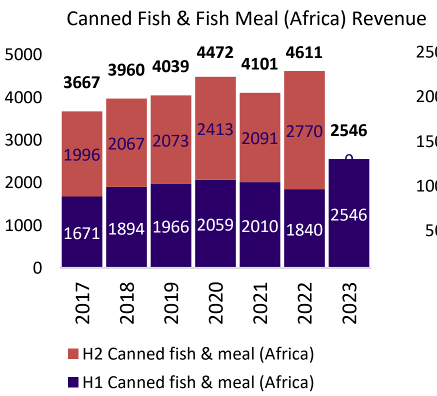


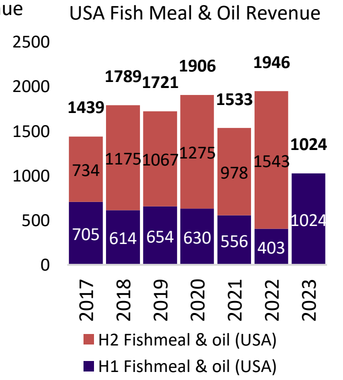


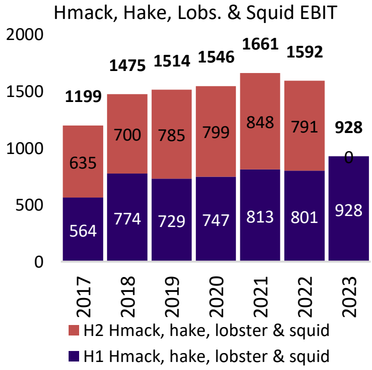
Earnings and Dividends per Share

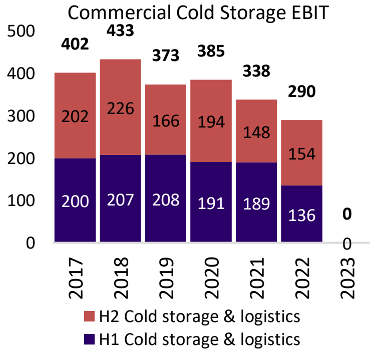


Half-year Segmental Contributions to Revenue





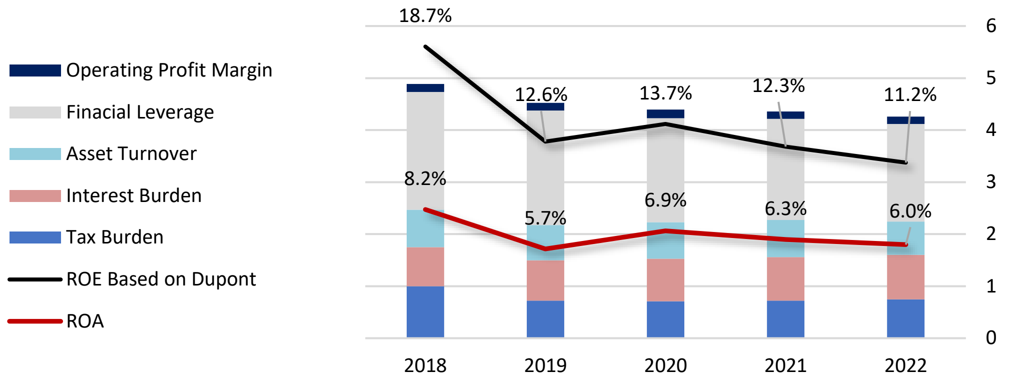


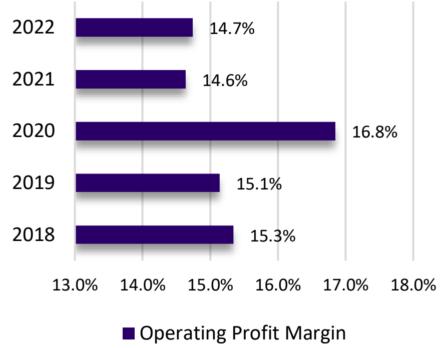


** CCS Discontinued - February 2023

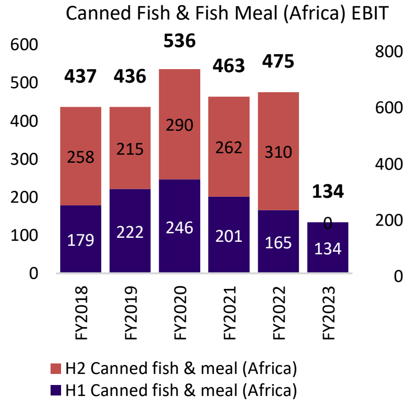
Profit Synopsis

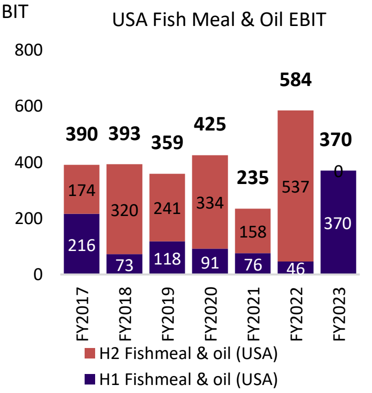
Dupont Analysis on the Drivers of Return on Equity

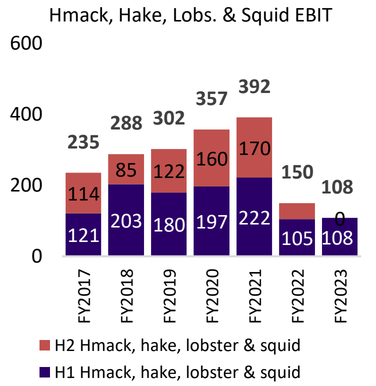


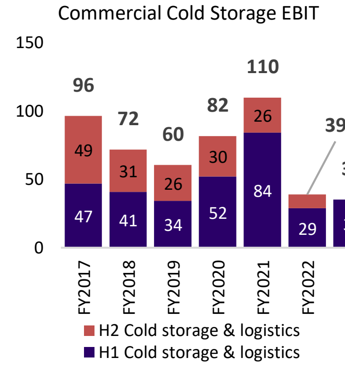


