

Sea Harvest Group delivers strong result in a tough environment

In a tough environment, the Sea Harvest Group delivered a resilient operating performance for the year ended 31 December 2023. The period experienced strong demand for seafood internationally, offset by challenging fishing conditions locally, persistent cost inflation and the continued impact of load shedding.



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Group revenue increased by 6% to R6.2bn, whilst earnings before interest and tax (EBIT) was 15% ahead of the same period in 2022, and headline earnings per share (HEPS) of 100 cents, 5% behind 2022.

Sea Harvest Group CEO, Felix Ratheb, says, "This result was pleasing considering the challenges the business faced with tough fishing conditions, load shedding and persistent inflation on input costs. The Group's performance benefited from strong demand across all markets and channels."

Despite significantly lower volumes because of lower landings of hake and less availability of milk, revenue was up. This was driven by strong price increases, compounded internationally by a weaker Rand to the Euro and Australian Dollar.

Nearly 50% of Sea Harvest's sales are in foreign currency, making the Group a strong Rand hedge.

South African Fishing business performance:

- Despite 8% lower sales volumes due to the challenging fishing conditions, EBIT in the core South African Fishing business increased by 12%, driven by improved pricing in all markets and channels, a weaker Rand and good cost control.
- The Fishing Rights Application Process (FRAP) appeals in Hake were completed on 4 October 2023, providing certainty for the next 15 years.
Other segment performance:
- Significant changes took place in the Aquaculture segment: the abalone business turned profitable as the farms mature, the oyster business was sold, and Viking Aquaculture minorities were bought out, increasing the Group's shareholding to 87%.
- The dairy operations delivered reasonable results, despite significant cost inflation and load shedding.
- The severe pressure on prawn prices globally resulted in a dampened performance in Australia.

Corporate activity

The Group announced the proposed acquisition of 100% of Terrasan's pelagic fishing business (Saldanha) and 63.07% of Terrasan's abalone business (Aqunion). The transaction is transformative as it will add pelagics to the fishing portfolio and double the size of the abalone business. The transaction is subject to shareholder and regulatory approvals.

Looking forward, Ratheb says, "While local and international demand for our products remain firm, fishing conditions continue to challenge us. With FRAP concluded, it provides much needed certainty to our business and lays the platform for required investment. The Harvest Cap Nord, a hake freezer trawler, as well as the Isabella Marine, a hake wet fish trawler, were both acquired and commenced fishing in early 2024. Timing is good, as the Total Allowable Catch for hake has been increased by a further 5% for 2024."

"Our abalone business turned to profit in 2023, and through the proposed merger with Aqunion in 2024, creates an abalone business of scale. The integration of MG Kailis in Australia has created a prawn and fish business of scale, and provided prawn prices recover, the business will continue to grow."

"The constrained consumer, the impact of load shedding and infrastructure impediments continue to provide challenges. We are completing our first solar PV installation at Ladismith to reduce the impact of loadshedding. This will be our third investment in sustainable infrastructure, following the wind farm in our abalone business and the investment in a de-salination plant in our fishing business to reduce the cost of water and electricity."

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