Segmental Half-year Contributions to Operating Profit





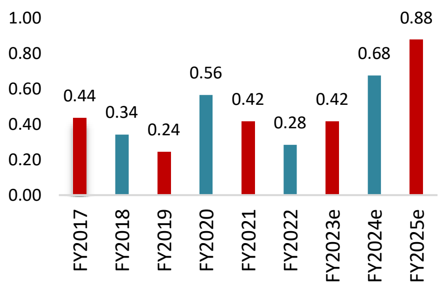




** CCS Discontinued - February 2023

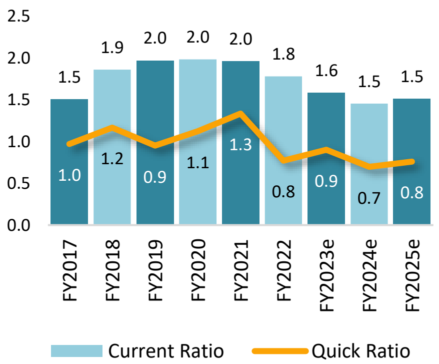
Liquidity & Cahsflow Synopsis

Operating Cashflow Liquidity Ratio



**Indicates how well a company can cover its short term liabilities from cash generated from core business

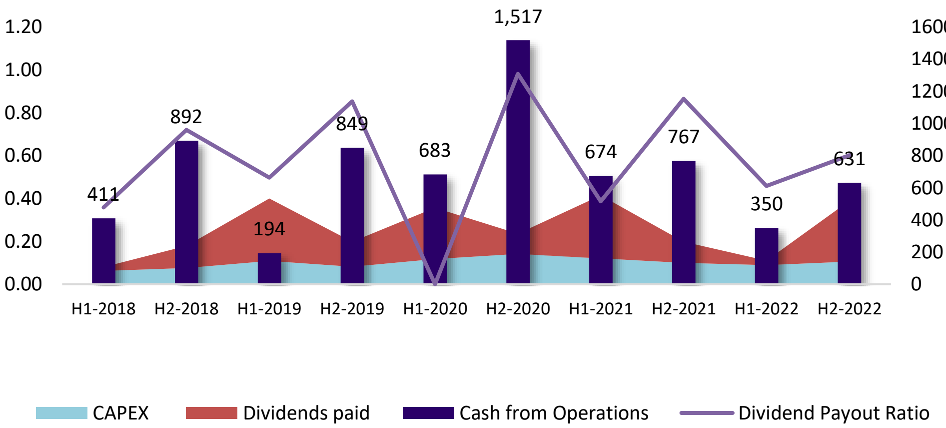
Current & Quick Ratios



Cash Ratio

**Indicates how well a company can cover its current liabilities using its cash and liquid assets on hand. Cash from sale of CCS and reducing dividends will improve cash.

Cash Paid out and Reinvested



Cashflow Coverage Ratio

**Indicates how well a company can cover its interest/finance costs using cash generated from core business operations

Peer Group Comparisons

Forward Looking Consensus Multiples	AFF OCE Forecast	OCE	AVI	ARL	RCL	TBS	SHG	Average
EBIT NTM	1538.0	1750.8	2807.4	1137.0	1607.2	3589.4	723.1	1879.0
EBITDA NTM	1774.9	2080.5	3408.0	1368.2	2775.6	4534.0	1049.4	2427.2
SALES NTM	9421.6	10947.5	15494.3	22726.3	44733.4	38968.4	6690.9	21283.2
HEPS NTM	7.9	8.9	5.7	20.2	1.1	17.3	1.5	8.9
EV / EBIT NTM	**7.82 x**	6.87 x	8.63 x	5.23 x	6.44 x	8.24 x	7.19 x	**7.20 x**
EV / EBITDA NTM	**6.78 x**	5.78 x	7.11 x	4.35 x	3.73 x	6.53 x	4.95 x	**5.60 x**
EV / SALES NTM	**1.28 x**	1.10 x	1.56 x	0.26 x	0.23 x	0.76 x	0.78 x	**0.85 x**
PE NTM	**8.35 x**	8.09 x	11.66 x	7.69 x	8.28 x	9.55 x	6.72 x	**8.62 x**

Income Comparison	OCE	AVI	ARL	RCL	TBS	SHG	Average
Revenue	**8,148**	13,845	19,334	34,907	34,029	5,875	19,356
Market Share (based on rev)	**7%**	**12%**	**17%**	**30%**	**29%**	**5%**	17%
EBIT	**1,244**	2,540	1,385	1,209	3,431	472	1,713
EBITDA	**1,616**	3,094	1,691	2,185	4,292	741	2,270
Net Income	**791**	1,751	1,068	1,013	2,865	311	1,300
EPS	**6.03**	5.29	27.10	1.13	17.38	1.09	9.67

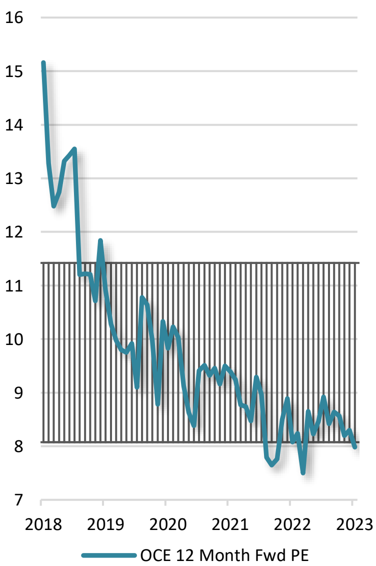
Balance Sheet Comparison	OCE	AVI	ARL	RCL	TBS	SHG	Average
Cash & ST Investments	**486**	191	723	1,590	1,116	285	732
Current Assets - Total	**4,420**	4,811	4,890	12,092	12,403	2,286	6,817
Total Assets	**13,196**	9,345	8,438	23,975	24,019	7,639	14,435
Total Debt	**3,194**	1,868	332	3,560	1,494	2,640	2,181
Total Liabilities	**6382**	4551	3652	12526	8468	4454	6672
Net Debt	**2679**	**1676**	**-701**	**1970**	**-143**	**2207**	1282
Debt to Equity Ratio	**0.47**	0.39	0.07	0.31	0.10	0.83	**0.36**

Cash Comparison	OCE	AVI	ARL	RCL	TBS	SHG	Average
Capital Expenditure	**259**	406	281	1,301	961	333	590
Cash from Operating Activities	**990**	2,236	1,198	2,531	516	481	1,325
Capex % of Cash from Operatio	**26%**	18%	23%	51%	186%	69%	45%
Capex % of Revenue	**3%**	**3%**	**1%**	**4%**	**3%**	**6%**	3%
Cash from Investing Activities	**(255)**	(388)	(179)	(1,256)	(998)	(1,071)	(691)
Cash from Financing Activities	**(285)**	(1,856)	(613)	(606)	(655)	115	(650)

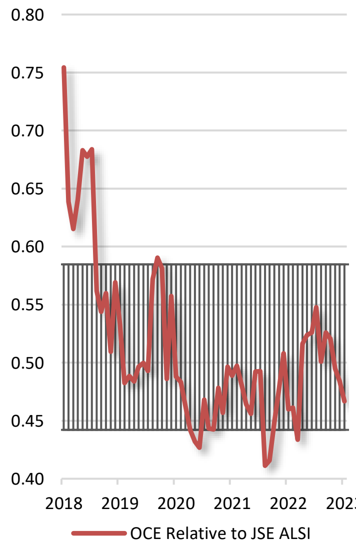
Peer Group Multiples	OCE	AVI	ARL	RCL	TBS	SHG	Average
EV / EBIT	**9.47 x**	9.96 x	4.99 x	9.79 x	10.66 x	11.11 x	9.33 x
EV / EBITDA	**7.29 x**	8.18 x	4.08 x	5.42 x	8.52 x	7.08 x	6.76 x
EV / Sales	**1.45 x**	1.83 x	0.36 x	0.34 x	1.08 x	0.89 x	0.99 x
Price / Earnings	**11.88 x**	12.84 x	6.28 x	9.86 x	11.51 x	8.76 x	10.19 x

Profit and Debt Ratios	OCE	AVI	ARL	RCL	TBS	SHG	Average
Return On Equity	**11.25%**	38.09%	23.56%	9.14%	18.42%	9.86%	18.39%
Return On Assets	**6.00%**	19.25%	12.96%	4.22%	12.36%	4.06%	9.81%
Gross Margin	**33.15%**	38.56%	20.79%	25.57%	30.31%	22.77%	28.53%
Net Profit Margin	**9.38%**	12.65%	5.44%	2.90%	8.42%	5.29%	7.35%
Long Term Debt to Equity	**38.19%**	7.39%	4.83%	19.82%	2.10%	73.64%	24.33%

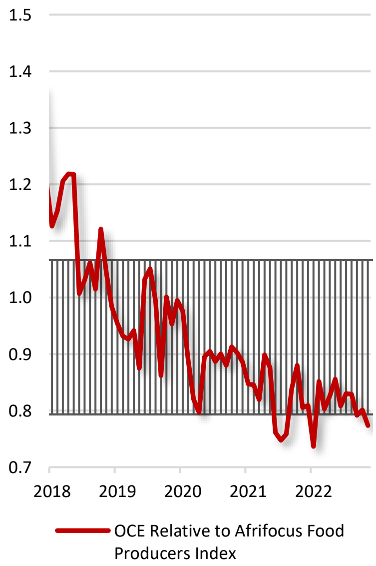
OCE 12 Month Forward PE Ratio



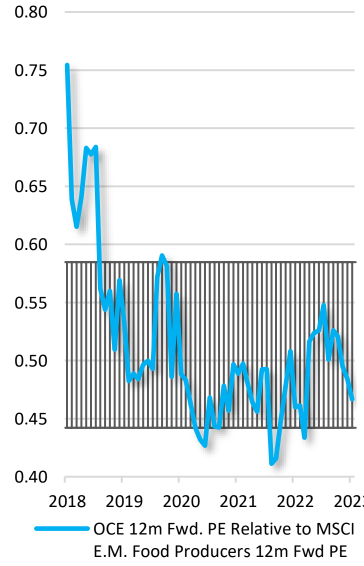
OCE 12 Mnth. Fwd. PE Relative to JSE ALSI



OCE 12 Mnth. Fwd. PE Relative to JSE Food Producers Index



OCE 12m Fwd. PE Relative to MSCI E.M. Food Producers 12m Fwd PE



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